

## Information brochure

# Proposed Distribution by Lundin Petroleum AB of International Petroleum Corporation's Shares

Lundin Petroleum AB (publ)



*This information brochure does not constitute an offer to sell or the solicitation of an offer to buy any securities. This information brochure is not a prospectus. It is to be used for information purposes only and as a basis for decision by Lundin Petroleum's shareholders when resolving on the Board of Directors' proposal concerning distribution of all of the shares of Lundin Petroleum's wholly-owned subsidiary, International Petroleum Corporation ("IPC"), to the shareholders of Lundin Petroleum. Provided that the extraordinary general meeting ("EGM") of Lundin Petroleum on 22 March 2017 approves the distribution in accordance with the Board of Directors' proposal, no further actions are required by you as a shareholder in Lundin Petroleum in order to receive shares in IPC, except for being registered as a shareholder (directly registered or nominee registered) on the record date for the distribution of the shares of IPC. IPC has applied to the Toronto Stock Exchange (the "TSX") to list its shares for trading on such exchange. IPC also intends to list its shares on Nasdaq Stockholm, or initially on another reputable Swedish exchange, (the "Swedish Exchange") for trading. Listing will be subject to IPC fulfilling the requirements of the TSX and the Swedish Exchange. There can be no assurance that IPC's shares will be accepted for listing on the TSX or the Swedish Exchange.*

*The notice of the EGM was made public and was published on Tuesday, 28 February 2017 on Lundin Petroleum's website [www.lundin-petroleum.com](http://www.lundin-petroleum.com). Complete proposal on the distribution of the IPC shares, the Board of Director's statements and reports, proxy form and other materials related to the EGM were published on Wednesday, 1 March 2017 on Lundin Petroleum's website [www.lundin-petroleum.com](http://www.lundin-petroleum.com).*

## IMPORTANT INFORMATION

The Board of Directors of Lundin Petroleum has proposed that Lundin Petroleum's shareholders approve, at the extraordinary general meeting of Lundin Petroleum's shareholders to be held on 22 March 2017, the distribution of all of IPC's Shares to the shareholders of Lundin Petroleum on a *pro rata* basis. This information brochure is not a prospectus, nor does this information brochure contain any offer to sell or the solicitation of any offer to buy any Shares or other securities of IPC or Lundin Petroleum in any jurisdiction. This information brochure is to be used exclusively for information purposes to form the basis for the resolution at the extraordinary general meeting of Lundin Petroleum's shareholders. This information brochure is available in Swedish and English on Lundin Petroleum's website, [www.lundin-petroleum.com](http://www.lundin-petroleum.com). In the event of discrepancies between the two versions, the English version shall prevail.

For definitions of certain specific terms used in the information brochure, please see section "*Important definitions*" below. The information brochure is governed by Swedish law. Disputes arising in connection with the information brochure or any subsequent legal matters are to be settled exclusively by the courts of Sweden.

Questions regarding the Distribution of IPC's Shares will be answered by Pareto Securities at the following telephone number +46 8 402 51 40 during normal office hours in Sweden until the Distribution has been completed.

### Information to shareholders in the United States

The Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or the securities legislation of any other state or other jurisdiction in the United States and may not be offered, sold or otherwise transferred, directly or indirectly, in or into the United States except under an available exemption from, or by a transaction not subject to, the registration requirements under the U.S. Securities Act and in compliance with the securities legislation in the relevant state or any other jurisdiction of the United States. The Shares have neither been approved nor rejected by the United States Securities and Exchange Commission, any state securities authority or other authority in the United States.

### Advisory to shareholders outside of Sweden

This information brochure has not been prepared with regard to matters that may be of particular concern to shareholders that are not resident in Sweden, including any tax or financial matters. Shareholders that are residents of jurisdictions other than Sweden are strongly encouraged to obtain their own tax and other advice to ensure that they understand the consequences to them of the matters described in this information brochure and how such consequences apply to them in their particular circumstances.

### Forward-Looking Statements

Certain statements made and information contained herein constitute "forward-looking information" (within the meaning of applicable securities legislation). Such statements and information (together, "forward-looking statements") relate to future events, including Lundin Petroleum's or IPC's future performance, business prospects or opportunities. Forward-looking statements include, but are not limited to, statements with respect to the proposed Reorganization, the proposed Distribution, expectations that applicable regulatory approvals will be obtained, the expected future activities of Lundin Petroleum and IPC following the Distribution, the future growth and financial capacity of Lundin Petroleum and IPC, IPC's intentions with respect to and ability to execute its growth strategies, future investor interest in Lundin Petroleum and IPC and the expected increase in value ascribed to the IPC Assets from investors following the spin-off of IPC, estimates of reserves and/or resources, future production levels, the availability of opportunities for IPC to deploy capital and make acquisitions and the ability of IPC to capitalize on such opportunities on satisfactory terms, the organizational structure of IPC following the spin-off, expectations regarding the intention of the Lundin family to retain its interest in IPC following the Distribution, the expected management team, board and board committee composition of IPC, the Credit Facility, the contemplated Offer and related transactions, the principal securityholders of IPC, the number of securities of IPC outstanding following the Distribution, relinquishment of non-material legacy assets, future cash flows, future capital expenditures and their allocation to exploration and development activities, future drilling and other exploration and development activities. Ultimate recovery of reserves or resources are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

All statements other than statements of historical fact may be forward-looking statements. Statements concerning proven and probable reserves and resource estimates may also be deemed to constitute forward-looking statements and reflect conclusions that are based on certain assumptions that the reserves and resources can be economically exploited. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, 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", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions) are not statements of historical fact and may be "forward-looking statements".

Although the forward-looking statements contained in this information brochure are based upon assumptions that the Company believes to be reasonable, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this information brochure, the Company has made assumptions regarding, among other things: that the Company will conduct its operations in a manner consistent with its expectations; future commodity prices and royalty regimes; availability of skilled labour; timing and amount of capital expenditures; future currency exchange and interest rates; the impact of increasing competition; general conditions in economic and financial markets; availability of drilling and related equipment; effects of regulation by governmental agencies; the continuance of existing tax and regulatory regimes; future operating costs; availability of future sources of funding; IPC's ability to conclude new transactions, including financings and acquisitions, in a satisfactory manner; and the availability of debt and/or equity financing and cash flow to fund IPC's capital and operating requirements as needed.

No assurance can be given that these expectations and assumptions will prove to be correct and such forward-looking statements should not be relied upon. These statements speak only as on the date of the information and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable laws. Actual results may differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements are expressly qualified by this cautionary statement.

### Risk factors

A number of risk factors may affect IPC and its operations following the Reorganization and the spin-off of the IPC Assets through the Distribution. There are risks involving circumstances pertaining to IPC, and risks that have no specific connection with IPC, but which impact the industry and the market in which IPC operates. Accordingly, it is important to carefully analyse

the material risk factors associated with IPC's future development. A description of material risk factors for IPC is included in the preliminary prospectus filed by IPC and available under IPC's profile on SEDAR ([www.sedar.com](http://www.sedar.com)).

### **Presentation of financial information**

Certain financial and other information that is presented in this information brochure has been rounded to make the information easily comprehensible to the reader. Accordingly, the figures contained in certain columns do not tally exactly with the total amount specified. No information in the information brochure has been audited or reviewed by an auditor unless expressly stated otherwise.

### **Non-IFRS financial measures**

In addition to using financial measures prescribed under IFRS, references are made in this information brochure to "operating cash flow netback", "EBITDA netback" and "profit netback", 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 issuers. Non-IFRS measures should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. Management 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 IPC's ability to meet its future capital expenditure and working capital requirements.

All "per boe" measures represent division by production volumes. Per boe performance measures enable management and investors to understand costs and profitability for each barrel produced and identify trends for IPC and its segments over comparable periods.

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### Important definitions

“\$”	means United States Dollars.
“C\$”	means Canadian Dollars.
“AGM”	means the annual general meeting of shareholders in Lundin Petroleum to be held on 4 May 2017.
“Board of Directors”	means the board of directors of Lundin Petroleum.
“EGM”	means the extraordinary general meeting of shareholders in Lundin Petroleum to be held on 22 March 2017.
“Euroclear”	means Euroclear Sweden AB, company registration number 556112-8074, the Swedish central securities depository.
“Distribution”	means the distribution of all the Shares by Lundin Petroleum on a <i>pro rata</i> basis of one IPC Share for every three shares held in Lundin Petroleum to all of its shareholders.
“IPC”	means, unless otherwise stated, the corporate group in which International Petroleum Corporation, British Columbia (Canada) registry number BC1103721, is intended to be the parent company or International Petroleum Corporation, as the context requires.
“IPC Assets”	means the oil and gas exploration and production properties and related assets of Lundin Petroleum located in Malaysia, France and the Netherlands.
“IPC Board of Directors”	means the board of directors of IPC.
“Lundin Petroleum” or the “Company”	means, unless otherwise stated, the corporate group in which Lundin Petroleum AB (publ), company registration number 556610-8055, is the parent company or Lundin Petroleum AB (publ), as the context requires.
“Nasdaq Stockholm”	means the main market operated by Nasdaq Stockholm Aktiebolag.
“Reorganization”	means the series of transactions that will result in the acquisition by IPC of the IPC Assets.
“Shares”	means common shares in IPC.
“Swedish	means Nasdaq Stockholm, or initially another reputable

“Exchange”	stock exchange in Sweden.
“TSX”	means the Toronto Stock Exchange.

### Important dates

<b>Deadline for submitting proposals for the AGM</b>	15 March 2017
<b>Record date for attendance at the EGM</b>	16 March 2017
<b>Final date to provide notification of attendance at the EGM</b>	16 March 2017
<b>EGM</b>	2.00 p.m. CET on 22 March 2017 at Näringslivets hus, Wallenbergsalen in Stockholm, Sweden
<b>Announcement of the record date for the Distribution</b>	The Board of Directors will announce the record date for the Distribution at the earliest at the end of March 2017 or at such time as when conditions out of the Board of Director’s control, such as receiving necessary regulatory approvals, have been fulfilled
<b>The record date for the Distribution</b>	Will occur shortly after the announcement above
<b>The Distribution will be executed</b>	Two business days after the record date for the Distribution
<b>Q1 report 2017</b>	3 May 2017
<b>AGM</b>	1.00 p.m. CET on 4 May 2017 in the “Vinterträdgården” at the Grand Hotel in Stockholm, Sweden

### Notification of attendance at Lundin Petroleum’s EGM

Information regarding the right to attend and how to register for attendance to Lundin Petroleum’s EGM can be found in the notice convening the EGM, which is published on Lundin Petroleum’s website, [www.lundin-petroleum.com](http://www.lundin-petroleum.com).

## **Letter from the Chairman**

**Dear fellow shareholders,**

I am very happy to be able to announce that the Board of Directors is proposing for approval of the Lundin Petroleum shareholders that the Company make a dividend from your investment in Lundin Petroleum's shares.

This dividend will come in the form of shares of International Petroleum Corporation ("IPC"). IPC will be an independent oil and gas company resulting from the spin-off of Lundin Petroleum's non-Norwegian producing assets, in Malaysia, France and the Netherlands.

The reorganization of Lundin Petroleum's international assets into IPC creates an exciting new company with a strong balance sheet and a proven board and management team. The focus of IPC will be to create value at a time in the cycle when the industry remains under-capitalised and multiple opportunities are available as other oil and gas companies rationalise their portfolios. As the former CEO of the previous IPC, which merged with Sands Petroleum AB in 1998 to become Lundin Oil AB, I feel a special personal attachment to IPC and will follow its progress with keen interest.

Following the spin-off, Lundin Petroleum will become fully focused on Norway, which I am convinced will serve to further crystallise the value of our high-growth asset portfolio in the North Sea and the southern Barents Sea.

I look forward to the future success of IPC and to the continuing success of Lundin Petroleum, with the Lundin family remaining as committed major shareholders to both companies.

Sincerely,

Ian H. Lundin  
Chairman of the Board of Directors  
Lundin Petroleum AB

## **Background and reasons for the Reorganization and Distribution**

The Board of Directors and management of the Company routinely review and assess strategic alternatives available to the Company to enhance shareholder value. As part of that review, the Board of Directors and management concluded that given ongoing developments and successes with the Company's assets in Norway, the IPC Assets, held within a separate and independent entity, would benefit from enhanced strategic flexibility and management focus, increased visibility and an expected increase in value ascribed to the IPC Assets by investors. Additionally, the Board of Directors believes that the Company will benefit from a dedicated focus on capturing value from the Company's opportunities in Norway following the spin-off of IPC.

With a renewed strategy and focus, the Board of Directors and management believes that IPC can be built into a leading international independent oil and gas company, focused on the production and development of high quality assets around the world. The Board of Directors and management believe an independent IPC will be well positioned to pursue both organic and inorganic growth opportunities over time. The significant cash flows generated from the long-lived assets that will be owned by IPC following the Reorganization will provide IPC with the financial capacity to pursue this strategy.

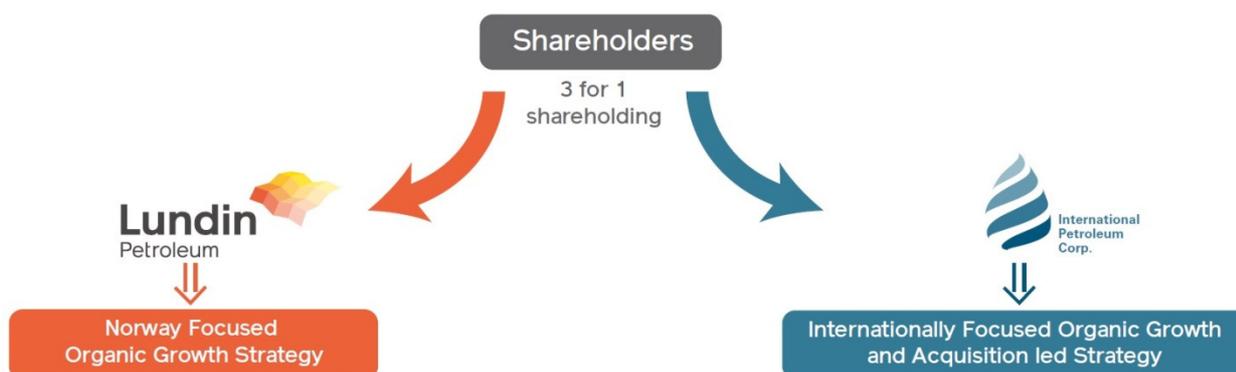
The proposed Reorganization of the IPC Assets under IPC and the spin-off of IPC via the Distribution will allow the Board of Directors and Lundin Petroleum's management to solely focus on maximising shareholder value from its Norwegian portfolio which has continuously grown in size and value since Lundin Petroleum entered Norway in 2004, with the Norwegian assets now accounting for 96% of Lundin Petroleum's reserves and 88% of Lundin Petroleum's 2017 production guidance. Lundin Petroleum's strong liquidity position of USD 1 billion of headroom coupled with its operating cash flow generation allows the Company to retain all external bank debt and still be able to fully fund its committed capital expenditure up to Johan Sverdrup first oil in late 2019. The Company's net debt at year end 2016 amounted to approximately USD 4 billion.

Accordingly, on 13 February 2017, Lundin Petroleum announced the intention of its Board of Directors to proceed with the Reorganization and the Distribution.

Stockholm in March 2017  
**LUNDIN PETROLEUM AB (publ)**  
*The Board of Directors*

## Information regarding the proposed Distribution

On 13 February 2017, Lundin Petroleum announced its intention to spin-off its assets in Malaysia, France and the Netherlands into a newly formed subsidiary, IPC, and to distribute the Shares, on a pro rata basis, to Lundin Petroleum's shareholders.



### Resolution on the Distribution

Provided that the EGM of Lundin Petroleum on 22 March 2017 approves the Board of Directors' proposal to distribute all of the Shares of its wholly-owned subsidiary, IPC, to the shareholders of Lundin Petroleum, shareholders of Lundin Petroleum who on the record date for the Distribution are registered as shareholders will be entitled to receive one Share in IPC for every three shares held in Lundin Petroleum. The Shares will be distributed to Lundin Petroleum's shareholders *pro rata* to the holdings of each individual shareholder on the record date for Distribution. It is proposed that the record date for the Distribution will be set by the Board of Directors. Aside from being registered as a shareholder on the record date for the Distribution (directly registered or nominee registered) no further action is required in order to receive shares in IPC. The Distribution is expected to fulfil the requirements of the Lex ASEA rules regarding taxation. For further information, please see Section "Swedish Tax Considerations" below.

### Distribution ratio

Lundin Petroleum intends to distribute all of the Shares *pro rata* to the shareholding in Lundin Petroleum of each individual shareholder on the record date for Distribution. Each shareholder in Lundin Petroleum will be entitled to receive one Share for every three shares held in Lundin Petroleum. Should any shares be held in treasury by Lundin Petroleum on the record date for the Distribution, such shares will not entitle to distributions. All Shares will be distributed, provided that the EGM approves the Board of Directors' proposal. If a shareholder's holding in Lundin Petroleum is not evenly divisible by three, the

holder will receive an entitlement to a fraction of a Share. Such fractions will be added together with the fractions held by other shareholders into whole Shares, which will be sold on the market by Pareto Securities. The proceeds, without deduction of any commissions, will then be paid to the relevant IPC shareholders via Euroclear Sweden.

#### **Record date**

The Board of Directors proposes that the EGM authorizes the Board of Directors to set the record date at Euroclear for the Distribution. The Board of Directors intends to cause the Company to execute the Distribution of the Shares at the earliest at the end of March 2017 or at such time as when conditions out of the Board of Director's control, such as receiving necessary regulatory approvals, have been fulfilled. The record date is expected to take place in close proximity to the completion of the Reorganization and a listing of the Shares.

#### **Receipt of Shares**

Shareholders with shares entered in the Lundin Petroleum share register maintained by Euroclear on the record date will, without further actions, receive Shares. The Shares will be available in the central securities depository ("CSD") account (Sw. *VP-konto*) of those shareholders who are entitled to receive the Distribution two banking days after the record date. Thereafter, Euroclear will send a statement containing information on the number of shares registered in CSD accounts of the recipients.

#### **Nominee registered holdings**

Shareholders whose holdings in Lundin Petroleum are registered with a bank or other nominee will not receive accounting information from Euroclear. Notices will instead be issued in accordance with the respective nominee's procedures.

#### **Listing of the Shares**

The IPC Board of Directors has applied to the TSX to list the Shares for trading and also intends to list the Shares for trading on the Swedish Exchange. Listing on the TSX and the Swedish Exchange will be subject to IPC fulfilling the requirements of the TSX and the Swedish Exchange, respectively. There can be no assurance that the Shares will be accepted for listing on the TSX or the Swedish Exchange. It is anticipated that the listing on the TSX and the Swedish Exchange will be subject to IPC satisfying certain conditions, including *inter alia* the distribution of the Shares to a minimum number of public shareholders.

There are no assurances as to the price at which the Shares may trade.

The application to complete the listing of the Shares on the TSX and the intention to complete the listing on the Swedish Exchange can each be withdrawn. Notice of

such will be made public through a press release by either Lundin Petroleum or IPC.

IPC has filed a preliminary prospectus dated 21 February 2017 with the Alberta Securities Commission (“ASC”) in Canada. The filing of the preliminary prospectus with the ASC initiates the Canadian securities regulatory review process in Alberta, Canada that is required in connection with IPC becoming a public reporting issuer in Canada. The preliminary prospectus is available under IPC’s profile on SEDAR ([www.sedar.com](http://www.sedar.com)).

#### **Euroclear and Shares listed on an exchange outside of Sweden**

Only Shares registered in the Swedish CSD system with Euroclear will be subject to trading on the Swedish Exchange following a listing of the Shares on the Swedish Exchange.

Holders of Shares listed on an exchange outside of Sweden, if applicable, will be entitled to register those Shares in the CSD system at Euroclear in order to trade their securities on the Swedish Exchange and vice versa. In order for shareholders to trade Shares on an exchange outside of Sweden, if applicable, instead of on the Swedish Exchange, or vice versa, holders of Shares are advised to contact their nominee, bank or broker, as applicable. All Shares traded on the Swedish Exchange will be registered in Euroclear and will not be represented by physical share certificates.

#### **Rights to dividends**

Holders of Shares are entitled to dividends, if, as and when declared by the IPC Board of Directors. Under applicable Canadian corporate law, IPC may declare and pay a dividend in property, including in money, or by issuing shares or warrants of IPC. IPC may not declare or pay a dividend in property, including in money, if there are reasonable grounds for believing that (a) IPC is insolvent, or (b) the payment of the dividend would render IPC insolvent.

The payment of any dividend to holders of Shares in the Euroclear system will be administered by Euroclear or, for nominee registered holdings, in accordance with the respective nominee’s procedures. Entitlement to receive a dividend for holders of Shares in the Euroclear system is limited to shareholders registered in the share register maintained by Euroclear on the record date for dividend set by the IPC Board of Directors.

#### **Conditions for the Distribution**

The Board of Directors proposes that the execution of the Distribution be conditional upon:

1. that the necessary approvals and consents regarding the reorganization of Lundin Petroleum have been received; and
2. receipt of conditional listing approval for the Shares from a reputable stock exchange.

The necessary approvals and consents referred to under item 1 above include, *inter alia*, (i) the approvals required under Lundin Petroleum's senior secured revolving borrowing base facility agreement (which approvals have been received, subject to finalisation of legal documentation) and (ii) the approval of French governmental authorities regarding the change of control of certain Lundin Petroleum subsidiaries that will occur due to the Reorganization.



## The Reorganization

### The Reorganization in brief

Prior to the Distribution, Lundin Petroleum will, and intends to cause IPC to, complete the Reorganization, which will result in all of the IPC Assets being acquired by IPC through the acquisition by IPC of certain current subsidiaries of Lundin Petroleum. Under the relevant Reorganization agreements, all of the shares of Lundin Petroleum BV and all of the shares of Lundin Services Ltd., which are currently owned by Lundin Petroleum, will be transferred to IPC in exchange for the issuance by IPC to Lundin Petroleum of a number of Shares. IPC will then transfer Lundin Petroleum BV to International Petroleum Coöperatief UA, which will be a subsidiary of IPC immediately before the Reorganization. The Reorganization is contingent upon receipt of all necessary approvals and consents, including the approval of the shareholders of Lundin Petroleum at the EGM, and approvals required under Lundin Petroleum's senior secured revolving borrowing base facility agreement.

In connection with the Reorganization, Lundin Petroleum BV will transfer its interest in Lundin Norway AS, Lundin Petroleum Marketing SA, Lundin Petroleum SA and Lundin Russia BV to its wholly-owned subsidiary to be incorporated in the Netherlands, Lundin Petroleum Holding BV. Lundin Petroleum BV will then transfer all of the issued and outstanding shares of Lundin Petroleum Holding BV to Lundin Petroleum.

Under the relevant Reorganization agreements, Lundin Petroleum and IPC will agree that certain potential liabilities related to discontinued operations (the "**Discontinued Operations**"), which are held in subsidiaries of Lundin Petroleum BV, will be indemnified by Lundin Petroleum. In addition, Lundin Malaysia BV currently has bank guarantees in an aggregate amount of \$10.2 million in support of its operations. These bank guarantees expire in June 2017. Lundin Petroleum has agreed to allow its corporate guarantee to the financial institutions to remain in place, subject to an indemnity from IPC to Lundin Petroleum for any liabilities under such guarantee.

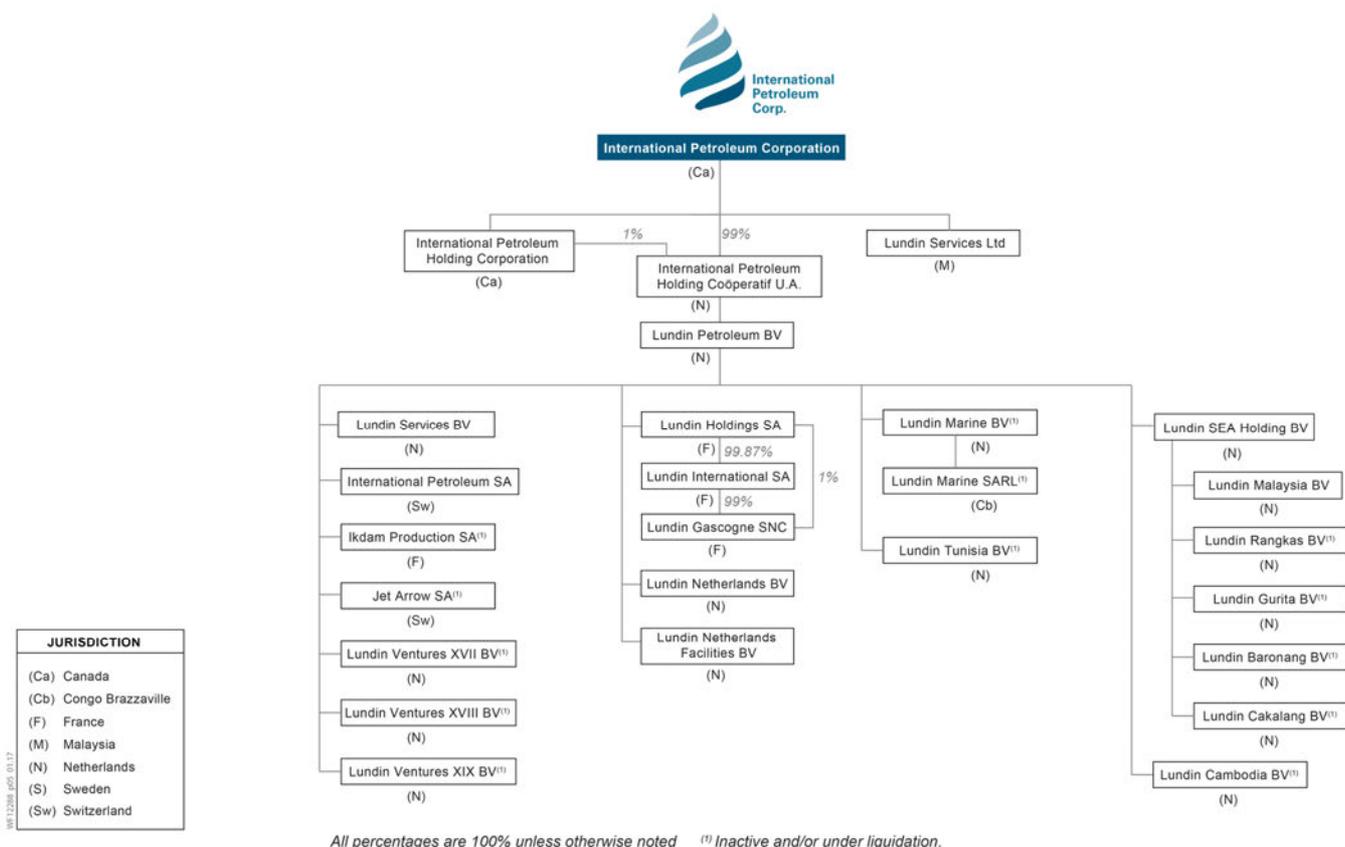
The Reorganization will be completed with an economic date of January 1, 2017.

### Objectives of the Reorganization

Further to what is stated in the section "*Background and reasons for the Reorganization and Distribution*" above, the Reorganization and the spin-off of IPC are expected to deliver the following strategic and financial benefits to shareholders of Lundin Petroleum and IPC:

- Increased and renewed focus of IPC’s management on the optimization and targeted development of the IPC Assets, including opportunities that may not have been considered material or strategic to Lundin Petroleum.
- Enhanced strategic flexibility to pursue organic and inorganic growth opportunities, including the acquisition, integration and optimization of other existing production or near-production properties in geographies and fiscal regimes similar to those where the IPC Assets are located.
- Ability to deploy cash flows generated from the IPC Assets to pursue acquisitions that may yield meaningful accretion to shareholder value.
- Expected increased focus and visibility for the IPC Assets and an expected accompanying increase in value ascribed to the IPC Assets from investors.
- Dedicated focus of Lundin Petroleum’s management to continue to capture value from its opportunities in Norway.

Following the Distribution, the organizational structure of IPC will be as follows:



### **Post-Distribution offer**

Lundin Petroleum understands that, as described in greater detail below, immediately following the Distribution and following the establishment of a credit facility expected to be entered into by certain of IPC's subsidiaries following the Reorganization under which IPC is expected to be a guarantor (the "**Credit Facility**"), the IPC Board of Directors has resolved to cause Lundin Petroleum BV, or another post-Reorganization subsidiary of IPC that is not resident in Canada (the "**Offeror**"), to use its own resources (including a draw-down pursuant to the Credit Facility) to make an offer to all holders of Shares to purchase up to \$100 million of Shares (or approximately 24.4% of the Shares that will then be outstanding) for consideration of C\$4.77 per Share (the "**Offer**"), based on an assumed number of approximately 113.5 million Shares outstanding on the date of the Offer.

The value of the proposed per-share consideration under the Offer was determined by the IPC Board of Directors, based on its determination of the fair market value of IPC as of 21 February 2017, assuming completion of the Reorganization and the Distribution. The IPC Board of Directors based this determination on the valuations presented by the management of IPC, with advice of external financial advisors, in accordance with customary valuation methodologies in the international oil and gas industry, including based on the reserves report.

Lundin Petroleum understands that IPC expects that the Offer will remain open for a period of approximately three weeks, during which time holders of Shares may tender all, but not less than all, of their Shares to the Offer. If the value of the Shares tendered to the Offer is in excess of \$100 million, the Shares taken up under the Offer will be taken up on a *pro rata* basis among those tendering. The Offer will not be conditional upon any minimum number of Shares being tendered.

Among other things, Lundin Petroleum has been informed that the IPC Board of Directors believes that the proposed Offer is desirable as it provides all shareholders of IPC with the equal opportunity to assess whether they wish to hold or dispose of Shares during the Offer period, recognizing that the strategic and investment goals of some shareholders of Lundin Petroleum (who will become shareholders of IPC immediately following the Distribution) may or may not correspond to IPC's assets and proposed strategy.

Lundin Petroleum understands that the plan to make the Offer immediately following the Distribution (subject to the establishment of a Credit Facility) was formed by IPC to facilitate an orderly exit for shareholders who do not wish to continue to be shareholders of IPC. Immediately following the Distribution, Nemesia S.à.r.l. and Statoil ASA ("**Statoil**") are expected to be IPC's two largest shareholders. The IPC Board of Directors and management of IPC have been

advised by Statoil that while it supports the Reorganization and the Distribution, continuing to hold shares in IPC post-spin-off is non-core for Statoil, given IPC's size and geography. Accordingly, Statoil has advised IPC of its intention to tender its Shares to the Offer once it is made. Nemesia S.à.r.l., along with Landor Participations Inc., another investment company related to a member of the Lundin family, and members of the IPC Board of Directors and management, have advised IPC that they also support the spin-off and that they do not intend to tender to the Offer.

Separately, IPC has been advised that Statoil and Nemesia S.à.r.l. have entered into an agreement pursuant to which, following the expiry of the Offer, Nemesia S.à.r.l. will acquire any Shares held by Statoil that have not been acquired by the Offeror in the Offer for the same consideration per Share as is payable pursuant to the Offer.

Following completion of such transactions, it is anticipated that Statoil will not own any Shares, and Nemesia S.à.r.l. will own between 25.6% and approximately 39% of the Shares, depending on the number of Shares tendered to the Offer by other shareholders (prior to the cancellation of Shares acquired by Lundin Petroleum BV pursuant to the Offer, as described below).

Following completion of the Offer, the Board of Directors understands that it is IPC's intention to issue the Series A Preferred Shares (defined below) to its subsidiary, Lundin Petroleum BV, in consideration for the purchase for cancellation from Lundin Petroleum BV of the Shares acquired by Lundin Petroleum BV pursuant to the Offer.

## **IPC in brief**

### **Introduction**

IPC was incorporated by Lundin Petroleum on 13 January 2017 for the purpose of completing the Reorganization and the Distribution and has not undertaken any activity except in connection with the Reorganization and the Distribution. The legal and commercial name of IPC is International Petroleum Corporation. IPC is a corporation incorporated and domiciled in British Columbia, Canada under the Business Corporations Act (British Columbia) (the "BCBCA") with British Columbia Registry number BC1103721.

The main business of IPC following the Reorganization will be exploring for, developing and producing oil and gas. IPC will maintain a portfolio of oil and gas production assets and development projects in Malaysia, France and the Netherlands with exposure to exploration opportunities. IPC will have a number of non-material legacy non-producing interests, including in Indonesia, Tunisia,

Cambodia and the Republic of Congo, which are in the process of being relinquished.

Following the Reorganization, IPC will operate its produced volumes in the Paris Basin, France and Malaysia and will own non-operated interests in the Aquitaine Basin, France and the Netherlands. As operator, it expects to be able to control the pace and strategy of its development activities and to implement execution strategies that are compatible with its approach to prudently managing operational and financial risk. It also expects to be able to optimize the timing and magnitude of capital expenditure programs and to leverage the value of management's expertise and proven track record.

The IPC Assets in Malaysia are offshore assets characterized by a small number of highly productive wells. Production is light, high quality oil that attracts a premium to Brent crude pricing. The Malaysian assets began production in 2015, completed the first phase of development drilling in 2016 and are in the early stages of their production life. There are 12 horizontal wells, fitted with electric submersible pumps and a natural aquifer drive for pressure support.

Following the Reorganization, IPC will also indirectly own 100% of the FPSO Bertam operating in Malaysia. A bareboat charter agreement dated August 13, 2014 is in place between Lundin Malaysia BV, on behalf of the PM307 joint venture, and Lundin Services Limited, under which the charterer (Lundin Malaysia BV) pays a fixed lease rate over a six-year period starting April 2015, with four one-year options for renewal after the fixed period, at the option of Lundin Malaysia BV, as charterer. The parties comprising the PM307 joint venture are Lundin Malaysia BV with a 75% interest and Petronas Carigali Sdn Bhd ("**PCSB**") with a 25% interest. The PM307 joint venture is governed by a farmout agreement with an effective date of May 1, 2011 and by a joint operating agreement dated May 1, 2011. Costs incurred within the licence are apportioned in proportion to each party's interest. Lundin Services Limited is paid the complete lease by Lundin Malaysia BV, and PCSB reimburses its share to Lundin Malaysia BV in accordance with its proportionate interest in the PM307 joint venture, resulting in an additional stream of revenue for IPC. Since the start of production in 2015, the Bertam field has attained an uptime in excess of 99%, which management of IPC believes to be world-class performance for an offshore asset.

The IPC Assets in France are comprised of two main operating basins, the Paris Basin, which will be operated directly or indirectly by IPC, and the Aquitaine Basin, which is operated by Vermilion Energy Inc. ("**Vermilion**"). Both basins are characterized by a high number of wells with low production decline rates. Production from the IPC Assets in France is light, high quality oil only. Currently, the IPC Assets in France represent 61% of the 2P Reserves of IPC. The IPC Assets

in France have been under the ownership of Lundin Petroleum since 2002, are well known to IPC's management and will be operated by the current local team in place in the Paris Basin and by Vermilion in the Aquitaine Basin.

The IPC Assets in the Netherlands are non-operated, late-life gas fields, both onshore and offshore, that continue to provide profitable production. Over the course of the next 10 years, abandonment activity with respect to the IPC Assets in the Netherlands is expected to increase. Although the IPC Assets in the Netherlands show a limited positive net present value, positive cash flow is forecast over the next 10 years, which is negatively impacted by the related abandonment provisions. Although decommissioning and economic limits impact some of the fields, in other fields (such as K4b / K5a), production is forecast to continue into the 2030s.

### **The strategy for the IPC Assets**

Following the Distribution, Lundin Petroleum understands that the IPC Board of Directors and management of IPC intends for IPC to be a leading independent oil and gas company focused on production of high quality assets in stable jurisdictions around the world. IPC will aim to realize this vision through the optimization of the IPC Assets in Malaysia, France and the Netherlands, targeted development of the IPC Assets, and acquisition, integration and optimization of other existing production or near-production properties in similarly attractive geographies and fiscal regimes. IPC is expected to have the financial capacity to fund both the organic and inorganic growth of its business with various sources of capital, including IPC's stable excess cash flows from the IPC Assets and access to both the debt and equity capital markets. Management of IPC intends to liquidate and dissolve each of the subsidiaries that formerly conducted the Discontinued Operations as soon as practicable.

#### *Maximize the productive potential of the IPC Assets through increased management focus*

Lundin Petroleum understands that IPC plans to continue to execute on the existing operational plan for the IPC Assets following the Distribution. Accordingly, Lundin Petroleum understands that IPC intends to operate the IPC Assets to maximize cash flows and to investigate opportunities to invest in low risk exploration and development projects to maintain or increase production and to curb decline rates. The Board of Directors and management of Lundin Petroleum believes that IPC will benefit from the IPC Board of Directors' and IPC management's increased focus on the IPC Assets, identifying opportunities for improvement that were less emphasized while the IPC Assets were owned by

Lundin Petroleum. Lundin Petroleum understands that IPC's key strategies in each jurisdiction following the Distribution will be as follows.

In Malaysia, IPC intends to operate the IPC Assets in order to do the following:

- Maintain high-uptime, low-cost operations utilizing the 100%-owned FPSO Bertam.
- Manage the reservoir to ensure optimum production from existing wells.
- Investigate opportunities to maximize production and volumes in cooperation with the local partner PCSB.

In France, IPC intends to operate the IPC Assets in order to do the following:

- Maintain high-uptime, low-cost, low-decline operations in the Paris Basin through its infrastructure maintenance program.
- Continue to work with the operator in the Aquitaine Basin to maintain low-cost operations.
- Investigate opportunities to maximize production and volumes.

In the Netherlands, IPC intends to manage the IPC Assets in order to do the following:

- Work with operators to ensure alignment on business plans, forecasts and operational activities.
- Challenge operators to optimize the production plans and seize opportunities to extend the life of the IPC Assets in the Netherlands.
- Support opportunities to maximize production and volumes through exploration and development close to existing infrastructure.

*Utilize IPC's platform to make accretive acquisitions in a favourable market*

Lundin Petroleum understands that following the Distribution, IPC will focus on strengthening the cash flows of the IPC Assets by adding high-quality assets that further enhance the financial strength of IPC's business, accelerate its growth and provide access to additional production, development and reserves. IPC intends to initially concentrate on low-decline producing and near-production assets in stable jurisdictions with attributes similar to the IPC Assets. Management believes that IPC's financial position and cash flows will offer IPC an advantageous platform to pursue accretive acquisitions.

Lundin Petroleum understands that the IPC Board of Directors and management of IPC believe that IPC will be able to generate substantial operating synergies both in fields located near to the IPC Assets, and in locations in which IPC will not operate

immediately following the Reorganization. IPC's local management teams will have built significant experience operating the IPC Assets that the IPC Board of Directors and management of IPC believe will be able to be redeployed to additional assets. Complementing IPC's in-country strength, IPC's executive management team and the IPC Board of Directors following the Reorganization will have significant experience in identifying, executing and integrating oil and gas assets and companies into portfolios similar to that of IPC.

Lundin Petroleum has been informed that the IPC Board of Directors and management of IPC believe that there will be sufficient opportunities that fit the criteria for IPC to deliver selective, high quality acquisitions to further enhance its portfolio and maintain the sustainability of its business model. The recent low oil price environment has driven asset divestitures by exploration and production companies struggling with liquidity issues, while also limiting the ability of balance sheet-constrained competitors to acquire such assets. The IPC Board of Directors and management of IPC believe that the oil majors and large international oil and gas companies are increasingly focused on larger volumes in new frontier basins, not long-life, low decline assets in established basins, and will continue to dispose of high quality assets to meet their public divestment undertaking. Similarly, there are few independent operators of the size that IPC will be following the Reorganization, with its operational capabilities and significant financial capacity to capitalize on these opportunities in this attractive market.

*Maintain a disciplined approach to financial management*

Following the Distribution, Lundin Petroleum understands that IPC will strive to maintain a conservative financial profile and strong balance sheet with strong liquidity. IPC's funding sources will include operating cash flows, debt and equity. Typically, IPC will fund or plan to fund exploration activities from production cash flows and equity and development activities from a combination of production cash flows, debt and proceeds of portfolio management activities such as farm-downs or sales. Since the FPSO Bertam came on stream in April 2015, the cash flows from the IPC Assets have been sufficient to fund all exploration and appraisal activities.

Lundin Petroleum understands that the IPC Board of Directors and management of IPC intend to use debt financing prudently and to maintain what management considers to be appropriate levels of financial leverage.

IPC will not have entered into any derivative financial instruments immediately following the Reorganization, but Lundin Petroleum understands that management will recognize and monitor the financial risks derived from the foreign exchange markets as well as those coming from the interest rates and oil and gas prices

volatility. As part of management's prudent and close monitoring of IPC's liquidity position and financial commitments, management may consider entering into derivatives instruments in the future to mitigate these identified risks. Management of IPC would do so in line with the best industry practice, without taking speculative positions, by hedging treasury or commercial flows.

Following the Distribution, IPC will maintain insurance that management believes is consistent with customary industry practices in the jurisdictions in which IPC will conduct business.

### **Industry overview**

#### *Malaysian industry summary*

Malaysia's upstream sector has been built upon the oil and gas fields in the shallow waters off Peninsular Malaysia and Sarawak, which have been the focus of development activity since the 1960s. As production in this region has matured, the attention of major operators switched to the deepwater potential of Borneo in the Sarawak and Sabah basins. This change in focus has led to large oil discoveries such as Kikeh and Gumusut, offshore of Sabah. In recent years, the Malaysian state oil company Petronas and other operators have discovered large gas accumulations in carbonate pinnacle reef structures in Sarawak.

Oil production in Malaysia began in the early part of the 20th century. In the 1960s, exploration activity moved offshore and the first significant fields were brought onstream. Since reaching a peak of 770,500 bbl/d in 1995, liquids production has declined. Malaysia is now considered a relatively mature oil producer.

Gas is an increasingly important component of the energy economy of Malaysia, as evidenced by the comparison of liquids and gas production through time. Gas production in Malaysia can be split into peninsular production, supplied for domestic consumption in peninsular Malaysia, and Borneo production, the majority of which is converted to liquefied natural gas for export at the Bintulu plant in Sarawak.

#### *France industry summary*

France is a mature hydrocarbon country. French production originates from three main sedimentary basins known as the Aquitaine, Paris and Alsace basins. Nearly all of the IPC Assets in France are located in the Paris Basin and the Aquitaine Basin.

Commercial oil production began in France in 1950 and peaked in 1988, when rising production from the Paris Basin exceeded the decline from the Aquitaine

Basin fields. The bulk of current oil production in France comes from the Paris Basin.

*Netherlands industry summary*

The Netherlands is the second largest gas producer in Europe. It is now a mature hydrocarbon country as onshore production began in the 1950s and offshore production began in the 1960s. Gas production is dominated by the large onshore Groningen field, which was discovered in 1959. It is the largest gas field in Europe and among the 10 largest gas fields in the world.

## Summary of financial information for IPC

The combined historical financial information that is presented below has been derived from the audited combined carve-out financial statements for the IPC Assets for the financial years ended 31 December 2014, 2015 and 2016 (the “**Financial Statements**”). The Financial Statements, which have been audited by the auditor of Lundin Petroleum, PricewaterhouseCoopers AG, have been prepared in accordance with IFRS as adopted by the International Accounting Standards Board and are attached to the preliminary prospectus filed by IPC as Schedule “B”. The preliminary prospectus is available under IPC’s profile on SEDAR ([www.sedar.com](http://www.sedar.com)). The following information should be read in conjunction with such Financial Statements and the accompanying notes. Rounding-off differences may arise in all tables.

### Combined Statements of Operations (a Carve-Out of Lundin Petroleum)

For the financial year ended 31 December

\$ Thousands	Audited 2016	Audited 2015	Audited 2014
<b>Revenue</b>	<b>204,598</b>	<b>172,094</b>	<b>153,485</b>
<b>Cost of sales</b>			
Production costs	(57,795)	(41,474)	(49,913)
Depletion	(85,187)	(92,573)	(32,790)
Depreciation of other assets	(31,073)	(23,685)	–
Exploration costs	(14,443)	(37,638)	(20,396)
Impairment costs	(125,965)	(191,758)	–
<b>Gross profit/(loss)</b>	<b>(109,865)</b>	<b>(215,034)</b>	<b>50,386</b>
Other income	4,804	–	–
General, administration and depreciation expenses	(14,937)	(18,046)	(25,825)
<b>Profit/(loss) before net financial items</b>	<b>(119,998)</b>	<b>(233,080)</b>	<b>24,561</b>
Finance income	23,813	54,337	61,138
Finance costs	(3,697)	(3,826)	(3,162)
<b>Net financial items</b>	<b>20,116</b>	<b>50,511</b>	<b>57,976</b>
<b>Profit/(loss) before tax</b>	<b>(99,882)</b>	<b>(182,569)</b>	<b>82,537</b>
Income tax	(925)	1,004	(16,212)
<b>Net result</b>	<b>(100,807)</b>	<b>(181,565)</b>	<b>66,325</b>
Net result attributable to:			
Shareholders of the Parent Company	(100,815)	(181,571)	66,285
Non-controlling interest	8	6	40
	<b>(100,807)</b>	<b>(181,565)</b>	<b>66,325</b>

**Combined Statements of Comprehensive Income/(Loss) (a Carve-Out of Lundin Petroleum)**

For the financial year ended 31 December

	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>
\$ Thousands	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Net result</b>	<b>(100,807)</b>	<b>(181,565)</b>	<b>66,325</b>
<b>Other comprehensive income/(loss):</b>			
Items that may be reclassified to profit or loss:			
Currency translation difference	8,733	10,034	(21,246)
Other comprehensive income	8,733	10,034	(21,246)
<b>Total comprehensive income/(loss)</b>	<b>(92,074)</b>	<b>(171,531)</b>	<b>45,079</b>
Total comprehensive income/(loss) attributable to:			
Shareholders of the Parent Company	(92,082)	(171,537)	45,039
Non-controlling interest	8	6	40
	<b>(92,074)</b>	<b>(171,531)</b>	<b>45,079</b>

## Combined Balance Sheets (a Carve-Out of Lundin Petroleum)

At 31 December

	Audited	Audited
\$ Thousands	2016	2015
<b>ASSETS</b>		
<b>Non-current assets</b>		
Producing oil and gas properties	304,684	382,918
Non-producing oil and gas properties	16,026	137,221
Other tangible fixed assets	152,345	186,612
Financial assets	6	5
Deferred tax assets	11,653	12,331
<b>Total non-current assets</b>	<b>484,714</b>	<b>719,087</b>
<b>Current assets</b>		
Inventories	25,067	31,005
Trade and other receivables	40,556	40,629
Current tax	386	3,470
Cash and cash equivalents	12,464	24,373
<b>Total current assets</b>	<b>78,473</b>	<b>99,477</b>
<b>TOTAL ASSETS</b>	<b>563,187</b>	<b>818,564</b>
<b>EQUITY IN NET ASSETS AND LIABILITIES</b>		
Shareholders' equity	392,196	592,889
Non-controlling interest	(285)	(277)
<b>Net parent company investment</b>	<b>391,911</b>	<b>592,612</b>
<b>Non-current liabilities</b>		
Provisions	98,474	113,661
Deferred tax liabilities	50,366	49,316
<b>Total non-current liabilities</b>	<b>148,840</b>	<b>162,977</b>
<b>Current liabilities</b>		
Trade and other payables	22,436	62,530
Current tax liabilities	–	445
<b>Total current liabilities</b>	<b>22,436</b>	<b>62,975</b>
<b>TOTAL EQUITY IN NET ASSETS AND LIABILITIES</b>	<b>563,187</b>	<b>818,564</b>

## Combined Statements of Cash Flows (a Carve-Out of Lundin Petroleum)

For the financial year ended 31 December

\$ Thousands	Audited 2016	Audited 2015	Audited 2014
<b>Cash flow from operations</b>			
Net result	(100,807)	(181,565)	66,325
Adjustments for non-cash related items:			
Depletion, depreciation and amortization	117,376	117,403	33,619
Exploration costs	14,443	37,638	20,396
Impairment costs	125,965	191,758	–
Current tax	(2,203)	1,699	11,374
Deferred tax	3,129	(2,703)	4,838
Long-term incentive plans	1,728	1,015	7,357
Foreign currency exchange	(23,731)	(53,621)	(60,846)
Interest expense	8	19	88
Other	3,559	3,112	2,698
	<hr/> 139,467	<hr/> 114,755	<hr/> 85,849
Long-term incentive plans	(783)	(740)	(31,044)
Interest received	2	62	227
Interest paid	0	(4)	(88)
Income taxes (paid)/refunded	2,173	(3,044)	(9,412)
Changes in working capital	3,639	(44,252)	51,727
<b>Total cash flow from operating activities</b>	<hr/> <b>144,498</b>	<hr/> <b>66,777</b>	<hr/> <b>97,259</b>
<b>Cash flow used in investing activities</b>			
Investment in oil and gas properties	(34,136)	(177,055)	(214,345)
Investment in other fixed assets	–	(31,122)	(121,182)
Investment in other shares and participations	–	–	9,274
Other payments	(9,710)	(2,976)	(695)
<b>Total cash flow used in investing activities</b>	<hr/> <b>(43,846)</b>	<hr/> <b>(211,153)</b>	<hr/> <b>(326,948)</b>
<b>Cash flow from financing activities</b>			
Parent Company net investment/(proceeds)	(109,142)	134,893	231,210
Dividend paid to non-controlling interest	–	–	(117)
<b>Total cash flow from financing activities</b>	<hr/> <b>(109,142)</b>	<hr/> <b>134,893</b>	<hr/> <b>231,093</b>
Change in cash and cash equivalents	<b>(8,490)</b>	<b>(9,483)</b>	<b>1,404</b>
Cash and cash equivalents at the beginning of the year	24,373	25,108	8,678
Currency exchange difference in cash and cash equivalents	(3,419)	8,748	15,026
<b>Cash and cash equivalents at the end of the year</b>	<hr/> <b>12,464</b>	<hr/> <b>24,373</b>	<hr/> <b>25,108</b>

## Combined Key Ratios

	Unaudited Jan-Dec 2016	Unaudited Jan-Dec 2015	Unaudited Jan-Dec 2014
Operating cash flow netback, \$/boe	31.95	35.48	52.56
Operating cash flow/interest ratio	19,573	6,843	1,045
EBITDA netback, \$/boe	28.52	31.30	44.80
Profit netback, \$/boe	-21.62	-49.97	37.81
Return on equity	-0.14	-0.15	0.04
Assets/equity ratio	4.2	3.6	2.4
Net debt/equity ratio	n/a	n/a	n/a

### Definitions of key ratios which are not defined in accordance with IFRS

Key ratio	Definition	Reason for inclusion
Operating cash flow netback, \$/boe	Operating cash flow divided by the produced boe volume. Operating cash flow is revenue less production costs and less current taxes.	Measures how much cash is being produced by the operational assets for each boe produced and is available to repay and service any debt as well as for capital investment.
Operating cash flow/interest ratio	Operating cash flow divided by the interest expense for the period.	Measures how many times the interest expense is covered by the operational cash flow.
EBITDA netback, \$/boe	EBITDA divided by the produced barrels of oil equivalent volume. EBITDA is net result before financial items, taxes, depletion, exploration costs, impairment costs and depreciation.	Measures the earnings being produced by the operational assets.
Profit netback, \$/boe	Net result from the income statement divided by the boe volume.	Measures the profitability for each boe produced.
Return on equity	Net result divided by average total equity.	Measures the profitability generated with the shareholders equity
Assets/equity ratio	Total assets divided by total equity.	Measures the relationship of the total assets to the shareholders equity
Net debt/equity ratio	Bank loans less cash and cash equivalents divided by total equity.	Measures the leverage of the assets through debt financing relative to the shareholders equity

## Reconciliation of non-IFRS measures

### *Operating cash flow and operating cash flow netback*

The following table sets forth a reconciliation for the IPC Assets of the net result from the income statement to operating cash flow and operating cash flow netback:

\$ Thousands	2016	2015	2014
<b>Net result</b>	<b>(100,807)</b>	<b>(181,565)</b>	<b>66,325</b>
Depletion	85,187	92,573	32,790
Depreciation of other assets	31,073	23,685	–
Exploration costs	14,443	37,638	20,396
Impairment costs	125,965	191,758	–
Other income	(4,804)	–	–
General, administration and depreciation expenses	14,937	18,046	25,825
Net financial items	(20,116)	(50,511)	(57,976)
Taxes - deferred	3,129	(2,703)	4,838
<b>Operating cash flow</b>	<b>149,007</b>	<b>128,921</b>	<b>92,198</b>
Production mboe	4,664	3,634	1,754
<b>Operating cash flow netback, \$/boe</b>	<b>31.95</b>	<b>35.48</b>	<b>52.56</b>

### *EBITDA and EBITDA netback*

The following table sets forth a reconciliation for the IPC Assets of the net result from the income statement to EBITDA and EBITDA netback:

\$ Thousands	2016	2015	2014
<b>Net result</b>	<b>(100,807)</b>	<b>(181,565)</b>	<b>66,325</b>
Depletion	85,187	92,573	32,790
Depreciation of other assets	31,073	23,685	–
Exploration costs	14,443	37,638	20,396
Impairment costs	125,965	191,758	–
Other income	(4,804)	–	–
Depreciation included in general, administration and depreciation expenses	1,115	1,146	829
Net financial items	(20,116)	(50,511)	(57,976)
Taxes – current and deferred	925	(1,004)	16,212
<b>EBITDA</b>	<b>132,981</b>	<b>113,720</b>	<b>78,576</b>
Production mboe	4,664	3,634	1,754
<b>EBITDA netback, \$/boe</b>	<b>28.52</b>	<b>31.30</b>	<b>44.80</b>

*Profit netback*

The following table sets forth a reconciliation for the IPC Assets of the net result from the income statement to the profit netback:

\$ Thousands	2016	2015	2014
<b>Net result</b>	<b>(100,807)</b>	<b>(181,565)</b>	<b>66,325</b>
Production mboe	4,664	3,634	1,754
<b>Profit netback, \$/boe</b>	<b>(21.62)</b>	<b>(49.97)</b>	<b>37.81</b>

**Performance Measurement**

To measure financial performance, management's primary focus is on the operating results and capital expenditure at a country and asset level. Production and sales volumes and revenues are monitored and managed on a hydrocarbon product level, as is common in the oil and gas industry.

**Other information**

Lundin Petroleum's audited annual report for the financial year 2015 and unaudited year-end report for the financial year 2016 are incorporated into this information brochure by reference and are available on Lundin Petroleum's website [www.lundin-petroleum.com](http://www.lundin-petroleum.com).

## **Board of Directors, executive officers and auditor**

### **IPC Board of Directors**

The IPC Board of Directors is expected to be comprised of six directors. The following sets forth information about the contemplated directors, including education and experience.

#### **Lukas H. Lundin, Chair of the Board of Directors**

##### **Place of Residence: Switzerland**

Born in 1958, Lukas H. Lundin graduated from the New Mexico Institute of Mining and Technology (engineering) in 1981.

In 1982, Mr. Lundin headed International Petroleum Corporation's oil and gas operations and was based in Dubai, U.A.E. From 1990 to 1995, he was President of International Musto Exploration Limited and was responsible for Musto's acquisition of the Bajo de la Alumbrera deposit. Bajo de la Alumbrera was the subject of a \$500 million takeover by Rio Algom and North Limited. Mr. Lundin was also responsible for Argentina Gold and the discovery of the multi-million ounce Veladero gold deposit. Veladero was the subject of a \$300 million takeover by Homestake in 1999. In addition, Mr. Lundin was a senior director of Lundin Oil and was instrumental in the \$480 million takeover of Lundin Oil by Talisman Energy in 2001.

Mr. Lundin currently serves as chairman and director of a number of publicly traded natural resource-based companies. Within the last 5 years, Mr. Lundin has served as Executive Chairman, Chairman and Director of Denison Mines Corp.; Chairman and Director of Filo Mining Corp.; Chairman and Director of Lundin Gold Inc. (formerly Fortress Minerals Corp.); Chairman and Director of Lucara Diamond Corp.; Chairman and Director of Lundin Mining Corporation; Director of Lundin Petroleum AB; Chairman and Director of NGEx Resources Inc. (formerly Canadian Gold Hunter Corp.); Director of Newmarket Gold Inc.; Chairman and Director of RB Energy Inc. (formerly Sirocco Mining Inc./Canada Lithium Corp. and prior thereto, Atacama Minerals Corp.); Chairman and Director of Vostok Gas Ltd.; and Chairman and Director of Vostok Nafta Investment Ltd.

**Mike Nicholson, CEO and Director****Place of Residence: Switzerland**

Born in Scotland in 1971, Mike Nicholson graduated from Aberdeen University where he obtained a degree in Economics and Management Studies.

Between 1994 and 1996, Mr. Nicholson worked as a consulting economist for AUPEC Ltd in Aberdeen. From 1996 to 2004, he worked in various economics, financial and banking roles with Veba Oel, Canadian Imperial Bank of Commerce and Marathon Oil in London.

Mr. Nicholson joined Lundin Petroleum in 2005 as Group Economics and Commercial Manager. He became General Manager of the Malaysia business in 2008 and Managing Director of the South East Asia business in 2012. He was appointed CFO in 2013. Mr. Nicholson has not served as a director of any public company in the last 5 years.

**C. Ashley Heppenstall, Director****Place of Residence: Hong Kong**

Born in England in 1962, Ashley Heppenstall is a graduate of Durham University where he obtained a degree in Mathematics.

From 1984 until 1990, he worked in the banking sector where he was involved in project financing of oil and mining businesses. In 1990, Mr. Heppenstall was a founding director and shareholder of Sceptre Management Limited.

Mr. Heppenstall has worked with public companies associated with the Lundin family since 1993. In 1998 he was appointed Finance Director of Lundin Oil AB. Following the acquisition of Lundin Oil by Talisman Energy in 2001, Lundin Petroleum was formed and he was appointed President & CEO in 2002 until he stood down in 2015. Within the last 5 years, Mr. Heppenstall has served as a director of Africa Energy Corp. Etrion Corp., Filo Mining Corp., Lundin Gold Corp., Lundin Petroleum AB, ShaMaran Petroleum Corp. and Vostok Nafta Investment Ltd.

**Donald Charter, Director****Place of Residence: Canada**

Donald Charter became the Chairman of the Board of Directors of IAMGOLD Corporation on May 11, 2015. An experienced corporate director, he serves on four public company boards, which, in addition to IAMGOLD, include Lundin Mining, Dream Office REIT and Adriana Resources. Mr. Charter has extensive senior executive leadership experience, most recently, as President and CEO of Corsa Coal, a public metallurgical coal company with operations in the U.S. that he successfully built from a non-operating startup to an established domestic and international supplier of US low vol metallurgical coal. Mr. Charter's business experience includes financial services, mining (precious metals, base metals, iron ore, coal) and real estate.

Mr. Charter is a graduate of McGill University with degrees in Economics and Law. He began his career in Toronto, building a successful business law practice. Mr. Charter left law and joined the Dundee group of companies as an Executive Vice President with capital markets related responsibilities. He became the founding Chairman and CEO of the Dundee Securities group of companies, and oversaw its growth from a startup to a major independent financial services company. After ten years, Mr. Charter left this group and, in addition to Corsa, has focused his attention on consulting (he has had consulting roles in the private, private equity and hedge fund sectors), and corporate directorships. In addition to his executive leadership positions, Mr. Charter has extensive board level experience having been involved in several corporate boards and having sat on and chaired a number of audit, compensation, governance, special, independent and strategic committees in various corporate situations. He has completed the Institute of Corporate Directors, Directors Education Program and is a member of the Institute. Within the last 5 years, Mr. Charter has served as a director of Adriana Resources Inc., Corsa Coal Corp., Dream Office REIT, IAMGOLD Corporation and Lundin Mining Corporation.

**Chris Bruijnzeels, Director****Place of Residence: Switzerland**

Chris Bruijnzeels became President and CEO of ShaMaran Petroleum Corp. in July 2015. Mr. Bruijnzeels previously acted as Senior Vice President Development of

Lundin Petroleum. Mr. Bruijnzeels was born in the Netherlands in 1959 and is a graduate of Delft University where he obtained a degree in Mining Engineering. Mr. Bruijnzeels joined Lundin Petroleum in 2003 and was responsible for Lundin Petroleum's operations, reserves and the development of its asset portfolio. From 1985 until 1998, Mr. Bruijnzeels worked for Shell International in the Netherlands, Gabon and Oman in several reservoir engineering functions. In 1998, he joined PGS Reservoir Consultants in the UK where he worked as Principal Reservoir Engineer and Director of Evaluations. Mr. Bruijnzeels has over 31 years of experience in the oil and gas industry. Within the last 5 years, Mr. Bruijnzeels has served as a director of General Exploration Partners, Inc. and ShaMaran Petroleum Corp.

#### **Torstein Sanness, Director**

**Place of Residence: Norway**

Torstein Sanness is currently the Chairman of Lundin Norway. Previously, he held positions with Saga Petroleum and Norske Oljeselskap AS. Within the last 5 years, Mr. Sanness has served as a director of Panoro Energy ASA and TGS-NOPEC ASA.

Mr. Sanness is a graduate of the Norwegian Institute of Technology in Trondheim where he obtained a Master of Engineering (geology, geophysics and mining engineering).

#### **Executive officers of IPC**

The following sets forth information about the contemplated executive officers of IPC, including education and experience.

#### **Mike Nicholson, CEO and Director**

**Place of Residence: Switzerland**

For information about Mike Nicholson, see above under "*IPC Board of Directors*".

**Christophe Nerguararian, Chief Financial Officer**

**Place of Residence: Switzerland**

Christophe Nerguararian was born in France in 1975 and has an Engineering degree from Ecole Centrale de Lyon and a Masters in Finance from Université Lyon II.

From 1998 to 2011, Mr. Nerguararian worked in various banking and finance roles for BNP Paribas in Paris and Geneva, most recently as Head of the Upstream Finance team for Central and Eastern Europe.

Mr. Nerguararian joined Lundin Petroleum in 2012 as Head of Corporate Debt and Commercial Manager and was appointed Vice President Corporate Finance in 2016.

**Lundin Petroleum's Board of Directors**

The Board of Directors currently consists of Ian H. Lundin, Chairman since 2002, Peggy Bruzelius, Director since 2013, Ashley Heppenstall, Director since 2001, Lukas H. Lundin, Director since 2001, Alex Schneider, President and Chief Executive Officer since 2015, Grace Reksten Skaugen, Director since 2015, Magnus Unger, Director since 2001, and Cecilia Vieweg, Director since 2013. Lukas H. Lundin and Ashley Heppenstall are also expected to become Directors of IPC in connection with the Reorganization as is stated above.

**Lundin Petroleum's management**

The current management of Lundin Petroleum consists of Alex Schneider, President and Chief Executive Officer since 2015, Mike Nicholson, Chief Financial Officer since 2013, Nick Walker, Chief Operating Officer since 2015, Christine Batruch, Vice President Corporate Responsibility since 2002, Jeffrey Fountain, Vice President Legal since 2003, Christophe Nerguararian, Vice President Corporate Finance since 2016 and Teitur Poulsen, Vice President Corporate Planning & Investor Relations since 2012. It is expected that Mike Nicholson, Jeffrey Fountain and Christophe Nerguararian, current members of Lundin Petroleum's management team, will leave their respective positions in Lundin Petroleum in order to be appointed as Chief Executive Officer and Director (Mike Nicholson), General Counsel (Jeffrey Fountain) and Chief Financial Officer (Christophe Nerguararian) in IPC as is stated above.

**The current Board of Directors' and management's of Lundin Petroleum shareholding in Lundin Petroleum**

<b>Name</b>	<b>Position in Lundin Petroleum</b>	<b>Number of Lundin Petroleum shares</b>
Ian H. Lundin	Chairman of the Board	97,826,494 <sup>(1)</sup>
Peggy Bruzelius	Director	8,000
Ashley Heppenstall	Director	1,391,283
Lukas Lundin	Director	87,975,869 <sup>(2)</sup>
Alex Schneider	Director, President and Chief Executive Officer	223,133
Grace Reksten Skaugen	Director	–
Magnus Unger	Director	250,000
Cecilia Vieweg	Director	3,500
Mike Nicholson	Chief Financial Officer	10,000
Nick Walker	Chief Operating Officer	3,500
Christine Batruch	Vice President Corporate Responsibility	31,139
Jeffrey Fountain	Vice President Legal	5,000
Christophe Nerguararian	Vice President Corporate Finance	3,550
Teitur Poulsen	Vice President Corporate Planning & Investor Relations	1,400

<sup>(1)</sup> Ian H. Lundin is the settlor of a trust that indirectly holds 10,638,956 shares in Lundin Petroleum and he is a member of the Lundin family that holds, through a family trust, Nemesia S.à.r.l. which holds 87,187,538 shares in the Company.

<sup>(2)</sup> Lukas Lundin holds 788,331 shares in Lundin Petroleum. Lukas Lundin is furthermore a member of the Lundin family that that holds, through a family trust, Nemesia S.à.r.l., 87,187,538 shares in the Company.

### **IPC's Shares and share capital**

IPC is authorized to issue an unlimited number of Shares without par value, of which one Share is currently issued and outstanding, and an unlimited number of preferred shares, issuable in series, none of which are issued and outstanding. All of the Shares outstanding are fully paid and non-assessable. Immediately following the Distribution, there are expected to be an aggregate of 113.5 million Shares and no preferred shares issued and outstanding. Following completion of the Offer (see section "*Post-Distribution offer*" above), Lundin Petroleum understands that it is IPC's intention to issue a series of preferred shares (the "**Series A Preferred Shares**") to its subsidiary, Lundin Petroleum BV, in consideration for the purchase for cancellation from Lundin Petroleum BV of the Shares acquired by Lundin Petroleum BV pursuant to the Offer. The Shares are issued, and, if issued, the Series A Preferred Shares will be issued, in accordance with the BCBCA.

IPC has applied to list the Shares on the TSX and intends to list the Shares on the Swedish Exchange. All Shares traded on the Swedish Exchange will be registered by Euroclear Sweden and will not be represented by physical share certificates. The Shares are denominated in Canadian dollars.

Holders of Shares are entitled to dividends, if, as and when declared by the IPC Board of Directors, to receive notice of meetings of shareholders of IPC, to one vote per share at meetings of the shareholders of IPC and, upon liquidation, to receive such assets of IPC as are distributable to the holders of the Shares. Holders of Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the votes eligible to vote at a meeting of shareholders may elect all the directors of IPC standing for election. Dividends, if any, will be paid on a *pro rata* basis only from funds legally available therefor. The rights set out herein are subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a *pro rata* basis with the holders of the Shares with respect to dividends or liquidation. The Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

The Shares are not subject to any offer made due to a mandatory bid obligation, redemption right or redemption obligation, nor have the Shares been subject to a public takeover offer during the current or the past financial year. IPC's articles will not impose any transfer restrictions on the Shares following the Distribution.

The Series A Preferred Shares, if issued, will be redeemable by the holders of the Series A Preferred Shares and retractable by IPC, in each case, at a redemption price or retraction price (as applicable) of \$1.00 per share (as adjusted in

accordance with the articles of IPC) (the “**Redemption Amount**”). Holders of Series A Preferred Shares will be entitled to non-cumulative dividends at a rate of 5% per year (in priority to dividends on all other classes of shares of IPC), if, as and when declared by the IPC Board of Directors; and no dividends may be declared or paid to holders of any other class of shares of IPC without the consent of the majority of the holders of the Series A Preferred Shares, acting together as a class, if the declaration and payment of such dividend would impede the ability of IPC to satisfy the aggregate Redemption Amount in respect of the Series A Preferred Shares. Dividends, if any, will be paid on a *pro rata* basis only from funds legally available therefor. Holders of the Series A Preferred Shares will not be entitled to receive notice of or vote at meetings of shareholders of IPC. Upon liquidation, holders of Series A Preferred Shares will only be entitled to receive, in priority to any payments to any holders of any other class of shares of IPC, an amount equal to such holders *pro rata* entitlement to the aggregate Redemption Amount in respect of the Series A Preferred Shares plus any dividends declared but unpaid as at the time of liquidation. These rights will be subject to the special rights and restrictions attaching to any other series or class of shares ranking senior in priority to or on a *pro rata* basis with the holders of the Series A Preferred Shares with respect to dividends or liquidation.

### Share Capital

The following table sets forth the Shares issued by IPC since incorporation:

<u>Date</u>	<u>Number of Shares issued</u>	<u>Issue Price Per Share (C\$)</u>	<u>Aggregate Issue Price (C\$)</u>	<u>Nature of Consideration</u>
January 13, 2017	1	\$1.00	\$1.00	Cash

### Principal Securityholders

Lundin Petroleum has been informed that to the knowledge of IPC, no person or corporation owns or controls or directs, or following the Distribution will own or control or direct, directly or indirectly, more than 10% of the issued and outstanding Shares other than as set out below:

<u>Name</u>	<u>Ownership</u>	<u>Number and Percentage of Shares held as of the date hereof</u>	<u>Number and Percentage of Shares following the Distribution</u>
Lundin Petroleum AB	Of record and beneficially	1 (100%)	Nil
Nemesia S.à.r.l. <sup>(1)(2)</sup>	Of record and beneficially	Nil	29,062,512 <sup>(3)</sup> (25.6%)

Name	Ownership	Number and Percentage of Shares held as of the date hereof	Number and Percentage of Shares following the Distribution
Statoil <sup>(2)</sup>	Of record and beneficially	Nil	22,805,892 <sup>(3)</sup> (20.1%)

**Notes:**

- (1) An investment company wholly-owned by a Lundin family trust. In addition, an investment company wholly owned by a trust whose settlor is Ian H. Lundin, will own a further 3,517,326 (3.1%) of the Shares after giving effect to the Distribution.
- (2) All Shares carry the same voting rights.
- (3) Assuming 113,462,148 Shares outstanding immediately following the Distribution.

**IPC's stock option plan**

In connection with the Reorganization and the Distribution, selected officers and other key employees of IPC were granted stock options on February 21, 2017, subject to implementation by IPC of a stock option plan (the “**Stock Option Plan**”) governing such stock options incorporating the terms described below. Participants have been given the right to buy shares in IPC at an exercise price equal to the market value of the Shares, determined by the IPC Board of Directors, to be C\$4.77 at the date of grant. The options will vest in one-third of the amount of each grant on each of the first three anniversaries of the date of grant and will be exercisable until the fourth anniversary of the date of grant. The exercise period will be automatically extended if it ends during a black-out period, such that the exercise period will end 10 business days following the last day of the black-out period.

Following the implementation of the Stock Option Plan, the IPC Board of Directors may make further stock option grants to directors, officers and employees of IPC, at its sole discretion. The maximum expected value of options granted to an individual in any one year will not exceed two times base salary and awards will be entirely discretionary. The IPC Board of Directors has the right to settle an award in whole, or in part, in cash or through cashless exercise to help reduce administrative burden and costs.

For “good leavers” under the Stock Option Plan, awards will vest on termination and the participant will have six months (or to the end of the exercise period, whichever is earlier) to exercise the award and any other vested awards, after which the awards will lapse. For any leaver who is not a “good leaver”, awards will lapse immediately. IPC’s definition of a “good leaver” includes participants that leave employment because of death, disability, illness, retirement and redundancy.

The IPC Board of Directors also has discretion to determine whether a participant is a “good leaver”. Participants who change employment among IPC’s group of subsidiaries will not be considered leavers.

For more information on *inter alia* IPC’s transitional performance share plan reference is made to IPC’s preliminary prospectus available under IPC’s profile on SEDAR ([www.sedar.com](http://www.sedar.com)).

#### Share ownership in Lundin Petroleum

Lundin Petroleum had 32,726 shareholders as at 31 December 2016.

The top 10 shareholder list excludes shareholdings through nominee accounts.

The 10 largest shareholders as at 31 December 2016	Number of shares	Subscription capital/votes, %
Nemesia S.à.r.l. <sup>1</sup>	87,187,538	25.6
Statoil ASA	68,417,676	20.1
Landor Participations Inc. <sup>2</sup>	10,638,956	3.1
Swedbank Robur fonder	7,235,542	2.1
Nordea Investment Funds	3,082,145	0.9
Fjärde AP fonden	2,231,731	0.7
Handelsbanken fonder	2,064,689	0.6
SPP Fonder AB	1,966,292	0.6
SEB Investment Management	1,828,638	0.5
Ashley Heppenstall	1,391,238	0.4
Other shareholders	154,342,000	48.3
<b>TOTAL</b>	<b>340,386,445</b>	<b>100.00</b>

<sup>1</sup> An investment company wholly-owned by a Lundin family trust.

<sup>2</sup> An investment company wholly-owned by a trust whose settler is Ian H. Lundin.

### **Extraordinary general meeting**

The EGM of Lundin Petroleum which is being held to resolve upon the Distribution will be held on Wednesday, 22 March 2017 at 2.00 p.m. CET at Näringslivets hus, Wallenbergsalen in Stockholm, Sweden. The Board of Director's complete proposal for the resolution at the EGM, including reports and statements related thereto, is available at the Company's address (Hovslagargatan 5 in Stockholm) and on the Company's website [www.lundin-petroleum.com](http://www.lundin-petroleum.com). The complete documentation was made available at the Company's address and published on the Company's website on Wednesday, 1 March 2017.

Shareholders wishing to attend the EGM shall (i) be recorded in the share register maintained by Euroclear on Thursday, 16 March 2017; and (ii) notify Lundin Petroleum of their intention to attend the EGM no later than on Thursday, 16 March 2017 through the website [www.lundin-petroleum.com](http://www.lundin-petroleum.com) (only applicable to individuals) or by mail to Computershare AB, "Lundin Petroleum AB's EGM", P.O. Box 610, SE - 182 16 Danderyd, Sweden, by telephone Int +46-8-518 01 554 or by e-mail [info@computershare.se](mailto:info@computershare.se).

Shareholders whose shares are registered in the name of a nominee (Sw. *förvaltare*) must temporarily register, through the nominee, the shares in their own names in order to be entitled to attend the EGM. Such registration must be effected no later than by Thursday, 16 March 2017.

Shareholders may attend the EGM through a proxy. A shareholder shall in such a case issue a written and dated proxy signed by the shareholder. Proof of authorization (through a certificate of registration or similar) should be attached to proxies issued by legal entities. A proxy form is available on [www.lundin-petroleum.com](http://www.lundin-petroleum.com) and will be sent to shareholders upon request. To facilitate registration at the EGM, proxy forms, certificates of registration and other documents of authority should be submitted to the Company at the address above by no later than Monday, 20 March 2017.

A proxy may be withdrawn and revoked by the shareholder who has issued it.

The EGM's resolution according to the Board of Directors' proposal of the Distribution is valid only with a simple majority of the votes cast. Should a shareholder represented at the EGM abstain from voting on the Distribution, such abstention will not impact the result of the voting since the EGM's resolution will be based upon only the number of votes for and against the resolution. The majority of the votes (*i.e.* either for or against) will constitute the EGM's resolution on the matter.

## **Swedish Tax Considerations**

*Below is a summary of certain Swedish tax consequences that may arise for individuals and limited liability companies in relation to the Distribution of the Shares. The summary is based on current legislation and is intended only as general information for shareholders who are subject to unlimited tax liability in Sweden, unless otherwise stated. The analysis does not address securities held as current assets in business operations or by a partnership. Moreover, it does not address the special rules regarding tax-free capital gains (including a non-deductible capital loss) and dividends in the corporate sector that may be applicable when a shareholder holds securities of IPC that are considered to be shares held for business purposes (participation exemption). Nor does it cover the special rules that may apply to holdings in companies that are or have been so-called closely-held companies or securities acquired on the basis of so-called qualified shares in closely-held companies. Furthermore, the summary does not cover shares or other securities held in a so-called investment savings account. Finally, the summary does not cover matters related to credit of foreign taxes. The tax treatment of individual shareholders depends on their particular circumstances. It is therefore recommended that shareholders consult a tax advisor for information on the specific implications that may arise in the individual case, including the applicability and effect of foreign rules and tax treaties.*

### **Distribution of Shares**

The Distribution of Shares is intended to be effected in accordance with the lex ASEA rules, which means that the Distribution will not be subject to immediate taxation in Sweden. Instead, the tax base value of the shares in Lundin Petroleum that entitle the holder to dividend is allocated between these shares and the distributed Shares.

### **Shareholders who have unlimited tax liability in Sweden**

In this case, “unlimited tax liability” refers to holders of shares or other securities who are (i) a natural person who is resident or is permanently living in Sweden or who has an essential connection with Sweden, or (ii) any legal entity registered in Sweden or whose board of directors is domiciled in Sweden if registration has not taken place.

### **Taxation in regards to the Distribution of the Shares**

According to letter answer from the Swedish Tax Agency (Sw. *Skatteverket*) (the “STA”), the Distribution of Shares is exempt from tax in Sweden on the basis of the so-called Lex ASEA rules. The tax base value of the shares in Lundin Petroleum that entitle the holder to the Distribution will be allocated between these shares and the distributed Shares. Allocation of tax is based on the change in value

of the shares in Lundin Petroleum arising from the Distribution of Shares. Lundin Petroleum will apply for general guidelines from the STA regarding allocation of the tax base value. Information from the STA's general guidelines will be published as soon as possible on the respective website of Lundin Petroleum, IPC and the STA.

### **Taxation on the divestment of Shares**

#### ***Natural persons***

Natural persons and estates who have unlimited tax liability in Sweden are taxed on the sale of Shares for any profit as income from capital at a rate of 30%. Capital gains or capital loss is calculated as the difference between the sales proceeds, after deduction of any sales expenses, and the tax base value of the divested Shares (acquisition cost). The tax base value comprises the acquisition price plus brokerage fees.

The average method is used when calculating the capital gains. According to this method, the tax base value of one Share comprises the average tax base value of all shares of the same class and type. Upon the sale of listed shares, such as Shares, the tax base value may alternatively be determined according to the standard method at a rate of 20% of the sales proceeds after deducting sales costs.

A capital loss on listed shares and other listed securities may be fully offset against taxable capital gains the same year on shares and other listed securities, except for shares in investment funds that only contain Swedish receivables (fixed income funds). Capital losses on shares that cannot be offset in this way are 70% deductible against other income from capital. To the extent a capital loss cannot be offset against capital gains, a tax reduction is allowed against municipal and state income tax, as well as property tax and municipal property tax. A tax reduction is allowed at a rate of 30% of the portion of the loss that is not greater than SEK 100,000 and 21% of the remaining portion. Such a loss cannot be carried forward to future tax years.

#### ***Legal entities***

For limited liability companies and other legal entities other than estates, taxable capital gains are taxed as income from business operations at a tax rate of 22%. Capital gains and losses are calculated in essentially the same manner as described above with respect to natural persons. A deduction for capital losses on shares or other securities is allowed only against taxable capital gains on such securities. If certain conditions are fulfilled, such capital losses may also be offset against capital gains in companies within the same group. Capital losses that cannot be utilized in a given year may be carried forward and deducted against taxable capital gains on shares and other securities in subsequent years without limitation in time.

Special tax rules apply to certain categories of companies, such as investment funds, investment companies and insurance companies.

#### **Taxation of dividends**

Dividends on shares are usually taxable. Natural persons and estates who have unlimited tax liability in Sweden are taxed as income from capital at a rate of 30%. For limited liability companies and other legal entities, dividends are taxed as income from business operations at a rate of 22%.

#### **Shareholders who have limited tax liability in Sweden**

Shareholders who have limited tax liability in Sweden and whose holdings are not attributable to a permanent establishment in Sweden are usually not taxed in Sweden for capital gains on the disposal of shares or subscription rights. However, shareholders may be subject to taxation in their country of residence. According to a special rule, however, natural persons with limited tax liability in Sweden may be subject to Swedish taxation upon the sale of certain foreign securities (such as shares and warrants) if at any time during the year of sale, or any of the ten (10) previous calendar years, the shareholder has been resident or lived permanently in Sweden. In order for this rule to apply, the foreign security must have been acquired at the time the shareholder was unlimited tax liable in Sweden. Applicability of this rule may be limited by tax treaties between Sweden and other countries.

### **Recommendation of the Board of Directors**

The Board of Directors considers that the proposed Reorganization and Distribution is in the best interests of Lundin Petroleum and its shareholders. The Board of Directors accordingly unanimously recommend that, in connection with the Reorganization and Distribution, holders of Lundin Petroleum shares approve the Distribution by Lundin Petroleum of all of the Shares held by Lundin Petroleum to the shareholders, including authority of directors to set the record date for such Distribution.

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Stockholm in March 2017  
**LUNDIN PETROLEUM AB (publ)**  
*The Board of Directors*

Ian H. Lundin , Chairman

Alex Schneiter President and  
CEO

Peggy Bruzelius

C. Ashley Heppenstall

Lukas H. Lundin

Grace Reksten Skaugen

Magnus Unger

Cecilia Vieweg

**Corporate Information****Corporate Head Office<sup>1</sup>**

Lundin Petroleum AB (publ)  
Hovslagargatan 5  
SE-111 48 Stockholm  
Telephone: +46-8-440 54 50  
Telefax: +46-8-440 54 59  
E-mail: [info@lundin.ch](mailto:info@lundin.ch)  
Website: [www.lundin-petroleum.com](http://www.lundin-petroleum.com)

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<sup>1</sup> All of Lundin Petroleum's executive officers' can be reached by mail through the above address.