CONSOLIDATED FINANCIAL STATEMENTS

For the years ended
December 31, 2020 and 2019

FRONTERA ENERGY

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for preparing the consolidated financial statements and the notes hereto. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards using the best estimates and judgments of management, where appropriate.

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable information.

The Board of Directors (the "**Board**") is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted by the Audit Committee of the Board in exercising its responsibilities. At a minimum, the Audit Committee meets quarterly with management and the internal and external auditors to ensure that management's responsibilities are properly carried out and to discuss accounting and auditing matters. The Audit Committee reviews the consolidated financial statements and recommends approval of the consolidated financial statements to the Board.

The internal and external auditors have full and unrestricted access to the Audit Committee to discuss their audits and related findings as to the integrity of the financial reporting process.

"Richard Herbert" (signed)

Chief Executive Officer

"Alejandro Piñeros" (signed)

Chief Financial Officer

Toronto, Canada

March 3, 2021

Independent Auditor's Report

To the Shareholders of **Frontera Energy Corporation**

Opinion

We have audited the consolidated financial statements of **Frontera Energy Corporation** and its subsidiaries (the "**Company**"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of (loss) income, consolidated statements of comprehensive (loss) income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("**IFRS**").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of properties, plant and equipment ("PP&E"), exploration and evaluation assets ("E&E") and intangible assets	
For the year ended December 31, 2020, a net impairment charge of $141.4 million was recorded with respect to the Colombian cash generating units ("CGU") and allocated to PP&E, E&E and intangible assets. As at December 31, 2020, the carrying values of PP&E, E&E and intangible assets were $936.9 million, $95.8 million and $nil, respectively. Refer to Note 3, of the consolidated financial statements for a description of the Company's impairment of non-financial assets accounting policy. Refer to Note 8, of the consolidated financial statements for the Company's impairment and impairment reversal disclosures. PP&E, E&E and intangible assets are tested for impairment only when circumstances indicate that the carrying value of a CGU may exceed the recoverable amount and for impairment reversal when there is any indication that previously recognized impairment losses may no longer exist or may have decreased. Impairment and impairment reversal is determined by estimating a CGU's respective recoverable amount. The recoverable amount of the Colombian CGUs were determined using the value-in-use method, whereby the net cash flows are estimated using current business models and budgets approved by management.	To test the Company's estimated recoverable amounts, we performed the following procedures, among others: •Involved our valuation specialists to assess the methodology applied, and the various inputs utilized in determining the discount rate by referencing current industry, economic, and comparable company information, as well as company and cash-flow specific risk premiums •Assessed forecasted production by comparing it to historically realized production •Assessed forecasted price differentials by comparing to historically realized differentials •Assessed forecasted operating cost, capital cost data, and general and administrative expenses by comparing it to historical performance •Assessed the competence and objectivity of the Company's external reserve engineer and tested the completeness and accuracy of the reserve engineer report by agreeing current year production, revenue, operating cost, and capital cost data to management's accounting records
Auditing the Company's estimated recoverable amounts of the Colombian CGUs was complex due to the subjective nature of the various management inputs and assumptions and the significant effect changes in these may have on the recoverable amount. The primary inputs noted in the value-in-use models were production, pricing, operating costs, capital costs, general and administrative expenses and discount rate.	•With the assistance of our valuation specialists, assessed the market capital deficiency against control premiums observed in comparable market transactions and investigated any contrary information •Evaluated the adequacy of the impairment note disclosure included in Note 8 of the consolidated financial statements in relation to this matter
Recoverability of deferred tax assets	
The consolidated statement of financial position as at December 31, 2020 includes deferred tax assets amounting to $191.0 million. The deferred tax asset consists mainly of deductible temporary differences due to undepreciated capital expenditures related to oil and gas properties. The recognition of deferred tax assets is based on management's judgement and estimates that it is probable that future taxable profits will be available, against which the underlying deductible temporary differences can be utilized. Refer to Note 3, of the consolidated financial statements for a description of the Company's tax accounting policy. The estimate of future taxable profit, and the recoverability of the deferred tax asset, is affected by estimates of future oil prices and quantities of proved and probable reserves, amongst other assumptions. We identified this matter as key in our audit due to the judgement associated to projecting future oil prices and specialized industry knowledge required to assess quantities of proved and probable reserves.	To test the Company's estimated recoverability of deferred tax assets, we performed the following procedures, among others: •Independently calculated a range of future taxable profit projections using key risk-adjusted inputs from management's long-lived asset impairment assumptions, such as production, pricing, operating costs, and general and operating expenses •Assessed the competence and objectivity of the Company's external reserve engineer •With the support of our tax specialists, tax pool balances were agreed to the most recent tax filings, and the tax rates used in determining the deferred tax balances were compared against the enacted or substantively enacted tax rates •Evaluated the adequacy of disclosure in Note 11 to the consolidated financial statements in respect of this matter

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Scott Kerr.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada

March 3, 2021

Consolidated Statements of (Loss) Income

(In thousands of U.S.$, except per share information)	Notes	Year Ended December 31 2020	2019
Oil and gas sales and other revenue	6	$ 658,194	$ 1,351,071
Sales of oil and gas for trading	6	—	74,276
Royalties		(9,686)	(41,770)
Revenue		648,508	1,383,577
Oil and gas operating costs	7	458,093	636,586
Costs under terminated pipeline contracts	28	118,679	—
Costs of oil and gas for trading		—	71,383
General and administrative		55,121	76,072
Share-based compensation		3,960	2,907
Depletion, depreciation and amortization		258,867	376,010
Impairment, exploration expenses and other	8	141,389	67,238
Restructuring, severance and other costs	9	21,097	11,945
(Loss) income from operations		(408,698)	141,436
Share of income from associates	18	43,545	84,832
Foreign exchange loss		(7,742)	(10,264)
Finance income		19,529	20,244
Finance expense	20	(58,421)	(65,492)
Gain (loss) on risk management contracts	27	34,443	(15,442)
Other (loss) income, net	4	(47,328)	2,758
Reclassification of currency translation adjustments	4	(23,956)	—
Net (loss) income before income tax		(448,628)	158,072
Current income tax recovery (expense)		480	(42,645)
Deferred income tax (expense) recovery		(33,764)	190,372
Income tax (expense) recovery	11	(33,284)	147,727
Net (loss) income for the year		$ (481,912)	$ 305,799
Attributable to:			
Equity holders of the Company		(497,406)	294,287
Non-controlling interests		15,494	11,512
		$ (481,912)	$ 305,799
(Loss) earnings per share attributable to equity holders of the Company			
Basic	12	$ (5.13)	$ 3.01
Diluted	12	$ (5.13)	$ 2.96

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board of Directors:

"Gabriel de Alba" (signed)
Director

"Raymond J. Bromark" (signed)
Director

Consolidated Statements of Comprehensive (Loss) Income

(In thousands of U.S.$)		Year Ended December 31 2020	2019
Net (loss) income for the year		$ (481,912)	$ 305,799
Other comprehensive (loss) income to be reclassified to net (loss) income in subsequent periods (nil tax effect)			
Foreign currency translation		(22,183)	9,166
Reclassification of currency translation adjustments	4	23,956	—
		1,773	9,166
Total comprehensive (loss) income for the year		$ (480,139)	$ 314,965
Attributable to:			
Equity holders of the Company		$ (496,880)	$ 297,907
Non-controlling interests		16,741	17,058
		$ (480,139)	$ 314,965

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Financial Position

As at		As at December 31	
(In thousands of U.S.$)	**Notes**	**2020**	**2019**
ASSETS			
Current			
Cash and cash equivalents		$ 232,288	$ 328,433
Restricted cash	27	89,379	37,216
Accounts receivable	27	141,227	132,155
Inventories	13	56,801	103,116
Income taxes receivable		21,234	37,592
Prepaid expenses and deposits		12,550	5,992
Assets held for sale	14	66,190	—
Risk management assets	27	437	10,109
Total current assets		620,106	654,613
Non-current			
Properties, plant and equipment	15	936,946	976,621
Exploration and evaluation assets	16	95,757	114,155
Intangible assets	17	—	58,311
Investments in associates	18	106,839	196,961
Deferred tax assets	11	191,043	222,988
Restricted cash	27	79,555	90,162
Other assets	19	33,666	178,940
Total assets		$ 2,063,912	$ 2,492,751
LIABILITIES			
Current			
Accounts payable and accrued liabilities	27	$ 501,625	$ 501,991
Borrowings	20	183,094	—
Risk management liabilities	27	12,503	36
Income taxes payable		6,227	29,048
Lease liabilities	21	14,381	28,138
Asset retirement obligations	22	14,009	24,044
Total current liabilities		731,839	583,257
Non-current			
Long-term debt	20	335,788	331,118
Other payables		3,343	—
Lease liabilities	21	4,981	43,404
Deferred tax liabilities		3,239	—
Risk management liabilities	27	7,656	—
Asset retirement obligations	22	212,234	264,938
Total liabilities		$ 1,299,080	$ 1,222,717
Commitments and contingencies	28		
EQUITY			
Share capital		$ 4,711,620	$ 4,712,114
Contributed surplus		124,978	120,112
Other reserves		(180,084)	(180,610)
Retained deficit		(3,952,661)	(3,441,358)
Equity attributable to equity holders of the Company		$ 703,853	$ 1,210,258
Non-controlling interests	23	60,979	59,776
Total equity		$ 764,832	$ 1,270,034
Total liabilities and equity		$ 2,063,912	$ 2,492,751

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Equity

	Attributable to Equity Holders of the Company								
(In thousands of U.S.$)	Number of Common Shares	Share Capital	Contributed Surplus	Cumulative Translation Adjustment	Fair Value Investment	Retained Deficit	Total	Non-Controlling Interests	Total Equity
As at January 1, 2019	98,421,079	$ 4,727,598	$ 116,725	$ (179,028)	$ (5,202)	$ (3,637,766)	$ 1,022,327	$ 84,861	$ 1,107,188
Net income for the year	—	—	—	—	—	294,287	294,287	11,512	305,799
Other comprehensive income	—	—	—	3,620	—	—	3,620	5,546	9,166
Total comprehensive income	—	—	—	3,620	—	294,287	297,907	17,058	314,965
Acquisition of CGX Energy Inc. (Note 4)	—	—	—	—	—	—	—	14,598	14,598
Change in ownership interests (Note 23)	—	—	2,135	—	—	—	2,135	(2,044)	91
Shares issued on settlement of deferred share units (Note 24)	24,068	398	(398)	—	—	—	—	—	—
Dividends declared to equity holders of the Company (Note 24)	630,944	5,870	—	—	—	(97,879)	(92,009)	—	(92,009)
Repurchase of common shares (Note 24)	(2,642,834)	(21,752)	—	—	—	—	(21,752)	—	(21,752)
Share-based compensation	—	—	1,650	—	—	—	1,650	1,565	3,215
Dividends paid to non-controlling interests (Note 23)	—	—	—	—	—	—	—	(56,262)	(56,262)
As at December 31, 2019	96,433,257	$ 4,712,114	$ 120,112	$ (175,408)	$ (5,202)	$ (3,441,358)	$ 1,210,258	$ 59,776	$ 1,270,034
Net (loss) income for the year	—	—	—	—	—	(497,406)	(497,406)	15,494	(481,912)
Other comprehensive income	—	—	—	526	—	—	526	1,247	1,773
Total comprehensive income (loss)	—	—	—	526	—	(497,406)	(496,880)	16,741	(480,139)
Change in ownership interests (Note 23)	—	—	3,103	—	—	—	3,103	(3,103)	—
Dividends declared to equity holders of the Company (Note 24)	2,153,633	8,581	—	—	—	(13,897)	(5,316)	—	(5,316)
Repurchase of common shares (Note 24)	(1,392,314)	(10,075)	—	—	—	—	(10,075)	—	(10,075)
Share-based compensation	271,648	1,000	1,763	—	—	—	2,763	2,793	5,556
Dividends paid to non-controlling interests (Note 23)	—	—	—	—	—	—	—	(15,228)	(15,228)
As at December 31, 2020	97,466,224	$ 4,711,620	$ 124,978	$ (174,882)	$ (5,202)	$ (3,952,661)	$ 703,853	$ 60,979	$ 764,832

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

(In thousands of U.S.$)	Notes	Year Ended December 31 2020	2019
OPERATING ACTIVITIES			
Net (loss) income for the year		$ (481,912)	$ 305,799
Items not affecting cash:			
Depletion, depreciation and amortization		258,867	376,010
Impairment	8	141,965	60,899
(Recovery) expense of asset retirement obligations	22	(4,452)	2,681
Unrealized loss on risk management contracts	27	6,481	5,722
Share-based compensation		3,960	3,169
Deferred income tax expense (recovery)	11	33,764	(190,372)
Unrealized foreign exchange gain		(4,495)	(16,692)
Share of income from associates	18	(43,545)	(84,832)
Loss on acquisition of Infrastructure Ventures Inc.	4	42,829	—
Reclassification of currency translation adjustments	4	23,956	—
Finance expense		58,421	65,492
Dividends from associates	18	38,682	58,403
Settlement of asset retirement obligations	22	(4,744)	(11,935)
Other		(6,472)	(7,445)
Changes in non-cash working capital	25	163,476	(19,932)
Cash provided by operating activities		$ 226,781	$ 546,967
INVESTING ACTIVITIES			
Additions to properties, plant and equipment		$ (77,448)	$ (266,865)
Additions to intangible assets		—	(48,487)
Additions to other assets, net		—	(24,253)
Additions to exploration and evaluation assets, net		(20,297)	(57,180)
(Increase) decrease in restricted cash		(22,501)	22,106
Acquisition of subsidiaries, net of cash acquired	4	(2,810)	4,296
Proceeds from the sale of non-current assets		—	9,223
Changes in non-cash working capital	25	(55,474)	(54,507)
Cash used in investing activities		$ (178,530)	$ (415,667)
FINANCING ACTIVITIES			
Lease payments	21	$ (24,541)	$ (33,319)
Payment of borrowings		(20,000)	—
Dividends paid to equity holders of the Company	24	(20,510)	(100,771)
Dividends paid to non-controlling interests	23	(15,228)	(56,262)
Repurchase of common shares	24	(10,075)	(21,752)
Interest and other bank charges		(42,174)	(40,262)
Cash used in financing activities		$ (132,528)	$ (252,366)
Effect of exchange rate changes on cash and cash equivalents		(11,868)	3,367
Decrease in cash and cash equivalents during the year		(96,145)	(117,699)
Cash and cash equivalents, beginning of the year		328,433	446,132
Cash and cash equivalents, end of the year		$ 232,288	$ 328,433
Cash		200,471	269,719
Cash equivalents		31,817	58,714
Total cash and cash equivalents		$ 232,288	$ 328,433
Supplementary cash flow information			
Cash income tax paid		$ 3,090	$ 6,147
Cash interest paid		$ 40,730	$ 35,786
Cash interest received		$ 6,071	$ 10,067

The accompanying notes are an integral part of these consolidated financial statements.

1. Corporate Information

Frontera Energy Corporation (the "**Company**") is an oil and gas company formed and existing under the laws of British Columbia, Canada, that is engaged in the exploration, development and production of crude oil and natural gas in South America. The Company's common shares are listed and publicly traded on the Toronto Stock Exchange ("**TSX**") under the trading symbol **"FEC".** The Company's head office is located at Suite 1100, 333 Bay Street, Toronto, Ontario, Canada, M5H 2R2, and its registered office is 1500 Royal Centre, 1055, West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

These consolidated financial statements of the Company, comprising those of the Company and its subsidiaries, were approved and authorized for issuance by the Board of Directors on March 3, 2021.

2. Basis of Preparation and Significant Accounting Policies

Statement of Compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments (risk management assets and liabilities) and investments that have been measured at fair value.

Functional and Presentation Currency

The consolidated financial statements are presented in United States (U.S.) dollars, which is the Company's functional currency, and all values are rounded to the nearest thousand, except where otherwise indicated.

Principles of Consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has power over an investee, when the Company is exposed, or has rights to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases on the date when the Company loses control of the subsidiary. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between subsidiaries of the Company are eliminated in full upon consolidation. Where the Company's interest in a subsidiary is less than 100%, the Company recognizes the net assets attributable to minority shareholders within a separate component of equity as non-controlling interests ("**NCI**"). Net (loss) income that is attributable to non-controlling interests is calculated based on the ownership of the minority shareholders in the subsidiary. A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction.

The following table summarizes the Company's principal subsidiaries, the location of their registered offices, the country of principal business activity, the method of consolidation, and the Company's percentage interest.

				Percentage Interest as at December 31	
	Registered Office	Country of Principal Business Activity	Recognition Method	2020	2019
Principal Subsidiaries					
Frontera Energy Colombia AG	Switzerland	Colombia	Consolidated	100.00 %	100.00 %
Frontera Energy del Peru S.A.	Peru	Peru	Consolidated	100.00 %	100.00 %
Frontera Energy Off Shore Peru S.R.L.	Peru	Peru	Consolidated	100.00 %	100.00 %
Frontera BIC Holding Ltd.	Bermuda	Colombia	Consolidated	100.00 %	100.00 %
Sociedad Portuaria Puerto Bahía S.A. [(1)]	Colombia	Colombia	Consolidated	94.16 %	39.22 %
CGX Energy Inc.	Canada	Guyana	Consolidated	73.85 %	72.41 %
ODL JV Ltd. [(2)]	Bermuda	Colombia	Consolidated	59.93 %	59.93 %

[(1)] During 2020, the Company acquired control of Sociedad Portuaria Puerto Bahía S.A. (Note 4). Prior to the acquisition, the Company had an interest of 39.22% through Infrastructure Ventures Inc. and it was accounted for as an associate using the equity method.

[(2)] Formerly Pacific Midstream Ltd.

3. Significant Accounting Policies, Judgments, Estimates and Assumptions

a. Summary of Significant Accounting Policies

Revenue Recognition

Oil and gas revenues from contracts with customers are determined by reference to consideration specified in the contracts and recognized when control of the product is transferred to the customer. This transfer of control typically occurs at a point in time when the following conditions are satisfied:

- The title and physical possession has been transferred;
- The significant risks and rewards of ownership have been transferred to the buyer; and
- The Company has the present right to payment.

For crude oil and natural gas sales, control of the product transfers when the customer obtains legal title to the product, which is when the Company satisfies its performance obligations. This transfer of control typically occurs at a point in time when the product is physically discharged at the point of unloading, which can be a shipping port or customer storage facility, unless an alternative transportation method is agreed upon. Revenue represents the Company's share of oil and gas sales after deducting royalties, sales taxes, excise duties and similar levies. The Company does not have contracts where the period between the transfer of the product to the customer and payment by the customer exceeds one year and, therefore, the Company does not adjust its revenue transactions for the time value of money.

Overlift, or settlement, corresponds to a short-term imbalance between the Company's production and sales volumes. In these instances, the Company lifts barrels from the pipeline system, resulting in more volumes sold than produced, which is considered "overlift." During overlift, the Company recognizes the sales and an equivalent cost with no margin, when the overlift is settled, this expense is reversed to recognize the gross margin earned on the related sale in the period of production.

Share-Based Compensation

The Company has a security based compensation plan (the "**Incentive Plan**") which allows for the issuance of stock options, Restricted Stock Units ("**RSUs**") and Deferred Stock Units ("**DSUs**"). Under the Incentive Plan non-employee directors (only DSUs) and employees receive units in consideration for services provided to the Company. The Company can also grant stock options to officers, employees and consultants, which are accounted for using the fair-value method, estimated using the Black-Scholes option-pricing model.

DSUs represent a right to receive common shares (or the cash equivalent) at the time of the holder's retirement or death, or when the holder otherwise ceases to provide services to the Company, allowing the Company to pay compensation to holders of DSUs on a deferred basis. Each DSU awarded by the Company approximates the fair market value of a common share in U.S. dollars at the time the DSU is awarded, which is generally the grant date under IFRS. Settlement may be made, at the sole discretion of the Compensation and Human Resources Committee of the Board of Directors ("**CHRC**"), in common shares, cash or a combination thereof. Only directors are entitled to receive DSUs. On the grant date, the Company recognizes a share-based compensation expense for the DSU awards at fair value with a corresponding amount in contributed surplus.

RSUs awarded under the Incentive Plan vest in accordance with the conditions outlined in the award agreement, which can include certain time based, market and non-market performance conditions (termed the "performance adjustment factor"), over the term of the agreement, which is typically between one and three years. The grant date is set once the terms of the award are fully known and agreed upon between the recipient and the Company. As such, the grant date, as defined under IFRS, may not be the same as the date of issuance if all substantive terms of the agreement are not set at the date of issuance. RSUs may be settled in cash, shares, or a combination of both, at the sole discretion of the CHRC, and in accordance with terms set out in the award agreement. The fair value per RSU approximates the Company's share price in U.S. dollars over the vesting period and is fixed once the grant date is set. The Company recognizes share-based compensation expense for the RSU awards based on the fair value estimated on the date of issuance, and re-values every reporting period until the grant date is set for each tranche of the award or the full award (if no tranches), with the corresponding amounts reflected in contributed surplus. The expense recognized includes an estimate of the number of units expected to vest based on the performance adjustment factor and forfeitures. Upon settlement, the associated amounts previously recorded as contributed surplus are reclassified to share capital.

Both the RSU and DSU awards are classified within equity as settlement is in the sole discretion of the Company and its intention is to settle these instruments in common shares.

Foreign Currency Translation

Transactions denominated in a foreign currency are initially recorded at the rate of exchange on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at period-end closing exchange rates with translation gains and losses recorded in net (loss) income. Non-monetary items are translated using the historical exchange rates as at the date of the initial transaction.

For a foreign operation whose functional currency is not the U.S. dollar, assets and liabilities are translated at period-end closing exchange rates, while revenue and expenses are translated using the rate as at the date of the transaction. All exchange differences resulting from the translation are recognized in other comprehensive (loss) income.

(Loss) Earnings Per Share

Basic (loss) earnings per share is calculated using net (loss) income attributable to equity holders of the Company divided by the weighted average number of common shares outstanding. Diluted earnings (loss) per share is calculated by adjusting the weighted-average number of common shares outstanding for the impact of potential dilutive instruments such as DSUs and RSUs. The Company follows the treasury stock method in the calculation of diluted earnings per share whereby any proceeds received from in-the-money options would be used to buy common shares at the average market price for the period.

Interest in Joint Arrangements

Joint arrangements occur when two or more parties have joint control, which is the contractually agreed sharing of an arrangement. This exists when decisions about the relevant activities (being those that significantly affect the returns of the arrangements) require the unanimous consent of the parties sharing control. Joint arrangements can be classified as either a joint operation or a joint venture.

A joint operation is an arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The Company recognizes its proportionate share of assets, liabilities, revenues and expenses of the joint operation.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method of accounting whereby the purchase consideration is allocated to the identifiable assets, liabilities and non-controlling interests, if any, on the basis of their fair values at the date of acquisition. Any excess of the purchase consideration over the fair value of the net identifiable assets acquired is recognized as goodwill. If the purchase consideration is less than the fair value of the net identifiable assets acquired, the Company recognizes a gain in net (loss) income on the acquisition date.

Goodwill is not subject to amortization and is measured at cost less any accumulated impairment. For impairment testing, goodwill is allocated to the Company's Cash Generating Units ("**CGUs**") or groups of CGUs that are expected to benefit from the acquisition.

Cash and Cash Equivalents

Cash and cash equivalents include cash, short-term investments and deposits with a maturity of three months or less.

Restricted Cash

Restricted cash includes mainly term deposits that have been escrowed to cover future commitments and future abandonment obligations that are not available for immediate disbursement.

Inventories

Oil and gas inventory is valued at the lower of cost and net realizable value and materials and supplies are valued at cost. Cost is determined on a weighted-average basis and includes all costs incurred to bring the inventory to its current condition and including materials, labour, direct overhead, and depletion, depreciation and amortization.

Non-Current Assets Held for Sale

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale or disposition rather than through continuing use. Such non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs of disposal ("**FVLCD**"), and are presented separately within the Consolidated Statements of Financial Position.

The criteria for held for sale classification is regarded as met only when the sale or disposition is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. The Company must be

committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification. When the assets or disposal group are sold, the gains or losses on the sale are recognized in other (loss) income within the Consolidated Statements of (Loss) Income.

Properties, Plant and Equipment, and Exploration and Evaluation Assets

Properties, plant and equipment

Oil and gas properties, plant and equipment, including land, are measured at cost less accumulated depletion, depreciation and impairment. The initial cost of an asset comprises its purchase price or construction cost, any cost directly attributable to bringing the asset into operation, the ongoing estimate of asset retirement obligations, and borrowing costs for qualifying assets. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Development costs are capitalized within oil and gas properties and include expenditures on the construction, installation or completion of infrastructure facilities such as pipelines and the drilling of development wells, including unsuccessful development or delineation wells. The value of a right-of-use asset is also included within properties, plant and equipment. Expenditures on major maintenance or repairs that improve the productive capacity or extend the life of an asset are capitalized. All other maintenance costs are expensed as incurred.

Depletion, depreciation and amortization

Oil and gas properties are depleted using the unit-of-production method based on estimated proved and probable reserves using forward prices and costs. Costs subject to depletion include estimated future costs to be incurred in developing proved reserves.

Plant and equipment are generally depreciated on a straight-line basis over their estimated useful lives, which range from one to ten years. Major inspection costs are depreciated over three to five years, which represents the estimated period before the next planned major inspection. Plant and equipment held as right-of-use asset are depreciated over the shorter of the lease term and the estimated useful life of the leased asset. Land is not amortized.

Exploration and evaluation costs

Exploration and evaluation ("**E&E**") costs include expenditures to acquire licenses to explore, farming into or acquiring rights to working interest on exploration properties, appraisal costs of technical services and studies, seismic acquisition, exploratory drilling and testing. These costs are initially capitalized by well, field, unit of account or specific exploration unit, as appropriate, and are not subject to depreciation or depletion. Costs incurred prior to obtaining the legal rights to explore an area, geological and geophysical ("**G&G**") costs, including payroll, and payments made to fulfill the remaining balance of minimum exploration work commitment for certain blocks, are recognized in net (loss) income as exploration expenses. E&E assets are reclassified to oil and gas properties, after an impairment review, when commercial reserves have been discovered and technical feasibility and commercial viability are demonstrable. If technical feasibility and commercial viability cannot be demonstrated upon completion of the exploration phase, the carrying value of the E&E costs is expensed in the period this determination is made. The Company has certain E&E assets that have production and sales of crude oil resulting from test wells that are recognized as a reduction to capitalized E&E costs.

Intangible Assets

Intangible assets include long-term prepaid transportation rights and are measured at cost less accumulated amortization. Following initial recognition, the intangible assets are amortized based on usage or the straight-line method over the term of the agreement. The Company does not currently have intangible assets with indefinite lives, which would not be subject to amortization.

Investments in Associates

Associates are entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those decisions. Associates are accounted for using the equity method. Under the equity method, the investment is initially recorded at cost and the carrying value is subsequently adjusted to recognize the Company's share of earnings or losses of the investee and for impairment after the initial recognition date. Losses recognized using the equity method in excess of the Company's investment in ordinary shares are applied to the other components of the Company's interest in an associate. Other components may include preference shares and long-term receivables or loans, but do not include trade receivables, trade payables or any long-term receivables for which adequate collateral exists. Profit distributions from the investee, typically in the form of dividends, reduce the carrying value of the investment when declared.

At each reporting date, the Company assesses whether there are any indicators of impairment. When there are indicators that an investment is impaired, the carrying value of the investment is compared to its recoverable amount, being the higher of the present value of cash flows expected to be generated (value-in-use; "**VIU**") and the FVLCD that could be realized by selling the

investment. If the recoverable amount of the investment is less than its carrying value, an impairment loss is recognized in the period in which they occur.

Impairment of Non-Financial Assets

At each reporting date, the Company assesses whether there are indicators that non-financial assets, other than intangible assets, may be impaired. If an indication of impairment exists, the Company estimates the recoverable amount as the higher of VIU and FVLCD. Individual assets are grouped for impairment assessment purposes at the level of CGU, the lowest level for which there are identifiable cash inflows that are largely independent on the cash flows of other groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is written down to its recoverable amount. VIU is estimated as the present value of future cash flows expected to arise from the continuing use of the CGU and discounted at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. FVLCD is based on available market information, where applicable. In the absence of such information, FVLCD is determined using discounted future after-tax net cash flows of proved and probable reserves using forecasted prices and costs consistent with reserves reports produced by independent certified reserves evaluators.

An assessment is also made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or the carrying amount that would have been determined, net of depreciation, had no impairment been recognized in prior years.

Impairment losses and any reversals of impairment are recognized in net (loss) income in the period in which they occur.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and are initially measured at fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments classified as amortized cost are included in the carrying value of such instruments. Transaction costs directly attributable to the acquisition of financial instruments classified as fair value through profit or loss ("**FVTPL**") are expensed as incurred.

Financial assets

Financial assets are subsequently measured at either amortized cost using the effective interest method or fair value based on their classification. Financial assets are subsequently measured at amortized cost less impairment if they meet the following conditions:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- The asset was not acquired principally for the purpose of selling in the near term or management for short-term profit taking (i.e., held for trading).

All other financial assets, except equity investments as described below, are classified as FVTPL and subsequently measured at fair value with gains or losses arising from changes in fair value recorded in net (loss) income.

On the day of acquisition of an equity instrument, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments at fair value through other comprehensive income ("**FVTOCI**"). Designation at FVTOCI is not permitted if the equity investment is held for trading. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments. The Company has designated all investments in equity instruments as FVTOCI (Note 27).

Impairment of financial assets carried at amortized cost - Expected credit loss allowances

At each reporting date, the Company assesses whether a financial asset or group of financial assets is impaired under the expected credit loss ("**ECL**") model. For short-term trade receivables, the Company applies the simplified approach and has calculated ECLs based on lifetime ECLs. The Company has established a provision matrix that is based on historical normalized credit loss experience. The loss rate under the provision matrix is based on the payment profiles and aging of trade receivables and is adjusted to reflect current and forward-looking information on macroeconomic factors.

For long-term receivables, joint arrangement receivables and short-term loan assets, the ECL is based on the 12-month ECL and lifetime ECL approach. The 12-month ECL is the portion of lifetime ECLs that result from default events that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Company evaluates for credit risk increases based on a variety of indicators, including credit risk rating agency assessments, available counterparty internal and external information, and macroeconomic factors. The Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past the contractual due date. The Company considers a financial asset in default when contractual payments are more than 90 days past the due date.

Impairments on financial assets carried at amortized cost can be reversed in subsequent periods if the asset is no longer credit-impaired and the improvement can be objectively related to an event occurring after the impairment was recognized.

Financial liabilities

Financial liabilities are classified as FVTPL if they are held for trading or designated as FVTPL on initial recognition. Financial liabilities at FVTPL are measured at fair value with gains and losses arising from changes in fair value recognized in net (loss) income. Other financial liabilities are measured at amortized cost using the effective interest method.

Fair value hierarchy

The Company uses a three-level hierarchy to categorize the significance of the inputs used in measuring or disclosing the fair value of financial instruments. The three levels of the fair value hierarchy are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities. Active markets are those in which transactions occur in a frequency and volume sufficient to provide pricing information on an ongoing basis.
- Level 2 - Inputs other than quoted prices that are observable either directly or indirectly. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value, volatility factors and broker quotations that can be substantially observed or corroborated in the marketplace.
- Level 3 - Inputs that are based on unavailable or observable data. Level 3 instruments may include items based on pricing services or broker quotes where the Company is unable to verify the observability of inputs into their prices. Level 3 instruments include longer-term transactions, transactions in less active markets or transactions at locations for which pricing information is not available. In these instances, fair value is determined through internally developed methodologies, which primarily includes the extrapolation of observable future prices to similar locations, similar instruments or later time periods.

If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement.

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks and commodity price risks. Derivative financial instruments are classified at FVTPL and are measured at fair value. The resulting gain or loss is recognized immediately in net (loss) income unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company has not formally designated any derivatives as hedging instruments.

Borrowing Costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalized and added to the project cost during construction until such time as the assets are substantially ready for their intended use (i.e., when they are capable of commercial production). All other borrowing costs are recognized in net (loss) income using the effective interest rate method.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use ("**ROU**") assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and are adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of estimated useful life and the lease term. ROU assets are subject to impairment. Refer to the accounting policies in section Impairment of Non-Financial Assets.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities increases to reflect the accretion of interest and reduces for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment, mainly those considered low value. Lease payments on short-term leases and leases of low value assets are recognized as expenses on a straight-line basis over the lease term.

Asset Retirement Obligations

An asset retirement obligation is recognized when the Company has a present legal or constructive obligation and as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the obligation can be made. A corresponding amount equivalent to the asset retirement obligation is also recognized as part of the cost of the related oil and gas properties or E&E assets. The amount recognized is the estimated cost of decommissioning, discounted to its present value. Changes in the estimated timing or costs of decommissioning or in the discount rate are recognized prospectively by recording an adjustment to the asset retirement obligations and a corresponding adjustment to the related properties. When a decrease in the asset retirement obligations exceeds the carrying amount of the related asset, or there is an increase in the asset retirement obligations related to fully impaired or relinquished assets, the change is recognized in net (loss) income as a recovery or expense of asset retirement obligations. The unwinding of the discount on the decommissioning cost is included as a finance expense.

This accounting policy also applies to the costs the Company deems to be environmental liabilities, which include, but are not limited to, the 1% provision of the investment for the use of water sources, costs of reforestation in accordance with environmental licenses, and any compensation or other costs incurred in accordance with environmental licenses.

Taxes

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable regarding previous periods. Current income tax is recognized in the Consolidated Statements of (Loss) Income except when it relates to items recognized in other comprehensive (loss) income or directly in equity, in which case it is also recognized in other comprehensive (loss) income or equity.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits, and unused tax losses to the extent that it is probable that taxable profits will be available against which the deductible temporary

differences and the carry-forward of unused tax credits and unused tax losses can be utilized. Deferred income tax is not recognized on the initial recognition of goodwill, or assets and liabilities in a transaction that is not a business combination.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the Consolidated Statements of Financial Position and are recognized to the extent that it becomes probable that future taxable earnings will allow the deferred tax asset to be recovered.

Deferred income tax is recognized in the Consolidated Statements of (Loss) Income except when it relates to items recognized in other comprehensive income or directly in equity.

Deferred income tax assets and liabilities are offset if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

b. Changes in Accounting Policies and Disclosures, and Standards Issued but not yet Effective

Changes in Accounting Policies and Disclosures Effective January 1, 2020

The Company has adopted the following new amendment that could have an impact on the consolidated financial statements. Other than the adoption of this item, the accounting policies applied are consistent with those applied in the previous year.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Company.

Standards Issued but not yet Effective

Amendments to standards that have been issued but are not yet effective up to the date of issuance of these consolidated financial statements, which are likely to have an impact on the Company, are listed below.

Classification of Liabilities as Current or Non-current – Amendments to IAS 1

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 specifying the requirements for classifying liabilities as current or non-current. The amendments clarify:

• What is meant by a right to defer settlement

• That a right to defer must exist at the end of the reporting period

• That classification is unaffected by the likelihood that an entity will exercise its deferral right

• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on its consolidated financial statements.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The IASB also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the IASB clarified existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. Currently, the Company is assessing the impact of this amendment.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Currently, the Company is assessing the impact of this amendment.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is not expected to have a material impact on the Company.

c. Key Accounting Estimates and Judgments

COVID-19 Pandemic

In March 2020, the World Health Organization declared the coronavirus outbreak a pandemic. The spread of COVID-19 has resulted in a challenging economic environment, with more volatile commodity prices, foreign exchange rates, and long-term interest rates. It remains difficult to reliably estimate the length or severity of these developments and their financial impact. As there are many variables and uncertainties regarding the COVID-19 pandemic, as well as its impact on global demand in the oil and gas industry, it is not possible to precisely estimate the potential impact of the COVID-19 pandemic on the Company's financial condition and operations. This presents uncertainty and risk with respect to management's judgments, estimates and assumptions that affect the application of accounting policies, especially those listed below.

Critical Judgments in Applying Accounting Policies

The Company has made the following critical judgments in applying accounting policies that have the most significant impact on the amounts recognized in the consolidated financial statements.

CGU

The determination of a CGU requires the Company to apply judgments, and the CGUs may change over time to reflect changes in the Company's oil and gas assets. CGUs are identified as major areas within which there are groups of producing blocks that share similar characteristics, infrastructure and cash inflows that are largely independent of cash inflows of other groups of assets. Impairment assessment is generally carried out separately for each CGU based on cash flow forecasts calculated using oil and gas reserves and resources for each CGU.

The Company has identified and defined its CGUs in Colombia as follows: North, Central and South. The North CGU mainly includes VIM-22, Guama, La Creciente, Cordillera 1 and San Jacinto blocks, the South CGU includes the Orito block, and the Central CGU includes Quifa, Cubiro, CPE-6 and other remaining blocks located in Colombia.

E&E assets are allocated to CGUs on the basis of several factors, including, but not limited to, proximity to existing CGUs, ability to share infrastructure and workforce, and management's grouping of these assets for decision-making and budget allocations. If the E&E property is not part of an existing operational CGU, it is assessed based on a geographically similar pool of E&E assets.

Impairment indicators

The Company monitors internal and external indicators of impairment relating to its properties, plant and equipment, investments in associates and E&E assets. External sources of information include changes in the economic and legal environment in which the CGUs operate. Internal sources include the economic performance of the CGUs and other asset specific indicators. In assessing impairment for E&E assets, the Company applies judgment in considering various factors that determine technical feasibility and commercial viability.

During the first quarter of 2020, the Company concluded that there were indicators of impairment as a result of the decrease in global oil prices and performed a recoverability test on the value of its non-current assets which resulted in an impairment charge (Note 8). As at December 31, 2020, the Company identified certain indicators that impairment losses recorded during the first quarter of 2020 may have decreased, mainly the net present value of the proved and probable reserves as indicated in the Company's certified reserve reports as of December 31, 2020 was higher than the carrying amount of the oil and gas assets.The Company applies judgment to various assumptions included in its impairment assessment as described in Note 8.

Block 192 agreement

The Company had an agreement with the Peruvian state oil and gas company Perupetro S.A. to provide extraction services on Block 192 in exchange for volumes of crude oil produced in accordance with the agreement. Prior to the expiry of this contract in February 2021 (Note 29), the Company applied significant judgments regarding how it accounts for this agreement, and in particular, the point of revenue recognition. In determining when to recognize the revenue, the Company analyzed the timing of the transfer of control and the variable consideration. Based on this analysis, the Company accounted for the Block 192 agreement as a production-sharing arrangement whereby revenue is recognized at the point when the Company's share of the crude oil is sold to third parties and the sales price is used to measure the revenue.

Diluent agreement

The Company has entered into a diluent service agreement with an unrelated third party whereby the third party's natural gas or light oil products are mixed with the Company's heavy crude oil and transported through pipelines in Colombia. The Company pays a fixed fee per barrel of diluent provided by the third party. The Company is required to apply significant judgment regarding how it accounts for this transaction and in particular the point of revenue recognition. In determining the revenue recognition point, the Company has analyzed whether the legal rights of the product are transferred. Based on this analysis, the Company has concluded that it holds a legal right to its share of the blended product per the terms of the contract at the dilution point. Revenue related to the blended product is recognized by the Company upon sale to the ultimate customers.

Lease vs. non-lease components

Determining whether a contract includes a lease (ROU asset) or a service component can be complex, particularly when standalone prices are not readily available. Significant judgment was required in the assessment of the ROU asset and lease liability relating to storage facilities where the contract included an "all-in" tariff. The Company's determination included separating amounts for the use of the storage tanks, other facility equipment and infrastructure (which may not be for the exclusive use of the Company), and services.

Estimation Uncertainty and Assumptions

Oil and gas reserves

Oil and gas reserves are estimates of the amount of hydrocarbons that can be economically and legally extracted from the Company's oil and gas properties. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs.

As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Company's reported financial position and results, which include:

- The carrying value of exploration and evaluation assets and property, plant and equipment may be affected due to changes in estimated future cash flows.

- Depreciation and amortization charges in the statement of profit or loss and other comprehensive income may change where such charges are determined using the unit-of-production method, or where the useful life of the related assets change.
- Provisions for decommissioning may require revision — where changes to reserves estimates affect expectations about when such activities will occur and the associated cost of these activities.
- The recognition and carrying value of deferred tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

Depletion of oil and gas properties

Oil and gas properties are depleted using the unit-of-production method. In applying the unit-of-production method, oil and gas properties are depleted over proved and probable reserves. The calculation of the unit-of-production rate of amortization could be impacted to the extent that actual production in the future is different from current forecasted production based on proved and probable reserves. This would generally result from significant changes in any of the following:

- Changes in reserves.
- The effect on reserves due to differences between actual commodity prices and commodity price assumptions.
- Unforeseen operational issues.

Recoverable amounts - oil and gas properties, and E&E assets

The recoverable amounts of CGUs and individual assets have been determined based on the higher of VIU calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. Estimates include, but are not limited to, estimates of the discounted future after-tax cash flows expected to be derived from the Company's oil and gas properties and the discount rate. Changes in oil price forecasts, reserves, estimated future costs of production, future capital costs, decommissioning costs and income taxes can result in changes in the recoverable amount of the CGUs. It is possible that the oil price assumption may change, which may then impact the estimated life of the field and require a material adjustment to the carrying value of properties, plant, equipment and E&E assets. The Company has recognized impairments on certain oil and gas properties and E&E assets in the year ended December 31, 2020 (Note 8).

Asset retirement obligations - environmental and decommissioning costs

The Company will incur environmental and decommissioning costs at the end of the operating life of certain facilities and properties. The ultimate environmental and decommissioning costs are uncertain and estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites, or environmental legislation. The expected timing and amount of expenditure can also change: for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the decommissioning asset retirement obligations and environmental liabilities that would affect future financial results (Note 22).

Deferred tax assets

Deferred tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the unused temporary differences can be utilized. Future projected income could be affected by oil prices and quantities of proved and probable reserves. If these factors or other circumstances change, the Company would reassess its ability to record any increase or decrease in its deferred income tax asset. To the extent that actual outcomes differ from management's estimates, taxation charges or credits may arise in future periods (Note 11).

4. Acquisition of subsidiaries

Acquisition of Infrastructure Ventures Inc. ("IVI")

On August 6, 2020, the Company acquired control of IVI through the acquisition of an additional 32.35% of the outstanding shares through a stock purchase agreement with the International Finance Corporation and its associated entities. IVI is a company organized and existing under the laws of the British Virgin Islands, and at the time of acquisition, held 99.99% of Sociedad Portuaria Puerto Bahía S.A. ("**Puerto Bahia**"), which owns and operates a multifunctional port (the "**Port**") consisting of a hydrocarbon terminal and a dry cargo terminal located in Cartagena, Colombia. The Company's equity interest in IVI prior to the acquisition was 39.22% and was accounted for as an associate using the equity method. As a result of the share purchase, the Company's equity interest in IVI increased to 71.57%.

The cash consideration on the acquisition was $7.0 million, of which $3.0 million was paid on closing and the remaining $4.0 million payable on or before August 6, 2022. This transaction was accounted for as a business combination through a step acquisition in accordance with IFRS 3. As a result of the acquisition, pre-existing relationships between the Company and IVI were effectively settled, resulting in an adjustment to the purchase price for the fair value of loans and advances totaling $41.4 million. The Company recognized a non-cash loss of $42.8 million in Other (loss) income relating to the remeasurement of pre-existing relationships between the Company and IVI immediately prior to the acquisition. The Company elected to measure the non-controlling interest in IVI at fair value.

The Company also recognized a non-cash loss of $24.0 million on the reclassification of Cumulative Foreign Currency Translation Adjustments ("**CTA**") from other equity reserves. The CTA loss primarily relates to historical functional currency Colombian Peso ("**COP**") to U.S. dollar presentation currency translation differences on IVI, as an associate investment.

The total consideration paid and the final purchase price allocation over the fair value of assets and liabilities acquired at the date of acquisition are as follows:

Purchase price			
Fair value of previously held equity interest before acquisition		$	—
Fair value of pre-existing balances effectively settled on the acquisition			41,350
Cash to be paid (discounted promissory note)			3,189
Cash consideration			3,000
Total purchase price		$	47,539
Fair value of assets acquired and liabilities assumed			
Cash and cash equivalents		$	190
Restricted cash			23,512
Accounts receivable			10,929
Inventory			660
Income tax receivable			4,491
Prepaid expenses			575
Lands	144,553		
Port infrastructure	90,340		
Properties & equipment	728		
Total properties, plant & equipment			235,621
Other assets			300
Borrowings			(203,094)
Lease liabilities			(67)
Risk management liabilities			(15,281)
Accounts payable and accrued liabilities			(8,877)
Deferred tax liabilities			(1,420)
Net assets			47,539
Non-controlling interest (at fair value)			—
Purchase consideration		$	47,539
Cash paid		$	(3,000)
Net cash acquired			190
Net consolidated cash outflow		$	(2,810)

These consolidated financial statements include the results of IVI for the period following the acquisition date of August 6, 2020. Since the date of acquisition, IVI has contributed revenues and a net income of $10.1 million and $22.9 million, respectively, to the financial results of the Company. If the acquisition of IVI occurred on January 1, 2020, the Company's results for the period ended December 31, 2020, would have included revenues of $23.7 million and a net loss and $32.5 million.

On December 30, 2020, the Company through its subsidiaries Frontera Bahia Holding Ltd. ("**Frontera Bahia**") and IVI converted certain debt into preferred shares of Puerto Bahia. As a result, the Company through its wholly owned subsidiary Frontera Bahia, now owns 79.54% of Puerto Bahia, with IVI owning 20.44% of Puerto Bahia, for a total amount of indirect control of approximately 94.16% of the issued and outstanding shares of Puerto Bahia.

Acquisition of CGX Energy Inc.

On March 13, 2019, the Company acquired control of CGX Energy Inc. ("**CGX**") through its participation in an equity rights offering, whereby the Company acquired 101,316,916 common shares of CGX for cash consideration of $19.0 million. Also, as consideration for providing a standby commitment in connection with the rights offering, the Company received 15,009,026 5-year warrants to purchase up to 15,009,026 common shares at an exercise price equal to C$0.415 per common shares (the "**CGX Warrants**"). The Company's equity interest in CGX prior to the acquisition was 48.2% and was accounted for as an associate using the equity method. As a result of the share purchase, the Company's equity interest increased to 67.78%. CGX is a company listed on the TSX Venture Exchange and is involved in the exploration of petroleum in Guyana.

This transaction was accounted for as a business combination through a step acquisition in accordance with IFRS 3. As a result, the Company recognized a non-cash gain of $10.9 million recorded in Other (loss) income relating to the remeasurement of its previously held 48.2% equity interest to fair value immediately prior to the acquisition. As a result of the acquisition, pre-existing relationships between the Company and CGX were effectively settled, resulting in an adjustment to the purchase price for the fair value of outstanding loans and advances totaling $19.6 million. The Company elected to measure the non-controlling interests in CGX at fair value.

The total consideration paid and the final purchase price allocation over the fair value of assets and liabilities acquired at the date of acquisition are as follows:

Purchase price		
Fair value of previously held equity interest before acquisition	$	10,939
Fair value of pre-existing balances effectively settled on the acquisition		19,588
Cash consideration		19,007
Total purchase price	$	49,534
Fair value of assets acquired and liabilities assumed		
Cash and cash equivalents	$	23,303
Accounts receivable		453
Accounts payable and accrued liabilities		(20,818)
Exploration and evaluation assets		54,040
Properties & equipment		7,154
Net assets		64,132
Non-controlling interest		(14,598)
Purchase consideration	$	49,534
Cash paid	$	(19,007)
Net cash acquired		23,303
Net consolidated cash outflow	$	4,296

These consolidated financial statements include the results of CGX for the period following the acquisition date of March 13, 2019. Since the date of acquisition until December 31, 2019, CGX contributed revenues and a net loss of $Nil and $4.3 million, respectively, to the financial results of the Company. If the acquisition of CGX occurred on January 1, 2019, the Company's results for the year ended December 31, 2019, would have included revenues of $ Nil and a net loss $5.5 million.

On September 25, 2019, the Company converted the principal amount outstanding of $8.8 million under its bridge loan facility with CGX resulting in the acquisition of an additional 40,000,000 common shares. During the fourth quarter of 2019, CGX issued 375,000 common shares under their stock option plan reducing the Company's interest to 72.41% as of December 31, 2019.

On December 29, 2020 the Company exercised the CGX Warrants for an aggregate purchase price of $4.9 million, increasing its interest to 73.85% of the issued and outstanding common shares of CGX.

5. Segmented Information

For the year ended December 31, 2020, the Company updated its segment reporting to align with the structure of its business following the acquisition of IVI. The comparative information has been revised to reflect the current segment presentation. Consistent with the basis on which management assesses performance and allocates resources across its business units, the Company now has three reportable operating segments, Colombia, Perú and Midstream, as follows:

- Colombia: Includes all upstream business activities of exploration and production in Colombia.
- Peru: Includes all upstream business activities of exploration and production in Peru.
- Midstream: Includes the Company's investments in pipelines, storage, port, and other facilities relating to the distribution and exportation of crude oil products in Colombia.

Canada & Other includes the corporate office, Guyana and Ecuador, and other non-operating entities that have been aggregated, as they do not generate revenue for the Company. Operating segmented information for the Consolidated Statements of (Loss) Income is as follows:

	Exploration and Production											
	Colombia		Peru		Canada & Other		Midstream		Eliminations		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Oil and gas sales and other revenue	$ 621,782	$1,215,935	$ 26,279	$ 135,136	$ —	$ —	$ 28,056	$ —	$ (17,923)	$ —	$ 658,194	$1,351,071
Sales of oil and gas for trading	—	74,276	—	—	—	—	—	—	—	—	—	74,276
Royalties	(9,643)	(41,023)	(43)	(747)	—	—	—	—	—	—	(9,686)	(41,770)
Revenue	612,139	1,249,188	26,236	134,389	—	—	28,056	—	(17,923)	—	648,508	1,383,577
Oil and gas operating costs	383,164	528,114	55,986	108,472	—	—	8,767	—	10,176	—	458,093	636,586
Costs under terminated pipeline contracts	118,679	—	—	—	—	—	—	—	—	—	118,679	—
Costs of oil and gas for trading	—	71,383	—	—	—	—	—	—	—	—	—	71,383
General and administrative	38,494	54,101	2,973	5,904	10,345	16,067	3,328	—	(19)	—	55,121	76,072
Share-based compensation	(974)	1,272	(206)	260	5,140	1,375	—	—	—	—	3,960	2,907
Depletion, depreciation and amortization	260,869	375,798	563	(837)	963	1,049	2,187	—	(5,715)	—	258,867	376,010
Impairment, exploration expenses and other	138,302	29,041	1,763	510	1,324	1,060	—	36,627	—	—	141,389	67,238
Restructuring, severance and other costs	12,988	9,544	7,129	849	980	1,552	—	—	—	—	21,097	11,945
(Loss) income from operations	(339,383)	179,935	(41,972)	19,231	(18,752)	(21,103)	13,774	(36,627)	(22,365)	—	(408,698)	141,436
Share of income from associates (Note 18)	—	—	—	—	—	—	43,545	84,832	—	—	43,545	84,832
Segment (loss) income	$ (339,383)	$ 179,935	$ (41,972)	$ 19,231	$ (18,752)	$ (21,103)	$ 57,319	$ 48,205	$ (22,365)	$ —	$ (365,153)	$ 226,268
Other non-operating expense items											(83,475)	(68,196)
Income tax (expense) recovery											(33,284)	147,727
Net (loss) income for the year											$ (481,912)	$ 305,799

The following table provides geographic information of the Company's non-current assets:

As at	Year Ended December 31 2020	2019
Colombia	$ 1,357,546	$ 1,743,777
Guyana	82,950	77,652
Ecuador	2,403	1,275
Peru	—	9,863
Canada & Others	907	5,571
Total non-current assets	$ 1,443,806	$ 1,838,138

The Company's oil and gas sales and other revenue, and sales of oil and gas for trading, based on the geographic location of external customers, is as follows:

	Year Ended December 31 2020	2019
United States	$ 472,383	$ 962,242
Switzerland	102,561	32,818
Colombia	56,964	65,589
Chile	18,326	72,524
Peru	7,960	62,612
China	—	174,040
Barbados	—	29,242
Spain	—	26,280
Total oil and natural gas sales and other revenue	$ 658,194	$ 1,425,347

For the year ended December 31, 2020, the Company had three customers (2019: three customers) that individually accounted for more than 10% of its revenue. Sales to these customers were $237.8 million, $162.3 million and $63.5 million (2019: $320.3 million, $243.1 million and $174.0 million), which are included in the Colombia segment.

6. Revenue from Contracts with Customers

The following table provides the disaggregation of the Company's revenue from contracts with customers, including a reconciliation with the amounts disclosed in the segmented information (Note 5):

	Year Ended December 31 2020	2019
Colombia		
Crude oil sales	$ 609,644	$ 1,199,521
Gas sales	12,138	16,414
Colombia oil and gas sales	621,782	1,215,935
Peru total - crude oil sales	26,279	135,136
Oil and gas sales	648,061	1,351,071
Midstream sale to external customers	10,133	—
Inter-segment sales	17,923	—
Midstream sales	28,056	—
Elimination of midstream inter-segment sales	(17,923)	—
Oil and gas sales and other revenue	658,194	1,351,071
Sales of oil and gas for trading	—	74,276
Total oil and gas sales and other revenue	$ 658,194	$ 1,425,347

7. Operating Costs

	Year Ended December 31	
	2020	2019
Production costs	$ 194,770	$ 310,084
Transportation costs	182,597	295,554
Inventory valuation	37,776	(7,628)
Diluent costs	31,213	38,064
Overlift	2,970	512
Total oil and gas operating cost	449,326	636,586
Port operating cost	8,767	—
Total operating cost	$ 458,093	$ 636,586

8. Impairment and Exploration Expenses

	Year Ended December 31	
	2020	2019
Impairment of:		
Properties, plant and equipment (Note 15)	$ 34,735	$ —
Intangible assets (Note 17)	54,881	—
Exploration and evaluation assets (Note 16)	49,858	19,526
Other	2,491	4,745
Long-term receivables (Note 19)	—	36,628
Total impairment	$ 141,965	$ 60,899
Exploration expenses	3,876	3,658
(Recovery) expense of asset retirement obligations (Note 22)	(4,452)	2,681
Impairment, exploration expenses and other	$ 141,389	$ 67,238

Property, plant and equipment and intangible assets

As a result of a significant decline in the forecast for crude oil and gas benchmark prices during the first quarter of 2020, the Company performed an impairment test on its CGUs. The recoverable amount of each CGU was calculated using a VIU approach based on the Company's updated projections of future cash flows generated from proved and probable reserves and discounted using an after-tax rate of 12.0%. The discount rate was determined by reference to the Company's weighted average cost of capital taking into account market assessments of risks specific to its CGUs.

The recoverable amounts were calculated using long-term Brent oil prices of $38.10, $35.00, $53.91, $59.40, and $62.51 per barrel for 2020 to 2024, respectively, and inflated by an average of 2% per year thereafter. Forecasted oil prices were based on management's estimates using independently available market data as at March 31, 2020.

As a result of the impairment test in the first quarter of 2020, the carrying amounts of certain assets exceeded their recoverable amounts resulting in an impairment charge of $77.2 million relating to properties, plant and equipment from the Colombia CGUs, and $54.9 million related to intangible assets. Also, during the first quarter of 2020, the Company recognized an impairment charge of $0.7 million in properties, plant and equipment relating to the Peru CGU.

As at December 31, 2020, the Company identified certain indicators that impairment losses recorded during the first quarter of 2020 had decreased, specifically the Company's certified reserves report for year-end 2020 reported an increase in total proved and probable reserves and a higher net present value compared with the carrying amount of oil and gas properties.

As a result, the Company updated the estimation of the recoverable amounts of its CGUs primarily based on the parameters used in the 2020 reserves report. The key assumptions used in the estimation included: long-term Brent oil prices of $48.00, $50.00, $54.62, $55.71, and $56.83 per barrel for 2021 to 2025, respectively and inflated by an average of 2% per year thereafter. The recoverable amount was discounted using an after-tax rate of 13.8% taking in to account the higher volatility experienced during 2020. The Company concluded that the recoverable amount for the Central CGUs exceeded its carrying amount resulting in a reversal of previous impairment charges of $50.7 million. This reversal was offset by an impairment charge of $7.5 million relating to the South CGUs.

As at December 31, 2020, the recoverable amounts of CGUs are most sensitive to changes in the discount rate and future oil prices. A 1% change in the discount rate would impact the recoverable amount by approximately $36.9 million and a $1 change in the forecasted oil prices would impact the recoverable amount by approximately $77.7 million. The results of the impairment tests are sensitive to changes in other estimates such as revisions in reserves, expected production, local price differentials, future operating costs and development capital expenditures, long-term inflation and foreign exchange rates which could impact the calculation of recoverable amounts for CGUs.

Exploration and Evaluation Assets

As a result of the impairment test performed during the first quarter of 2020, as described above, the Company recognized a charge of $17.8 million relating to exploration and evaluation assets.

In addition, during the year ended December 31, 2020 the Company recorded an impairment charge of $32.1 million (2019: $19.5 million) relating to other E&E assets in Colombia as a consequence of negative exploratory test results and plans to abandon further work on these assets.

Impairment long-term receivables

During the year ended December 31, 2019 the Company reviewed the recoverability of an unsecured long-term receivable from IVI due to changes in the underlying cash flow forecasts on contracts originating from the operating subsidiary of IVI, Puerto Bahia. As a result, the Company increased its provision for expected credit losses and recorded an impairment charge of $36.6 million representing the difference between the carrying value of the long term receivable prior to the impairment and the discounted value of the future cash flows expected to be recovered under the loan.

9. Restructuring, Severance and Other Costs

During the year ended December 31, 2020, the Company incurred:

- $10.6 million (2019: $3.3 million), in severance costs related to personnel reductions as a result of the implementation of an organizational restructuring plan.
- $4.8 million (2019: $Nil), relating to termination costs from the expiration of the Block 192 contract in Peru (Note 29).
- $3.4 million (2019: $Nil), relating to ROU assets from the modification of certain lease contracts.
- $2.3 million (2019: $8.6 million), in costs regarding transformation activities to deliver process improvements and operational efficiencies.

10. Employee Salaries and Benefit Expenses

	Year Ended December 31	
	2020	2019
Salaries, bonuses and other short term benefits	$ 54,224	$ 82,309
Share-based compensation	3,960	2,907
Total	$ 58,184	$ 85,216

11. Income Taxes

The following is a reconciliation of income tax expense (recovery) calculated at the Colombian corporate tax rate with the reported income tax expense (recovery):

	Year Ended December 31	
	2020	2019
Net (loss) income before income tax	$ (448,628)	$ 158,072
Colombian statutory income tax rate	32%	33%
Income tax (recovery) expense at statutory rate	(143,561)	52,164
Other non-deductible expenses	25,704	16,330
Share-based compensation	1,221	412
Differences in tax rates	(13,256)	(15,395)
Other losses (gains) and permanent differences	7,707	(4,312)
Minimum income tax [1]	3,248	10,552
Change in deferred income tax	161,943	(234,685)
Change in prior period assessments	(9,722)	27,207
Income tax expense (recovery)	33,284	(147,727)
Current income tax (recovery) expense	(480)	42,645
Deferred income tax expense (recovery):		
Relating to origination and reversal of temporary differences	33,764	(190,372)
Income tax expense (recovery)	$ 33,284	$ (147,727)

[1] *Presumptive income tax.*

The current income tax recovery for the year ended December 31, 2020 of $0.5 million includes $6.0 million of income tax on dividends and $3.2 million of presumptive income tax offset by a $9.7 million reduction from the settlement of processes with tax authorities in 2020 and the reversal of a tax provision.

During the first quarter of 2020, the Company reduced its deferred tax asset by $168.0 million to $55.0 million due to a revision in its forecast of future taxable profits primarily resulting from the decline in oil & gas benchmark prices.

As at December 31, 2020, the Company updated its projections of future taxable profits incorporating information from the 2020 reserves report and other planning models and concluded that the probability that sufficient future taxable profits will be available had increased compared with the first quarter of 2020 resulting in the recognition of an additional $136.0 million of deferred tax assets.

The deferred tax asset of $191.0 million (2019: $223.0 million) relates to unused tax losses and deductible temporary differences in Colombia. Projections of future taxable profits are subject to, amongst other items, estimates of future oil prices and quantities of proved and probable reserves. If these factors or other circumstances change, the Company would reassess its ability to record a deferred income tax asset. A reconciliation of the Company's deferred income tax assets is as follows:

Movement in Deferred Tax Assets	2020	2019
As at January 1	$ 222,988	$ 32,616
Recognized as deferred income tax expense	(167,979)	(40,736)
Recognized as deferred income tax assets	136,034	231,108
As at December 31	$ 191,043	$ 222,988

As at December 31, 2020, deferred tax assets of $874.8 million (2019: $831.2 million) relating to non-capital losses and other items in Canada, Colombia, Guyana and Peru were not recognized as it is probable the Company will not be able to use these balances in the future.

The following table summarizes the Company's tax attributes and expiry dates by jurisdiction as at December 31, 2020:

Expiry Years of Tax Attributes	2021	2022	2023	2024 and Beyond	Indefinitely	Total
Depreciable Capital Costs						
Colombia	$ —	$ —	$ —	$ —	$ 1,576,946	$ 1,576,946
Peru	—	—	—	—	255,030	255,030
Non-Capital Losses						
Canada	—	—	—	1,028,074	—	1,028,074
Colombia	—	300	46,604	331,468	230,505	608,877
Guyana	—	—	—	—	229,844	229,844
Peru	90,239	55,923	58,071	106,171	—	310,404
Capital Losses						
Canada	—	—	—	—	189,796	189,796
Total	**$ 90,239**	**$ 56,223**	**$ 104,675**	**$ 1,465,713**	**$ 2,482,121**	**$ 4,198,971**

12. (Loss) Earnings per Share

	Year Ended December 31	
(In thousands of U.S.$, except share and per share amounts)	**2020**	**2019**
Net (loss) income attributable to equity holders of the Company	$ (497,406)	$ 294,287
Basic weighted average number of shares outstanding	96,945,679	97,871,378
Effect of dilution from dilutive instruments	—	1,660,984
Diluted weighted average number of shares outstanding	96,945,679	99,532,362
(Loss) earnings per share attributable to equity holders of the Company		
Basic	$ (5.13)	$ 3.01
Diluted	$ (5.13)	$ 2.96

13. Inventories

	As at December 31	
	2020	**2019**
Crude oil and gas	$ 37,563	$ 83,535
Materials and supplies	19,238	19,581
Total	$ 56,801	$ 103,116

As at December 31, 2020, crude oil and gas inventory includes $32.8 million in Peru and $4.8 million in Colombia (2019: $46.3 million in Peru and $37.2 million in Colombia).

As at December 31, 2020, materials and supplies inventory was net of impairment of $2.5 million (2019: $5.1 million).

14. Assets Held for Sale

On November 16, 2020, as part of the Conciliation Agreement (Note 28) between the Company, Cenit Transporte y Logística de Hidrocarburos S.A.S. ("**Cenit**") and Oleoducto Bicentenario de Colombia S.A.S. ("**Bicentenario**"), the Company agreed to transfer its 43.03% interest in Bicentenario to Cenit. The disposal of Bicentenario is expected to be completed within a year from the reporting date. As such the asset reclassified as assets held for sale, is as follows:

	As at December 31, 2020
Investment in Bicentenario (Note 18)	$ 66,190

15. Properties, Plant and Equipment

Cost	Oil & Gas properties	Port Infrastructure	Plant & Equipment	Total
As at January 1, 2019	$ 7,624,942	$ —	$ 256,225	$ 7,881,167
Additions	257,493	—	5,016	262,509
Acquisition of CGX (Note 4)	—	—	7,154	7,154
Change in asset retirement obligations (Note 22)	49,362	—	—	49,362
Disposals	(28,151)	—	(10,486)	(38,637)
Currency translation adjustment	(782)	—	(4)	(786)
As at December 31, 2019	$ 7,902,864	$ —	$ 257,905	$ 8,160,769
Additions	72,003	849	418	73,270
Acquisition of IVI (Note 4) [1]	—	234,893	728	235,621
Change in asset retirement obligations (Note 22)	(58,304)	—	—	(58,304)
Derecognition of ROU assets [2]	(41,147)	—	—	(41,147)
Disposals	(12,620)	—	(139,180)	(151,800)
Transfer to crude oil inventory [3]	(4,494)	—	—	(4,494)
Currency translation adjustment	(4,302)	26,093	777	22,568
As at December 31, 2020	$ 7,854,000	$ 261,835	$ 120,648	$ 8,236,483

[1] *Includes lands of $144.6 million.*

[2] *As part of the acquisition of IVI, the Company has derecognised the ROU assets corresponding to the Port storage facilities.*

[3] *Pipeline line fill of Peru was reclassified to current assets as inventories due to the expected sale of the crude oil during next year.*

Accumulated Depletion, Depreciation and Impairment	Oil & Gas properties	Port Infrastructure	Plant & Equipment	Amount
As at January 1, 2019	$ 6,632,021	$ —	$ 213,000	$ 6,845,021
Charge for the year	363,502	—	9,949	373,451
Disposals	(23,141)	—	(10,486)	(33,627)
Currency translation adjustment	(706)	—	9	(697)
As at December 31, 2019	$ 6,971,676	$ —	$ 212,472	7,184,148
Charge for the year	234,604	2,071	2,393	239,068
Impairment (Note 8)	21,416	—	13,319	34,735
Derecognition of ROU assets	(21,717)	—	—	(21,717)
Disposals	(9,678)	—	(129,386)	(139,064)
Currency translation adjustment	(3,436)	5,097	706	2,367
As at December 31, 2020	$ 7,192,865	$ 7,168	$ 99,504	$ 7,299,537

Net Book Value	Oil & Gas properties	Port Infrastructure	Plant & Equipment	Amount
As at December 31, 2019	$ 931,188	$ —	$ 45,433	$ 976,621
As at December 31, 2020	$ 661,135	$ 254,667	$ 21,144	$ 936,946

Properties, plant and equipment comprise owned and leased assets, as follows:

	Oil & Gas properties	Port Infrastructure	Plant & Equipment	Amount
Properties, plant and equipment - owned	$ 886,713	$ —	$ 28,570	$ 915,283
ROU assets - leased	44,475	—	16,863	61,338
As at December 31, 2019	931,188	—	45,433	976,621
Properties, plant and equipment - owned	652,590	254,667	15,902	923,159
ROU assets - leased	8,545	—	5,242	13,787
As at December 31, 2020	$ 661,135	$ 254,667	$ 21,144	$ 936,946

Details of ROU assets are as follows:

	Storage Facility	Power Generation	Plant & Equipment	Total
As at January 1, 2019	41,147	19,908	19,907	80,962
Additions	—	2,938	1,919	4,857
Depreciation charge for the year	(13,716)	(5,802)	(4,963)	(24,481)
As at December 31, 2019	$ 27,431	$ 17,044	$ 16,863	$ 61,338
Changes in estimates	—	(1,775)	(578)	(2,353)
Derecognition of ROU assets	(19,430)	—	—	(19,430)
Termination of lease contracts	—	(1,578)	(7,744)	(9,322)
Depreciation	(8,001)	(5,146)	(3,299)	(16,446)
As at December 31, 2020	$ —	$ 8,545	$ 5,242	$ 13,787

16. Exploration and Evaluation Assets

	2020	2019
As at January 1	$ 114,155	$ 15,100
Additions, net of income from long-term testing	30,102	59,733
Change in asset retirement obligations	1,873	6,215
Acquisition of CGX (Note 4)	—	54,040
Disposals	(515)	(1,407)
Impairment (Note 8)	(49,858)	(19,526)
As at December 31	$ 95,757	$ 114,155

17. Intangible Assets

	2020	2019
As at January 1	$ 58,311	$ —
Additions	—	68,601
Amortization for the year	(3,430)	(10,290)
Impairment (Note 8)	(54,881)	—
As at December 31	$ —	$ 58,311

On April 1, 2019, the transportation capacity rights relating to the Oleoducto Central S.A. pipeline were transferred back from Transporte Incorporado S.A.S. to the Company. In exchange for the capacity rights, the Company paid $48.5 million and settled receivables of $20.1 million for a total transaction value of $68.6 million. The transportation rights were being amortized over five years using the straight-line method.

During the year ended December 31, 2020, the Company impaired this intangible asset as the capacity rights were no longer supported by its recoverable amount as determined using a VIU approach (Note 8).

18. Investments in Associates

	ODL	Bicentenario	IVI [1]	Total
As at January 1, 2019	$ 117,368	$ 73,743	$ —	$ 191,111
Share of income (loss) from associates	51,899	43,356	(10,423)	84,832
Dividends	(52,759)	(34,413)	—	(87,172)
Loss allocated against net investment in IVI	—	—	10,423	10,423
Currency translation adjustment	(653)	(1,580)	—	(2,233)
As at December 31, 2019	$ 115,855	$ 81,106	$ —	$ 196,961
Share of income (loss) from associates	42,214	19,354	(18,023)	43,545
Dividends	(42,034)	(17,013)	—	(59,047)
Loss allocated against net investment in IVI	—	—	18,023	18,023
Currency translation adjustment	(9,196)	(17,257)	—	(26,453)
Transferred to assets held for sale (Note 14)	—	(66,190)	—	(66,190)
As at December 31, 2020	$ 106,839	$ —	$ —	$ 106,839
Company's interest as at December 31, 2020	35.00 %	43.03 %	—	

[1] The Company accounted for IVI as an investment in associate until it acquired control on August 6, 2020 (Note 4). Before the acquisition the Company recorded its share of losses as a reduction to other long-term interests (long-term account receivables) that formed part of its net investment in IVI.

The Company accounts for its investments in associates using the equity method as the criteria to exert significant influence was met given the significance of the Company's percentage holdings and ability to appoint directors to the investee's board of directors.

Oleoducto de los Llanos Orientales S.A. ("ODL")

ODL is a Panamanian company with a Colombian branch that operates an oil pipeline for the transportation of heavy crude oil produced from the Rubiales and Quifa blocks. The Company has a gross participation interest of 35% (20.98% after NCI) through ODL JV Limited ("**ODL JV**") with the remaining 65% interest owned by Cenit. ODL's functional currency is COP and CTA are recorded in other comprehensive (loss) income.

During the year ended December 31, 2020, the Company recognized gross dividends of $42.0 million, (2019: $52.8 million) and received cash dividends of $38.7 million, (2019: $58.4 million). As at December 31, 2020 and 2019, the carrying value of dividends receivable after withholding taxes is $Nil.

Bicentenario

Bicentenario is a Colombian corporation which owns the Bicentenario oil pipeline in Colombia ("**BIC Pipeline**") that connects from the Araguaney station in the Casanare department to the Banadia station in the Arauca department. Bicentenario's functional currency is COP and CTA are recorded in other comprehensive (loss) income.

On November 16, 2020, the Company signed a Conciliation Agreement (Note 28) with Bicentenario and Cenit, and as result the Company reclassified $66.2 million of investments in associates balance to assets held for sale (Note 14).

During the year ended December 31, 2020, the Company recognized gross dividends of $17.0 million, (2019: $34.4 million). The carrying value of dividends receivable after withholding taxes is $62.0 million (2019: $39.1 million).

Summarized financial information for the Company's significant associate investees, on a 100% basis, is as follows:

Financial Position	ODL		Bicentenario		IVI	
As at December 31	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Assets	$ 426,891	$ 495,650	$ —	$ 867,000	$ —	$ 470,034
Liabilities	121,636	164,635	—	678,512	—	496,605
Equity	305,255	331,015	—	188,488	—	(26,571)
Company's interest in associate	35.00%	35.00%	—%	43.03%	—%	39.22%
Carrying amount of the investment	$ 106,839	$ 115,855	$ —	$ 81,106	$ —	$ —
Income Statement						
As at December 31	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Revenue	$ 269,993	$ 338,331	$ 170,792	$ 294,359	$ 36,640	$ 70,581
Expenses	(149,381)	(190,049)	(125,814)	(193,601)	(82,594)	(97,157)
Net income (loss)	$ 120,612	$ 148,282	$ 44,978	$ 100,758	$ (45,954)	$ (26,576)
Company's share of the income (loss) for the period	$ 42,214	$ 51,899	$ 19,354	$ 43,356	$ (18,023)	$ (10,423)

19. Other Assets

	As at December 31	
	2020	**2019**
Long-term withholding tax	$ 32,002	$ 39,649
Investments	1,278	1,298
Long-term recoverable VAT	386	599
Long-term receivables	—	126,060
Advances [1]	—	11,334
Total	$ 33,666	$ 178,940

[1] *Related to long-term advances paid for services under the take-or-pay agreement with Puerto Bahia.*

Long-term receivables

IVI

Before the Company's acquisition of IVI (Note 4), under the terms of an equity contribution agreement and by way of shareholder loans the Company advanced, as at December 31, 2019, $65.9 million directly to IVI's port subsidiary, Puerto Bahia (the "**Puerto Bahia ECA Loans**"). The Puerto Bahia ECA Loans are subordinated to the Puerto Bahia bank debt facility (the 2025 Puerto Bahia Debt), and bear interest of 14.0%. As at December 31, 2019, the Company also had loans receivable from IVI of $72.9 million in aggregate principal, with a net carrying value after impairment of $5.3 million. The loans bear interest that ranges from 7% and 10%.

As a result of the acquisition, pre-existing relationships between the Company and IVI/Puerto Bahia were effectively settled.

Impairment

During the year ended December 31, 2019, the Company reviewed the recoverability of an unsecured long-term receivable from IVI after identifying an impairment indicator relating to changes in the underlying cash flow forecasts on contracts originating from the operating subsidiary of IVI, Puerto Bahia. As a result, the Company increased its provision for ECLs and recorded an impairment charge of $36.6 million, representing the difference between the carrying value of the long-term receivable prior to the impairment and the updated discounted value of the future cash flows expected to be recovered under the loan (Note 8).

Bicentenario Dividends

As at December 31, 2020, the carrying value of the dividends receivable from Bicentenario is $Nil (2019: $39.1 million), corresponding to $Nil undiscounted (2019: $45.4 million). On November 16, 2020, the Company signed a Conciliation Agreement (Note 28) with Bicentenario and Cenit, and as result the Company reclassified dividends receivable after withholding taxes of $62.0 million to accounts receivable.

20. Borrowings and Loans

Puerto Bahia Secured Syndicated Credit Loan

On August 6, 2020, the Company acquired a controlling interest in IVI, which at the time of acquisition held 99.9% of Puerto Bahia (Note 4). Puerto Bahia entered into a credit agreement with a syndicate of lenders in October 2013 for a $370 million debt facility, which matures in June 2025, for the construction and development of a multipurpose port in the Cartagena Bay ("**2025 Puerto Bahia Debt**"). The 2025 Puerto Bahia Debt bears interest at 6-month LIBOR plus 5% which is payable semi–annually, and which is secured by substantially all the assets and shares of Puerto Bahia. As at December 31, 2020, the lenders have given notices stating that Puerto Bahia is in breach of various loan covenants but have not accelerated the loan. As a result, the total amount outstanding under the 2025 Puerto Bahia Debt is presented as a current liability in accordance with IAS 1. The 2025 Puerto Bahia Debt is non-recourse to the Company (other than as provided for by the ECA described below) and it has no impact on the Company's financial covenant calculations under its senior unsecured notes due in 2023 as IVI is considered an unrestricted subsidiary for purposes of such calculation.

				As at December 31	
	Maturity	Currency	Interest Rate	2020	2019
2025 Puerto Bahia Debt	June 2025	U.S dollars	LIBOR 6M + 5%	$ 183,094	$ —

As part of the agreement on closing of the 2025 Puerto Bahia Debt, the Company entered into an equity contribution agreement ("**ECA**"). Under the ECA, the Company and IVI agreed to jointly and severally cause equity contributions (via debt or equity) to Puerto Bahia up to the aggregate amount of $130.0 million (the "**ECA Loans**"). Amounts advanced under the ECA are used for the repayment of principal and interest from debt obligations of Puerto Bahia. The ECA Loans bear interest at 14% and are subordinated to the 2025 Puerto Bahia Debt. As of December 31, 2020, the Company has advanced a total of $73.9 million under the ECA, of which $41.2 million, were converted into preferred shares of Puerto Bahía (Note 4).

Long-term Debt

On June 25, 2018, the Company issued $350.0 million of 9.70% senior unsecured notes due 2023 (the "**Unsecured Notes**"). The interest is payable semi-annually in arrears on June 25 and December 25 of each year and will mature on June 25, 2023, unless earlier redeemed or repurchased. On November 26, 2018, the Company amended the indenture terms of the Unsecured Notes, and reduced certain restrictions in place over the Company's ability to make restricted payments.

The Unsecured Notes were initially recognized net of an original issue discount of $4.1 million, and directly attributable transaction costs of $20.8 million, primarily related to underwriter, legal and other professional fees. The unamortized portion of the deferred finance costs described above was $14.2 million as at December 31, 2020 (2019: $18.9 million).

The Unsecured Notes rank equal in right of payment with all the Company's existing and future senior unsecured debt and are guaranteed by the Company's principal subsidiaries. Under the terms of the Unsecured Notes, the Company may, among other things, incur indebtedness provided that it is in compliance with the following ratios, as defined under the indenture:

- Consolidated debt to consolidated adjusted EBITDA ratio less than or equal to 3.0:1.0.
- Consolidated fixed charge greater than or equal to 2.5:1.0.

As at December 31, 2020 and 2019, the Company was in compliance with such covenants.

Letters of Credit

The Company has various uncommitted bilateral letter of credit lines (the "**Uncommitted LCs**"). As of December 31, 2020, the Company had $52.9 million (2019: $43.7 million) of issued and outstanding Uncommitted LCs for exploratory commitments and abandonment funds in Colombia and Ecuador. The lenders under the Uncommitted LCs receive a fee equal to 3% per annum.

In addition to the Uncommitted LCs, as at December 31, 2020, the Company has outstanding letters of credit of $4.0 million under a master agreement with Banco BTG Pactual S.A. ("**BTG**"). Under the terms of this agreement, BTG has the right to demand the return and cancellation of the letters of credit, or require the Company to deposit an equivalent amount if it breaches certain covenants, including receiving a credit rating downgrade two notches or more by any rating agency.

Finance Expense

The following table summarizes the main components of finance expense:

	Year Ended December 31	
	2020	2019
Interest on Unsecured Notes	$ 34,043	$ 33,950
Interest on Borrowings	4,853	—
Deferred financing fees amortization	4,670	4,235
Lease financing costs	4,438	8,591
Accretion expense of asset retirement obligations	4,047	6,522
Letters of credit fees and other bank charges	2,647	6,312
Accretion expense of other assets	3,723	5,882
Total	$ 58,421	$ 65,492

21. Leases

The Company leases various properties, power generation supply, vehicles and other assets.

During the year ended December 31, 2020, the Company as part of its program to manage the COVID-19 pandemic and lower oil prices environment reached an agreement to modify and/or partially terminate some lease contracts, which resulted in a decrease of lease liability of $8.3 million. Additionally, as part of the acquisition of IVI, the Company has derecognised the lease liability of $21.2 million corresponding to the port storage facilities.

The Company's lease liabilities have an average discount rate of 10.97% (2019: 10.61%), and the maturity analysis by contractual undiscounted cash flows is as follows:

	As at December 31	
As at	2020	2019
Within 1 year	$ 12,234	$ 34,178
Year 2	5,936	31,114
Year 3	3,250	8,831
Year 4	68	7,819
Year 5	56	—
Total undiscounted lease liabilities	$ 21,544	$ 81,942
Less amounts representing finance costs	(2,182)	(10,400)
Present value of lease liabilities	$ 19,362	$ 71,542
Current	$ 14,381	$ 28,138
Non-current	4,981	43,404
Total	$ 19,362	$ 71,542

Amounts Recognized in the Consolidated Statements of (Loss) Income

	Year Ended December 31	
	2020	2019
Interest on lease liabilities	$ (4,438)	$ (8,591)
Variable lease payments not included in the measurement of lease liabilities	(9,033)	(9,426)
Income from sub-leasing ROU assets	2,049	6,631
Expenses relating to short-term leases	(1,243)	(4,690)
Expenses relating to leases of low-value assets	(2,180)	(3,580)
Write-off asset related to termination of lease contract	(3,462)	—

Amounts Recognized in the Consolidated Statements of Cash Flows

	Year Ended December 31	
	2020	2019
Total cash outflow for leases [1]	$ 38,279	$ 51,015

[1] *Includes principal payments of lease liabilities and interest of $24.5 million (2019: $33.3 million) which are recognized in the Consolidated Statements of Cash Flow as Financing activities.*

22. Asset Retirement Obligations

	2020	2019
As at January 1	$ 288,982	$ 247,119
Accretion expense	4,047	6,522
Additions	1,310	11,489
(Recovery) expense of asset retirement obligations (Note 8)	(4,452)	2,681
Changes in estimates	(58,620)	37,274
Liabilities settled	(4,744)	(11,935)
Derecognition and disposal	—	(2,755)
Currency translation adjustment	(280)	(1,413)
As at December 31	$ 226,243	$ 288,982

	As at December 31	
	2020	2019
Current portion	$ 14,009	$ 24,044
Non-current portion	212,234	264,938
Total	$ 226,243	$ 288,982

Asset retirement obligations ("**ARO**") represent the present value of decommissioning and environmental liability costs relating to oil and gas properties and E&E assets. The total undiscounted ARO is $280.9 million (2019: $382.7 million) which is expected to be executed between 2021 and 2042, of which $245.0 million (2019: $346.6 million) will be incurred in Colombia and $35.9 million (2019: $36.1 million) in Peru. During the twelve months ended December 31, 2020, certain abandonment activities were postponed for future periods and, accordingly, the amount was reclassified from current to non-current.

During the year ended December 31, 2020, the Company recognized a decrease in the ARO from changes in estimates of $58.6 million, which includes a decrease of $2.9 million relating to updating the risk-free and inflation rates, a reduction of $36.1 million relating to updated cost estimates to abandon and reclaim wells and well sites, including environmental liabilities, and a reduction of $19.6 million due to the impact of foreign exchange rates. A total of $58.3 million of the changes in estimates recognized in Oil & Gas Properties (Note 15).

The risk-free and inflation rate used for discounting to present value are:

- A risk-free rate between 3.1% and 7.1% and an inflation rate between 3% and 4.8% for cash flows expected to be settled in COP (2019: risk-free rate between 4.1% and 7.3% with inflation between 2.7% and 3.9%);
- A risk-free rate between 1.40% and 1.44% and an inflation rate between 2.2% and 2.8% for cash flows expected to be settled in U.S. dollars (2019: risk-free rate between 2.4% and 3.1% with inflation rate between 2.2% and 3%).

23. Non-Controlling Interest

	ODL JV	CGX	IVI	Amount
As at January 1, 2019	$ 84,861	$ —	$ —	$ 84,861
Acquisition of CGX (Note 4)	—	14,598	—	14,598
Change in ownership interests	—	(2,044)	—	(2,044)
Share-based compensation	—	1,565	—	1,565
Net income attributable to non-controlling interests	11,414	98	—	11,512
Dividends and distributions declared	(56,262)	—	—	(56,262)
Other comprehensive income attributable to non-controlling interests	5,546	—	—	5,546
As at December 31, 2019	$ 45,559	$ 14,217	$ —	$ 59,776
Net income (loss) attributable to non-controlling interests	10,923	(1,437)	6,008	15,494
Dividends and distributions declared	(15,228)	—	—	(15,228)
Other comprehensive income attributable to non-controlling interests	2,259	—	(1,012)	1,247
Share-based compensation	—	2,793	—	2,793
Change in ownership interests	—	(809)	(2,294)	(3,103)
As at December 31, 2020	$ 43,513	$ 14,764	$ 2,702	$ 60,979

Pursuant to an agreement among the shareholders of ODL JV in 2014, ODL JV had an option that was exercisable solely in the event that the Company terminated its transportation agreement with Bicentenario because the BIC Pipeline was non-operational for six consecutive months ("**Bicentenario Put Option**"). On September 11, 2018, the IFC, on behalf of ODL JV, provided notice to the Company exercising the Bicentenario Put Option. On March 22, 2019, the Company increased its net ownership interest (after non-controlling interest) in Bicentenario from 26.4% to the current 43.0% through the acquisition of ODL JV's ownership interest in Bicentenario, in accordance with the Bicentenario Put Option, for approximately $84.8 million. The net cost of the acquisition to the Company was approximately $34.0 million after the proceeds of the transaction were distributed by ODL JV to its shareholders, including the Company.

The summarized financial information for ODL JV, CGX and IVI is as follows:

	ODL JV		CGX [1]		IVI [2]
	As at December 31		As at December 31		As at December 31
	2020	2019	2020	2019	2020
Current assets	$ 1,797	$ 2,676	$ 12,193	$ 16,010	$ 33,132
Non-current assets	106,849	111,302	6,315	23,923	309,785
Total assets	108,646	113,978	18,508	39,933	342,917
Current liabilities	50	287	14,581	21,834	198,812
Non-current liabilities	—	—	—	—	71,785
Total liabilities	50	287	14,581	21,834	270,597
Equity	108,596	113,691	3,927	18,099	72,320
Total liabilities and equity	$ 108,646	$ 113,978	$ 18,508	$ 39,933	$ 342,917

	ODL JV		CGX		IVI
	Year Ended December 31		Year Ended December 31		Year Ended December 31
	2020	2019	2020	2019	2020
Revenue	$ 274	$ 1,147	$ —	$ —	$ 26,243
Other income (expense)	26,986	27,339	(5,496)	(9,423)	(3,315)
Net income (loss)	$ 27,260	$ 28,486	$ (5,496)	$ (9,423)	$ 22,928

[1] Since the acquisition of CGX, non-controlling interest has fluctuated between 26.15% and 32.22% (Note 4).

[2] Since the acquisition of IVI from August 6, 2020, until December 30, 2020, the Company calculated the non-controlling interest on IVI figures, which includes Puerto Bahía. On December 31, 2020, the Company had direct control of Puerto Bahía (Note 4) changing the non-controlling interest from 28.43% to 5.84%.

24. Share Capital and Share-Based Arrangements

The Company is authorized to issue an unlimited number of common shares with no par value.

Dividends

During the year ended December 31, 2020, the Company declared dividends of C$0.205/share for $13.9 million (2019: C$1.315/share for $97.9 million) and paid dividends of $29.1 million (2019: $106.4 million), a dividend payable of $Nil was recorded as at December 31, 2020 (2019: $15.1 million). The Company's Dividend Reinvestment Plan ("**DRIP**") allows shareholders resident in Canada with the option to have the cash dividends declared on their common shares automatically reinvested back into additional common shares, without the payment of brokerage commissions or service charges. During the year ended December 31, 2020, the Company issued 2,153,633 common shares (2019: 630,944 common shares) under the DRIP.

Normal Course Issuer Bid

Over a 12-month period between October 18, 2019 and October 17, 2020, the Company had a normal course issuer bid ("**NCIB**") through the TSX, allowing the Company to purchase for cancellation up to 6,532,400 of its common shares. During the twelve month term of the NCIB ended October 17, 2020 the Company purchased and cancelled a total of 2,941,128 common shares. The Company has not renewed its NCIB.

The following table provides a summary of the share repurchases under the Company's NCIB programs:

	As at December 31	
(In thousands of U.S.$, except share and per share amounts)	**2020**	**2019**
Number of common shares repurchased	1,392,314	2,642,834
Total amount of common shares repurchased	$ 10,075	$ 21,752
Weighted-average price per share	$ 7.24	$ 8.23

Share-Based Compensation

Restricted Share Units

The Company's RSUs vest between the course of one or three years after the grant date and are settled in cash, common shares or a combination thereof, at the election of the Company. For performance based RSU's, the number of RSUs that will ultimately vest is determined by internal business performance measures and a performance adjustment factor ranging from 0% to 150% depending on the Company's total shareholder return relative to a peer group of companies during the three-year performance period. Time based RSU's vest on an annual basis, based on a grantee's continued employment with the Company.During the vesting period, dividend equivalents in the form of additional RSUs are issued to reflect dividends paid on the Company's common shares. The Company recognized $0.2 million of share-based compensation expense relating to RSUs for the year ended December 31, 2020 (2019: $0.2 million). The following table provides a summary of the activity related to RSUs during the year:

	Year Ended December 31	
	2020	**2019**
Outstanding, beginning of year	1,802,222	1,118,966
Granted [1]	1,840,956	949,469
Forfeited	(468,601)	(225,047)
Settled [2]	(297,963)	(41,166)
Outstanding, end of year	2,876,614	1,802,222
Vested, end of year	—	276,041

[1] *The weighted average fair value of the RSUs granted was $2.98 (2019: $10.38).*

[2] *Includes the issuance of 271,648 common shares (2019: Nil).*

Deferred Share Units

The Company has a DSU plan for its Board of Directors, whereby directors can elect to receive their annual compensation, or a portion thereof, in DSUs. DSUs vest immediately and are settled in cash, common shares or a combination thereof, at the election of the Company, when the recipient ceases to be a director. Until settled, dividend equivalents in the form of additional DSUs are issued to reflect dividends paid on the Company's common shares. The Company recognized $1.0 million of share-based compensation expense relating to DSUs for the year ended December 31, 2020 (2019: $2.7 million). The following table provides a summary of the activity related to DSUs during the year:

	Year Ended December 31	
	2020	**2019**
Outstanding, beginning of year	246,351	146,466
Granted [1]	349,008	123,953
Settled	—	(24,068)
Outstanding, end of year	595,359	246,351
Vested, end of year	595,359	246,351

[1] *The weighted average fair value of the DSUs granted was $2.88 (2019: $11.56).*

Stock Options

The Company has not issued any stock options; however, certain subsidiaries of the Company may incur stock-based compensation pursuant to their respective long-term incentive plan arrangements. For the year ended December 31, 2020, stock-based compensation expense relating to stock options granted directly by the Company's subsidiaries was $2.8 million (2019: $1.5 million).

25. Supplemental Disclosure on Cash Flows

Changes in non-cash working capital are as follows:

	Year Ended December 31	
	2020	2019
Decrease in accounts receivable	$ 75,629	$ 23,795
Decrease in inventories	35,809	7,368
Decrease (increase) in income taxes receivable	21,028	(30,168)
Increase in prepaid expenses and deposits	(5,983)	(683)
Increase (decrease) in accounts payable and accruals liabilities	2,955	(100,763)
(Decrease) increase in income taxes payable	(21,436)	26,012
Changes in non-cash working capital	$ 108,002	$ (74,439)
Attributable to		
Operating activities	$ 163,476	$ (19,932)
Investing activities	(55,474)	(54,507)
Changes in non-cash working capital	$ 108,002	$ (74,439)

26. Related-Party Transactions

The following tables provide the total balances outstanding (before impairments), commitments and transactional amounts with related parties for the years ended December 31, 2020, and 2019:

As at December 31		Accounts Receivable [2]	Accounts Payable and Lease Obligation	Commitments (Note 28)	Cash Advance [1] [2]	Long-term Receivable [1] [2]	Interest Receivable [1] [2]
ODL	2020	$ 465	$ 7,821	$ 7,888	$ —	$ —	$ —
	2019	—	4,181	30,125	—	—	—
Bicentenario [3]	2020	70,761	—	—	87,278	—	—
	2019	9,677	—	36,539	87,278	45,732	—
IVI[4]	2020	—	—	—	—	—	—
	2019	$ —	$ 31,193	$ 52,238	$ 17,741	$ 151,452	$ 52,267

Year Ended December 31		Purchases / Services	Interest Income[2]
ODL	2020	$ 35,903	$ —
	2019	49,356	—
Bicentenario	2020	1,427	—
	2019	6,557	—
IVI [4]	2020	22,479	10,558
	2019	32,347	15,109
CGX [5]	2020	—	—
	2019	$ —	$ 363

[1] Items included as Other Assets in the Consolidated Statement of Financial Position.

[2] Amounts presented based on contractual payment obligations undiscounted and prior to impairments.

[3] On November 16, 2020, the Company signed a Conciliation Agreement (Note 28) with Bicentenario and Cenit, and as result the Company reclassified the dividends receivable from long-term receivable to accounts receivable.

[4] Balances shown reflect transactions before the Company acquired control of IVI on August 6, 2020 (Note 4). Prior to the acquisition, the Company had disclosed the commitments with Puerto Bahia related to its take-or-pay agreement.

[5] Transactions before the Company acquired control of CGX on March 13, 2019 (Note 4).

The Company is related to the entities noted above as a result of its equity ownership in the associates. The following sets out the details of those related-party transactions as summarized in the tables above:

- ODL - Services related to ship-or-pay contracts the Company has with ODL for the transportation of crude oil in Colombia for a total commitment of $7.9 million until 2021 (Note 28).
- Bicentenario - Services related to ship-or-pay contracts the Company previously had with Bicentenario for the transportation of crude oil in Colombia through the BIC Pipeline. The Company also had advances with Bicentenario as a prepayment of transportation tariffs, which are to be amortized against future barrels transported above the Company's contract capacity, and trade receivables and payables related to transportation taxes. On November 16, 2020, the Company signed a Conciliation Agreement (Note 28) with Bicentenario and Cenit.
- IVI - The Company had loans receivable from IVI and Puerto Bahia in relation to funds advanced for infrastructure projects. The Company also had take-or-pay contracts for the transfer, loading and unloading of hydrocarbons at its port facilities, for which the Company recognizes purchases, services and payable balances, as well as long-term advances. As a result of adopting IFRS 16 on January 1, 2019, the Company recognized ROU assets and lease liabilities relating to the take-or-pay of Puerto Bahia facilities, these leases were previously classified as operating leases and disclosed as commitments. During the third quarter of 2020, the Company acquired control of IVI (Note 4) and all intragroup balances are now eliminated on consolidation.

Key Management Compensation

The Company's key management personnel include its Board of Directors and executive officers. Compensation for key management personnel is summarized below:

	Year Ended December 31	
	2020	**2019**
Short-term employee benefits	$ 5,574	$ 3,915
Termination benefits	555	655
Share-based payments	1,986	1,275
Total	$ 8,115	$ 5,845

27. Financial Instruments and Risk Management

a. Risks Associated with Financial Assets and Liabilities

The Company's activities expose it to various risks including credit risk, liquidity risk and market risk (from changes in commodity prices, foreign exchange rates and interest rates) that could have significant impact on profitability, operating cash flows and the value of financial instruments.

i) Credit Risk

Credit risk relates to the potential that the Company may incur a loss if a counterparty to a financial instrument fails to meet its obligations, and arises primarily from trade customers, loans and advances to associates, receivables from joint arrangements and other financial counterparties. The Company actively limits the total exposure to individual client counterparties by maintaining a credit policy, which sets forth prepayment or letters of credit requirements for trade customers in order to mitigate losses from non-collection of trade receivables. The Company monitors the credit quality of associates, and where appropriate, structures its loans and advances to include collateral or security. Credit risk arising on receivables from joint arrangements and risk management assets is not significant given the counterparties are large institutions with strong credit ratings.

The following table shows the maximum credit risk exposure of financial assets carried at amortized cost, presented at the gross carrying amounts, prior to ECL allowances:

	As at December 31	
	2020	2019
Trade receivables	$ 44,317	$ 55,508
Other receivables	75,522	28,329
Receivables from joint arrangements	34,866	48,099
Withholding tax and others	19,043	32,740
Allowance for ECLs [1]	(32,521)	(32,521)
Accounts receivable	$ 141,227	$ 132,155
Long-term receivables, before loss allowances	—	197,991
Allowance for ECLs	—	(71,930)
Long-term receivables [2]	$ —	$ 126,061
Withholding tax and others - not considered for credit risk	(19,043)	(40,662)
Total financial assets carried at amortized cost	$ 122,184	$ 217,554

[1] Includes ECLs of $15.7 million for trade receivables (2019: $15.7 million).

[2] Corresponds to pre-existing loans and advances with IVI before its acquisition (Note 4), and dividends receivable from Bicentenario which were reclassified to other receivables short-term due to the Conciliation Agreement (Note 28).

Reconciliation of ECLs

The following table shows a continuity of ECLs:

	2020	2019
As at January 1	$ 104,451	$ 80,508
Provision for ECLs (Note 8)	—	36,628
Reduction due to the acquisition of IVI and CGX	(71,930)	(12,685)
As at December 31	$ 32,521	$ 104,451

ii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company mitigates its liquidity risk by managing its capital expenditures, operational cash flows, and by maintaining adequate lines of credit and cash and cash equivalent balances on hand.

The following tables summarizes the undiscounted cash outflows relating to contractual maturities of the Company's non-derivative financial liabilities as at December 31, 2020:

Financial Liability Due In	2021	2022	2023	2024	2025	Total
Accounts payable and accrued liabilities [1]	$ 498,282	$ 4,000	$ —	$ —	$ —	$ 502,282
Long-term debt	—	—	350,000	—	—	350,000
Interest on Long-term debt	33,958	33,958	16,982	—	—	84,898
Borrowings - 2025 Puerto Bahia Debt (Note 20) [2]	179,606	—	—	—	—	179,606
Interest on Borrowings - 2025 Puerto Bahia Debt	10,645	—	—	—	—	10,645
Lease liabilities	12,234	5,936	3,250	68	56	21,544
Total	$ 734,725	$ 43,894	$ 370,232	$ 68	$ 56	$ 1,148,975

[1] Includes a provision of $157.2 million relating to the Conciliation Agreement which will not be settled in cash (refer to Note 28) and other provisions for contingencies totaling $63.4 million which do not have a definitive repayment period but are not expected to be settled within the next 12 months.

[2] The 2025 Puerto Bahia Debt is presented as a current liability as the lenders have given notices stating that Puerto Bahia is in breach of various loan covenants. However, the maturity of this loan is not expected to be within the next 12 months as the Company continues to service the loan in accordance with the repayment schedule and no amounts have been accelerated. Amounts currently due within the next 12 months total $38.3 million.

The following table shows the breakdown of accounts payable and accrued liabilities:

	As at December 31	
	2020	2019
Trade and other payables	$ 114,191	$ 162,748
Accrued liabilities	56,873	96,438
Supplier hold back and advances	37,720	51,950
Provisions and withholding tax	5,430	12,297
	214,214	323,433
Provision for contingencies and others	288,068	178,558
Total undiscounted payable and accrual liabilities	502,282	501,991
Discount amount at present value	(657)	—
Total payable and accrual liabilities	$ 501,625	$ 501,991

The Company has various guarantees in place in the normal course of business, supported by issued letters of credit (Note 20). As at December 31, 2020, the Company had issued letters of credit for a total of $56.9 million (2019: $75.5 million).

Restricted Cash

As at December 31, 2020, the Company has total restricted cash of $168.9 million (2019: $127.4 million) in trust accounts primarily to cover future abandonment obligations, exploration commitments, insurance collateral for certain contingencies and other matters. The increase in restricted cash from December 31, 2019, was primarily due to the collateral for abandonment funds and as a consequence of the acquisition of IVI (Note 4).

iii) Market and Interest Risk

Market and interest risk is the risk associated with fluctuations in oil prices, foreign exchange rates and interest rates. To manage this risk, the Company uses derivative commodity instruments to manage exposure to price volatility by hedging a portion of its oil production, foreign exchange hedging instruments to manage foreign currency fluctuations, and interest rate swaps to hedge its interest relating to the borrowings (Note 20).

Risk Management Contracts

The terms of the outstanding instruments and settlement periods are as follows:

Risk Management Contracts - Crude Oil

Type of Instrument	Term	Benchmark	Notional Amount / Volume (bbl)	Avg Strike Prices Put / Call; Call Spreads	Carrying Amount Assets	Carrying Amount Liabilities
3-ways	January to June 2021	Brent	2,230,000	25.6/35.6/51.3	$ —	$ 7,608
Put Spread	January to June 2021	Brent	1,600,800	26.5/36.5	437	—
Total as at December 31, 2020					$ 437	$ 7,608
Put options	January to March 2020	Brent	964,000	58.75	357	—
Zero cost collars	January to March 2020	Brent	1,389,000	58.10 / 73.75	486	36
3-ways	April to September 2020	Brent	3,567,000	48.60/58.60/74.50	5,590	—
Put Spread	January to December 2020	Brent	1,890,000	48.10/58.10	908	—
Total as at December 31, 2019					$ 7,341	$ 36

Risk Management Contracts - Foreign Exchange

Type of Instrument	Term	Benchmark	Notional Amount / Volume (Thousands of U.S.$)	Avg Put / Call; Par forward (COP$)	Carrying Amount Assets	Carrying Amount Liabilities
Zero-cost collars	January to September 2020	COP / USD	$ 204,000	3,241 / 3,667	$ 2,768	$ —
Total as at December 31, 2019					$ 2,768	$ —

As at December 31, 2020, the Company does not have foreign exchange hedging instruments.

Risk Management Contracts - Interest swaps

As a part of the acquisition of IVI, the Company consolidated a financial derivative used to manage exposure to risks due to the fluctuation of the interest rate expressed in LIBOR in the 2025 Puerto Bahia Debt. Puerto Bahia monitors and manages its exposure through the swaps. As at December 31, 2020, the Company has a swap contract from January 2021 to June 2025:

				Avg. Strike Prices	Carrying Amount	
Type of Instrument	**Term**	**Benchmark**	**Notional Amount**	**Floating rate**	**Assets**	**Liabilities**
Swap	January 2021 to June 2025	LIBOR + 180	$ 135,100	3.9 %	$ —	$ 12,551
Total as at December 31, 2020					$ —	$ 12,551

	Assets	Liabilities
Current portion	$ 437	$ 12,503
Non-current portion	$ —	$ 7,656
Total risk management contracts as at December 31, 2020	$ 437	$ 20,159
Total risk management contracts as at December 31, 2019	$ 10,109	$ 36

The following table provides the disaggregation of the Company's total gain (loss) on risk management contracts:

	Year Ended December 31	
	2020	**2019**
Realized gain on unwinding of risk management contracts [1]	$ 27,296	$ —
Realized gain (loss) on risk management contracts	13,628	(9,720)
Unrealized loss on risk management contracts	(6,481)	(5,722)
Total	$ 34,443	$ (15,442)

[1] During the second quarter of 2020, the Company recognized a gain of $27.3 million as result of the early termination of Brent crude oil risk management contracts which were fully in-the-money.

b. Fair Value of Financial Instruments

The carrying values of the Company's cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities approximate their fair value.

The following table summarizes the Company's remaining financial instruments that are carried or disclosed at fair value in accordance with the classification under the fair value hierarchy as at December 31, 2020 and 2019:

			Fair Value		
	Year	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets Measured at Fair Value through Profit & Loss					
Risk management assets	2020	$ 437	$ —	$ 437	$ —
	2019	10,109	—	10,109	—
Financial Assets Measured at Fair Value through Other Comprehensive Income					
Investments in equity instruments	2020	$ 1,278	$ —	$ —	$ 1,278
	2019	1,298	—	—	1,298
Financial Assets Measured at Amortized Cost					
Long-term receivables	2020	$ —	$ —	$ —	$ —
	2019	126,060	—	—	126,060
Financial Liabilities Measured at Fair Value through Profit & Loss					
Risk management liabilities	2020	$ (20,159)	$ —	$ (20,159)	$ —
	2019	(36)	—	(36)	—
Financial Liabilities Measured at Amortized Cost					
Long-term debt	2020	$ (335,788)	$ —	$ (332,808)	$ —
	2019	(331,118)	—	(369,278)	—
Financial Liabilities Measured at Amortized Cost					
Borrowings (Note 20)	2020	$ (183,094)	$ —	$ (183,094)	$ —
	2019	—	—	—	—

Level 3 financial assets measured at amortized cost

The Company used level 3 inputs to measure the long-term receivable balances in Other Assets. The fair value of these balances was measured using the effective interest method (discounted at the contractual interest rates included in the loans) less a provision for any impairment from ECLs. ECLs were determined using a discounted cash flow methodology based on a projection of the expected future cash flows to be realized from the loans. The significant unobservable inputs relate to the expected timing of repayment of principal and the expected interest cash flows under the loans. The long-term receivable balances with IVI and Puerto Bahia recorded in Other Assets previously measured using level 3 inputs, were effectively settled as a result of IVI acquisition (Note 4).

c. Capital Management

When managing capital, the Company's objectives are to maintain a capital structure that optimizes the cost of capital to support operating activities and sustain the development of the business while maintaining compliance with the terms and conditions of financial obligations. The Company manages its capital structure and makes adjustments in light of changes in economic conditions, operating risks and working capital requirements. To maintain or adjust its capital structure, the Company may issue or buyback shares, change its dividend policy, raise or refinance debt and/or adjust its capital spending to manage its operating and growth objectives.

Specifically, the Company's capital management objectives are to maintain compliance with the Unsecured Note debt covenant ratios, which are currently met, and to maintain sufficient liquidity to meet all contractual obligations and execute its business plan. To facilitate the management of these objectives, the Company utilizes a planning, budgeting and forecasting process to help determine and monitor the funds needed to maintain appropriate liquidity for operational, capital and financial needs.

The Company's capital consists of debt and total equity (less non-controlling interests) net of working capital. The following table summarizes the Company's capital structure balances:

	As at December 31	
	2020	**2019**
Equity attributable to equity holders of the Company	$ 703,853	$ 1,210,258
Long-term debt	335,788	331,118
Working capital deficit (surplus) [1]	111,733	(71,356)
Total	$ 1,151,374	$ 1,470,020

[1] Working capital deficit (surplus) represents the net of total current assets after deducting total current liabilities, including the borrowings.

28. Commitments and Contingencies

Commitments

The Company's commitments as at December 31, 2020, undiscounted and by calendar year, are presented below:

As at December 31, 2020	2021	2022	2023	2024	2025	Subsequent to 2026	Total
Transportation and storage commitments							
Ocensa P-135 ship-or-pay agreement	$ 69,640	$ 69,640	$ 69,640	$ 69,640	$ 34,793	$ —	$ 313,353
ODL agreements [1]	7,888	—	—	—	—	—	7,888
Other transportation agreements	8,501	—	—	—	—	—	8,501
Exploration commitments							
Minimum work commitments [2]	74,634	118,211	35,244	3,600	—	—	231,689
Other commitments							
Operating purchases, leases and community obligations	23,267	8,897	8,575	7,707	7,681	321	56,448
Total	$ 183,930	$ 196,748	$ 113,459	$ 80,947	$ 42,474	$ 321	$ 617,879

[1] Includes amounts for the new ODL transportation contract until June 30, 2021. If the Conciliation Agreement closes, additional commitments will extend until 2024. Refer to "Conciliation Agreement" for further details below.

[2] Includes minimum work commitments relating to exploration activities in Colombia and Ecuador until the contractual phase when the Company should decide whether to continue or relinquish the exploration areas. The Company, through its interests in CGX, has other exploration work commitments in Guyana as described below.

Guyana Exploration

As of December 31, 2020, the Company, through its 73.85% interest in CGX, has exploration work commitments under its Petroleum Prospecting Licenses ("PPL") for certain blocks in Guyana, as follows:

- In accordance with the Corentyne PPL, which is currently in phase one of the second renewal period, one (1) exploration well must be drilled by November 27, 2021.
- In accordance with the Demerara PPL, which is currently in phase one of the second renewal period, one (1) exploration well must be drilled by February 11, 2022.
- In accordance with the Berbice PPL, which is currently in phase one of the second renewal period, the Company shall complete a seismic program, including all associated processing and interpretations, by August 12, 2021.

Other Guarantees and Pledges

The Company has a pledge agreement with Repsol Colombia Oil & Gas Ltd. ("**RCOG**") pursuant to which it granted a pledge over the production from the CPE-6 block as a guarantee for the variable payments, up to a maximum of $48.0 million, which are calculated and contingent on production from this block. This relates to the Company's acquisition of RCOG's 50% working interest in the CPE-6 block. As at December 31, 2020, the Company has paid a total of $2.8 million of such amounts under the agreement.

On April 29, 2020, the Company entered into a pledge agreement with Oleoducto Central S.A.("**Ocensa**") pursuant to which the Company granted a pledge over the crude oil delivered to the Ocensa pipeline to secure payment of ship or pay obligations under the Ocensa P-135 ship-or-pay agreement. The pledge agreement will automatically terminate if the Company subsequently meets certain credit conditions set forth in the ship-or-pay agreement.

Contingencies

The Company is involved in various claims and litigation arising in the normal course of business. Since the outcomes of these matters are uncertain, there can be no assurance that such matters will be resolved in the Company's favour. The outcome of adverse decisions in any pending or threatened proceedings related to these and other matters could have a material impact on the Company's financial position, results of operations or cash flows.

Termination of Transportation Agreements

On July 12, 2018, the Company exercised contractual rights to terminate (a) three transportation contracts (the "**BIC Transportation Agreements**") with Bicentenario to ship oil through the BIC Pipeline which operates between Araguaney and Banadia where it connects to the Caño Limón pipeline ("**CLC Pipeline**") because service had not been provided for more than six consecutive months, and (b) three related transportation agreements (the "**CLC Transportation Agreements**") with Cenit to ship oil through the CLC Pipeline because service had not been provided for more than 180 consecutive calendar days.

On December 3, 2018, Cenit, and on January 28, 2019, Bicentenario, commenced separate arbitration proceedings against the Company before the Centre for Arbitration and Conciliation of the Bogota Chamber of Commerce (the "**Bogota Arbitration Centre**") disputing the validity of the terminations (the "**Bicentenario Arbitration**" and "**CLC Arbitration**", respectively).

The Company believes that it was fully entitled to terminate both the BIC Transportation Agreements and the CLC Transportation Agreements. In addition to vigorously defending itself in the Bicentenario Arbitration and the CLC Arbitration, the Company has filed counterclaims against Cenit and Bicentenario. In the counterclaims, the relief claimed against Bicentenario includes payment of $486.5 million plus interest for letters of credit improperly drawn, service prepayments, credits and unpaid dividends declared in 2018, and the relief claimed from Cenit includes release of $32.1 million of restricted cash in connection with the dispute concerning the tariff rate for the CLC Pipeline applicable to service payments made before the termination of the CLC Transportation Agreements on July 12, 2018.

The Company and certain of its affiliates also commenced a separate arbitration proceeding against Bicentenario and Cenit on December 3, 2019, before the Bogota Arbitration Centre as an international arbitration (the "**International Arbitration**") seeking relief from Bicentenario and Cenit on the basis that, amongst other things, those contracts were validly terminated. In addition to the relief claimed in the Bicentenario Arbitration and CLC Arbitration, the relief claimed in the International Arbitration includes claims for recovery of various rights as a shareholder of Bicentenario and for the termination of (a) three transportation ancillary contracts (the "**BIC Ancillary Agreements**") with Bicentenario for the use of ancillary facilities related to the BIC Pipeline, and (b) seven transportation ancillary contracts (the "**CLC Ancillary Agreements**") with Cenit related to

the CLC Pipeline and the BIC Pipeline for offloading and maritime facilities (which were the subject of termination), and the Monterrey-Araguaney Pipeline.

During the first quarter of 2020, the Company asserted rights to stop making payments under the BIC Ancillary Agreements and the CLC Ancillary Agreements. Both Bicentenario and Cenit dispute the grounds for the termination of these contracts and the cessation of payment, but they have not filed any formal claim yet over this specific dispute.

In addition, on December 3, 2019, Bicentenario commenced arbitration proceedings before the Bogota Arbitration Centre against various shareholders of Bicentenario including the Company (the **"AMI Arbitration**"), claiming that as a result of the loss of revenue resulting from the cessation of payments pursuant to various transportation contracts including the BIC Transportation Agreements, the shareholders are obliged to contribute additional funds to Bicentenario to cover debt service payments and other amounts. On October 22, 2020, Bicentenario withdrew the AMI Arbitration proceedings and gave notice that it would make similar claims in a counterclaim under the International Arbitration initiated by the Company.

The Bicentenario Arbitration and CLC Arbitration have completed the initial pleadings stage. At the request of the parties, the arbitration panels have suspended both the proceedings until March 31, 2021, pending the progress of tribunal approval of the Conciliation Agreement. The International Arbitration continues to progress with the pleading phase at this time.

As of December 31, 2020, the amount of tariffs claimed by Cenit under the CLC Transportation Agreements would be approximately $147.1 million plus interest, and would be approximately $70.3 million per annum, subject to tariff adjustments from time to time, until 2028. As of December 31, 2020, the aggregate amount of monthly service payments claimed by Bicentenario under the BIC Transportation Agreements would be $189.1 million (net of credits note and SBLCs) plus interest, and would be approximately $130.6 million per annum, subject to tariff adjustments from time to time, until 2024. As of December 31, 2020, the Company has rejected invoices for $22.4 million relating to the BIC Ancillary Agreements and CLC Ancillary Agreements and intends to reject all invoices hereinafter.

Conciliation Agreement

On November 16, 2020, the Company, Cenit and Bicentenario reached an agreement (the "**Conciliation Agreement**") for the joint filing of a petition for a binding settlement which, upon completion and approval by the competent Colombian court, will resolve all the disputes pending among them, related to BIC Pipeline and CLC Pipeline, and will terminate all the pending arbitration proceedings related to such disputes, including the Bicentenario Arbitration, CLC Arbitration and International Arbitration.

The settlement arrangement includes a full and final mutual release upon closing of all present and future amounts claimed by all parties in respect of the terminated BIC Transportation Agreements, CLC Transportation Agreements, the BIC Ancillary Agreements and CLC Ancillary Agreements, which amounts would include the liabilities which are recorded by the Company as Cost Under Terminated Pipeline Contracts in the Consolidated Statement of (Loss) Income.

The Conciliation Agreement does not include any cash payments between the parties, except for the Company's release of its interests in a trust fund (restricted cash) of approximately $32.1 million as of December 31, 2020 including interest, created as a collateral for one of the claims. Upon completion of the settlement, the Company will transfer to Cenit its 43.03% interest in Bicentenario, any related outstanding Bicentenario dividends, and the BIC Pipeline line fill. The claims released by Frontera include recovery of the letters of credit drawn by Bicentenario in 2018 and all other claims that have been asserted by Frontera against Bicentenario.

In connection with the closing of the settlement, the Company will also enter into new transportation contracts with Cenit and Bicentenario and has already entered into a new transportation contract with ODL which it can terminate if the settlement does not close. See further detail below under "New Transportation Contracts".

The arrangement is conditional upon approval of the Conciliation Agreement under Colombian law which requires an opinion to be issued by the Office of the Attorney General of Colombia (Procuraduría General de la Nación) and approval of the Administrative Tribunal of Cundinamarca, the final appeals court with competence regarding the Conciliation Agreement to which state-owned companies are a party.

The Conciliation Agreement provides that if such approvals are not obtained by June 30, 2021 or such later date as may be agreed, then either party will become entitled to terminate the Conciliation Agreement, and that the legal rights of the parties with respect to the disputes are not prejudiced unless and until the required approvals are obtained and the Conciliation Agreement is closed. There can be no assurance that the required approvals will be received on a timely basis or at all.

As a result of the Conciliation Agreement, the Company recognized $96.3 million as Cost Under Terminated Pipeline Contracts in the Consolidated Statement of (Loss) Income, which represents the fair value of the assets to be transferred of $148.6 million, offset by previous contingent liabilities related with the claim in respect of the terminated transportation contracts of $52.3 million.

At the time of closing the transaction, the Company will recognize a non-cash loss reclassification of CTA from other equity reserves to Statements of (Loss) Income. As of December 31, 2020, the Company has recognized a CTA balance of $105.3 million within equity. The CTA loss primarily related to historical functional currency COP to U.S. dollar presentation currency translation differences on Bicentenario, as an associate investment.

The Company classified the investment in associate of Bicentenario related to the Conciliation Agreement as assets held for sale according to IFRS 5. For further detail of the amount, see "Note 14 - Assets held for sale."

New Transportation Contracts

The new ODL transportation contract entered into in connection with the Conciliation Agreeement provides for a ship or pay commitment of 10,000 bbls/day for approximately 3.8 years at a current tariff of $4.0/bbl. The ODL pipeline is regularly used by the Company to transport crude oil from its heavy oil district. The contract is expected to come into effect during the second quarter of 2021, and is subject to termination by the Company if the Conciliation Agreement does not close.

The new transportation contracts with Cenit and Bicentenario for use of the CLC Pipeline and BIC Pipeline (and certain related facilities) will become effective within a six-month period as of the closing of the Conciliation Agreement. The new take or pay commitment is projected to be approximately 3,900 bbls/day, subject to adjustments in changes in the oil price and Colombia/ U.S. exchange rates between now and closing, for a term of five years at a current tariff of $11.5/bbl. Frontera will not have to make payments under the new transportation contracts for oil that is required to be shipped on alternative pipeline systems due to the unavailability of the CLC Pipeline or the BIC Pipeline. Frontera will be able to use the CLC Pipeline and the BIC Pipeline for the transportation of oil to Coveñas as an alternative to the use of the Ocensa pipeline.

Costs under terminated pipeline contracts

As at December 31, 2020, the Company has recorded a non-cash charge of $118.7 million, which includes $96.3 million related to the Conciliation Agreement, and $22.4 million in relation to the BIC Ancillary Agreements and CLC Ancillary Agreements.

High-Price Clause

The Company has certain exploration and production contracts acquired through business combinations where outstanding disagreements with the ANH existed relating to the interpretation of high-price clause participation ("**PAP**") clauses. These contracts require high-price participation payments be made to the ANH for each designated exploitation area within a block under contract, which has cumulatively produced five million or more barrels of oil. The disagreement involves whether the cumulative production amounts in an exploitation area should be calculated individually (as each exploitation area represents independent reservoirs) or combined with other exploration areas within the same block for the purpose of determining the five million barrel threshold. The ANH has interpreted that PAP should be calculated on a combined basis as opposed to the Company's interpretation that the calculation should be provided on an individual basis. Upon acquisition of these contracts and in accordance with IFRS 3, Business Combinations, provisions for contingent liabilities were recognized regarding these disagreements with the ANH.

The Company and the ANH continue to review differences in interpretations for the remaining exploitation areas. The Company does not disclose the recorded provision amounts, as required by IAS 37, Provisions, Contingent Liabilities and Contingent Assets, on the grounds that this would be prejudicial to the outcome of potential future disputes with the ANH.

Ecopetrol - Rubiales Field Disagreement

The Company has been involved in negotiations with Ecopetrol S.A.("**Ecopetrol**") with respect to disagreements on wind-down costs and expenses, as well as inventory, in connection with the expiration of the Rubiales and Piriri exploration and production contracts in June 2016. On November 22, 2018, the Company filed a lawsuit against Ecopetrol before the Administrative Tribunal of Cundinamarca claiming it is owed $24.6 million. The Company is aware that Ecopetrol has also initiated a legal proceeding claiming approximately $52.2 million. The Company has not yet been served with such claim.

Tax reviews

The Company operates in various jurisdictions and is subject to assessments by tax authorities in each of those jurisdictions, which can be complex and based on interpretations. The Company is currently in discussions with tax authorities for various assessments with respect to certain income tax deductions relating to exploration expenditures, transportation costs, VAT credits, municipal taxes, and other expenses. As at December 31, 2020, the Company has assessed a possible tax exposure of $253.1 million (2019: $224.3 million) relating to these assessments for taxes, interest and penalties, and recorded a provision of $1.2 million for the potential liability relating to these matters. In November 2020, as part of a tax settlement program, the Company voluntarily settled $23.0 million of previously assessed income taxes, for a total payment of $12.7 million.

29. Subsequent Events

Block 192

On February 5, 2021, the service contract on Block 192 expired and the Company returned operations on the block to PeruPetro. With the expiration of the service contract, the Company's obligations on the block are primarily related to its share of environmental commitments and abandonment activities.