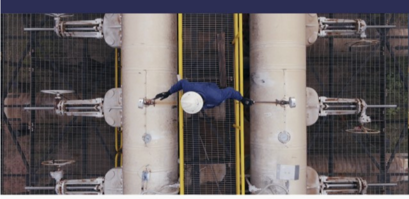
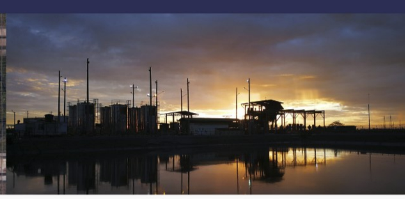
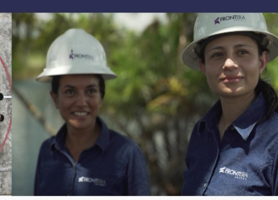
CONSOLIDATED FINANCIAL STATEMENTS




For the years ended December 31, 2022 and 2021

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.

"Orlando Cabrales Segovia" (signed)	*"René Burgos" (signed)*
Chief Executive Officer	Chief Financial Officer

Calgary, Canada

March 1, 2023

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, 2022 and 2021, and the consolidated statements of income, consolidated statements of comprehensive 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, 2022 and 2021, 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”), and exploration and evaluation assets (“E&E”)	
For the year ended December 31, 2022, a net impairment reversal of $229.8 million was recorded with respect to the Colombian cash generating units (“CGU”) and allocated to PP&E assets. As at December 31, 2022, the carrying value of PP&E was $1,760.8 million. Refer to note 9 of the consolidated financial statements for a description of the Company’s impairment of non-financial assets accounting policy. Refer to note 9 of the consolidated financial statements for the Company’s impairment and impairment reversal disclosures. PP&E 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 are 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. 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 amounts. The primary inputs noted in the value-in-use models were production, pricing, operating costs, capital costs, general and administrative expenses and discount rate.	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 price differentials. Evaluated pricing with the assistance of our valuation specialists by comparing forecasted pricing to market consensus forecasted pricing. •Assessed forecasted operating costs, capital costs, and general and administrative expenses by comparing them to historical amounts. •Assessed impairment available for reversal by testing the depletion impact of impairment charges from prior years. •Assessed the forecasted production by evaluating the competence, capability and objectivity of the Company’s external reserve engineer and obtained an understanding of the work they performed. The appropriateness of their work as audit evidence was evaluated by considering the relevance and reasonableness of the methods and inputs utilized. •With the assistance of our valuation specialists, assessed the market capitalization of the Company against its net book value and investigated any contrary information. •Evaluated the adequacy of the impairment note disclosure included in note 9 of the consolidated financial statements in relation to 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 and 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 partner in charge of the audit resulting in this independent auditor's report is Ryan MacDonald.

Ernst & Young LLP

Chartered Professional Accountants

Calgary, Canada

March 1, 2023

Consolidated Statements of Income

(In thousands of U.S.$, except per share information)	Notes	Year Ended December 31 2022	2021
Oil and gas sales and other revenue	6	$ 1,365,467	$ 926,633
Royalties		(94,709)	(32,572)
Revenue		1,270,758	894,061
Oil and gas operating costs	7	568,571	416,397
Recovery costs under terminated pipeline contracts		—	(4,386)
General and administrative	8	55,063	52,134
Share-based compensation	22	9,140	8,394
Depletion, depreciation and amortization	14	195,419	126,692
Impairment reversal, exploration expenses and other	9	(205,287)	(564,010)
Restructuring, severance and other costs		4,463	4,616
Income from operations		643,389	854,224
Share of income from associates	16	42,043	38,033
Foreign exchange loss		(76,413)	(35,510)
Finance income		5,505	5,362
Finance expense	18	(52,991)	(51,822)
Loss on risk management contracts	24	(10,423)	(41,906)
Other (loss) income		(10,800)	1,435
Reclassification of currency translation adjustments	26	—	(103,599)
Debt extinguishment cost	18	—	(29,112)
Net income before income tax		540,310	637,105
Current income tax expense	11	(87,183)	(26,568)
Deferred income tax (expense) recovery	11	(162,092)	25,529
Income tax expense		(249,275)	(1,039)
Net income for the year		$ 291,035	$ 636,066
Attributable to:			
Equity holders of the Company		286,615	628,133
Non-controlling interests	21	4,420	7,933
		$ 291,035	$ 636,066
Earnings per share attributable to equity holders of the Company			
Basic	12	$ 3.16	$ 6.50
Diluted	12	$ 3.08	$ 6.29

On behalf of the Board of Directors:

“Gabriel de Alba” (signed)

Chairman of the Board of Directors

“W. Ellis Armstrong” (signed)

Director

Consolidated Statements of Comprehensive Income

(In thousands of U.S.$)	Year Ended December 31 2022	2021
Net income for the year	$ 291,035	$ 636,066
Other comprehensive (loss) income may be reclassified to net income in subsequent periods (nil tax effect)		
Foreign currency translation	(10,649)	(19,575)
Reclassification of currency translation adjustments	—	103,599
	(10,649)	84,024
Total comprehensive income for the year	$ 280,386	$ 720,090
Attributable to:		
Equity holders of the Company	$ 277,088	$ 716,852
Non-controlling interests (Note 21)	3,298	3,238
	$ 280,386	$ 720,090

Consolidated Statements of Financial Position

(In thousands of U.S.$)	Notes	As at December 31 2022	2021
ASSETS			
Current			
Cash and cash equivalents		$ 289,845	$ 257,504
Restricted cash	24	2,505	32,900
Accounts receivable	24	87,948	115,515
Inventories	13	75,109	50,076
Income taxes receivable		30,551	41,917
Prepaid expenses and deposits		21,184	18,974
Risk management assets	24	2,308	274
Total current assets		509,450	517,160
Non-current			
Properties, plant and equipment	14	1,760,780	1,532,751
Exploration and evaluation assets	15	320,580	188,904
Investments in associates	16	59,974	87,199
Deferred tax assets	11	64,290	225,143
Restricted cash	24	20,697	30,421
Other assets	17	2,684	29,502
Total non-current assets		2,229,005	2,093,920
Total assets		$ 2,738,455	$ 2,611,080
LIABILITIES			
Current			
Accounts payable and accrued liabilities	24	$ 466,580	$ 402,595
Current portion of long-term debt	18	115,922	146,724
Risk management liabilities	24	1,045	4,116
Income taxes payable		7,146	11,362
Lease liabilities	19	2,550	4,241
Asset retirement obligations	20	25,814	27,007
Total current liabilities		619,057	596,045
Non-current			
Long-term debt	18	392,535	405,838
Other payables	24	3,524	2,665
Lease liabilities	19	545	3,332
Deferred tax liabilities	11	4,610	4,278
Risk management liabilities	24	—	2,697
Asset retirement obligations	20	128,980	147,334
Total non-current liabilities		530,194	566,144
Total liabilities		$ 1,149,251	$ 1,162,189
Commitments and contingencies	26		
EQUITY			
Share capital		$ 4,608,234	$ 4,694,370
Contributed surplus		109,918	122,489
Other reserves		(100,892)	(91,365)
Accumulated deficit		(3,037,913)	(3,324,528)
Equity attributable to equity holders of the Company		$ 1,579,347	$ 1,400,966
Non-controlling interests	21	9,857	47,925
Total equity		$ 1,589,204	$ 1,448,891
Total liabilities and equity		$ 2,738,455	$ 2,611,080

Consolidated Statements of Changes in Equity

(Unaudited; in thousands of U.S.$)	Number of Common Shares	Share Capital	Contributed Surplus	Cumulative Translation Adjustment	Fair Value Investment	Accumulated Deficit	Total	Non-Controlling Interests	Total Equity
		Attributable to Equity Holders of the Company							
As at January 1, 2021	97,466,224	$ 4,711,620	$ 124,978	$ (174,882)	$ (5,202)	$ (3,952,661)	$ 703,853	$ 60,979	$ 764,832
Net income for the year	—	—	—	—	—	628,133	628,133	7,933	636,066
Other comprehensive income (loss)	—	—	—	88,719	—	—	88,719	(4,695)	84,024
Total comprehensive income	—	—	—	88,719	—	628,133	716,852	3,238	720,090
Decrease in non-controlling interests (Note 21)	—	—	2,478	—	—	—	2,478	(2,478)	—
Repurchase of common shares under NCIB (Note 22)	(3,855,400)	(21,537)	—	—	—	—	(21,537)	—	(21,537)
Share-based compensation (Note 22)	1,084,870	4,287	(4,967)	—	—	—	(680)	1,907	1,227
Dividends paid to non-controlling interest (Note 21)	—	—	—	—	—	—	—	(15,721)	(15,721)
As at December 31, 2021	94,695,694	$ 4,694,370	$ 122,489	$ (86,163)	$ (5,202)	$ (3,324,528)	$ 1,400,966	$ 47,925	$ 1,448,891
Net income for the year	—	—	—	—	—	286,615	286,615	4,420	291,035
Other comprehensive loss	—	—	—	(9,527)	—	—	(9,527)	(1,122)	(10,649)
Total comprehensive (loss) income	—	—	—	(9,527)	—	286,615	277,088	3,298	280,386
Acquisition of non-controlling interests (Note 21)	—	—	(13,368)	—	—	—	(13,368)	(33,877)	(47,245)
Repurchase of Common Shares under SIB (Note 22)	(5,416,666)	(51,180)	—	—	—	—	(51,180)	—	(51,180)
Repurchase of Common Shares under NCIB (Note 22)	(4,197,100)	(40,248)	—	—	—	—	(40,248)	—	(40,248)
Share-based compensation (Note 22)	510,147	5,292	797	—	—	—	6,089	763	6,852
Dividends paid to non-controlling interest (Note 21)	—	—	—	—	—	—	—	(8,252)	(8,252)
As at December 31, 2022	85,592,075	$ 4,608,234	$ 109,918	$ (95,690)	$ (5,202)	$ (3,037,913)	$ 1,579,347	$ 9,857	$ 1,589,204

Consolidated Statements of Cash Flows

(In thousands of U.S.$)	Notes	Year Ended December 31 2022	2021
OPERATING ACTIVITIES			
Net income for the year		$ 291,035	$ 636,066
Items not affecting cash:			
Depletion, depreciation and amortization		195,419	126,692
Impairment recovery	9	(205,833)	(559,188)
Recovery of asset retirement obligations	9	(1,823)	(6,335)
Unrealized gain on risk management contracts	24	(4,310)	(7,213)
Share-based compensation	10	7,777	6,695
Deferred income tax expense (recovery)	11	162,092	(25,529)
Unrealized foreign exchange loss		63,161	36,772
Share of income from associates	16	(42,043)	(38,033)
Gain on acquisition of subsidiaries	4	—	(12,847)
Reclassification of currency translation adjustments		—	103,599
Finance expense		52,991	51,822
Finance income		(5,505)	(5,362)
Dividends from associates	16	33,577	35,490
Income tax paid		(55,303)	(36,711)
Interest received		8,835	14,177
Settlement of asset retirement obligations	20	(10,257)	(10,133)
Debt extinguishment cost	18	—	29,112
Other		10,589	483
Changes in non-cash working capital	25	120,077	(12,177)
Cash provided by operating activities		$ 620,479	$ 327,380
INVESTING ACTIVITIES			
Additions to oil and gas properties, infrastructure port, and plant and equipment		$ (261,144)	$ (224,277)
Additions to exploration and evaluation assets		(154,516)	(87,485)
Acquisition of subsidiaries, net of cash acquired	4	—	(8,531)
Acquisition of non-controlling interests	21	(36,105)	—
Return of capital contributions from investment in associates	16	18,129	3,954
Sale of subsidiaries	26	(6,000)	(1,799)
Decrease in restricted cash and other		37,301	79,337
Changes in non-cash working capital	25	19,069	51,858
Cash used in investing activities		$ (383,266)	$ (186,943)
FINANCING ACTIVITIES			
Repayment of long-term debt	18	$ (45,140)	$ (40,000)
Lease payments	19	(5,268)	(11,681)
Repayment of unsecured Senior Notes at a premium	18	—	(366,942)
Gross proceeds from unsecured Senior Notes issuance	18	—	397,360
Transaction cost of new unsecured Senior Notes	18	—	(6,364)
Repurchase of Common Shares under SIB	22	(51,180)	—
Repurchase of Common Shares under NCIB	22	(40,248)	(21,537)
Interest paid and other charges	18	(43,516)	(43,496)
Dividends paid to non-controlling interests	21	(8,252)	(15,721)
Cash used in financing activities		$ (193,604)	$ (108,381)
Effect of exchange rate changes		(11,268)	(6,840)
Increase in cash and cash equivalents during the year		32,341	25,216
Cash and cash equivalents, beginning of the year		257,504	232,288
Cash and cash equivalents, end of the year		$ 289,845	$ 257,504
Cash		167,731	218,425
Cash equivalents		122,114	39,079
Total cash and cash equivalents		$ 289,845	$ 257,504

(In thousands of U.S.$, unless otherwise stated)

1. Corporate Information

Frontera Energy Corporation (the "**Company**" or "**Frontera**") 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 (the "**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 2000, 222 - 3rd Avenue SW, Calgary, Alberta, Canada, T2P 0B4, 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, as at and for the years ended December 31,2022 and 2021 include the accounts of the Company and its subsidiaries.

2. Basis of Preparation and Significant Accounting Policies

Statement of Compliance

These consolidated financial statements 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. These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 1, 2023.

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 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.

	Registered Office	Country of Principal Business Activity	Recognition Method	Functional Currency	Percentage Interest as at December 31	
					2022	2021
Principal Subsidiaries						
Frontera Energy Colombia AG	Switzerland	Colombia / Ecuador	Consolidated	USD	100.00 %	100.00 %
CGX Energy Inc. (**"CGX"**)	Canada	Guyana	Consolidated	USD	76.97 %	76.97 %
Sociedad Portuaria Puerto Bahia S.A. ("**Puerto Bahia**")	Colombia	Colombia	Consolidated	COP	99.80 %	96.55 %
Petroleos Sud Americanos S.A ("**Petrosud**")	Switzerland	Colombia	Consolidated	USD	100.00 %	100.00 %
Frontera Energy del Peru S.A.	Peru	Peru	Consolidated	USD	100.00 %	100.00 %
Frontera Energy Off Shore Peru S.R.L.	Peru	Peru	Consolidated	USD	100.00 %	100.00 %
Pipeline Investment Ltd. ("**PIL**")	Bermuda	Colombia	Consolidated	COP	100.00 %	59.93 %
Frontera Energy Guyana Corp.	Bahamas	Guyana	Consolidated	USD	100.00 %	100.00 %

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.

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.

The proceeds from selling items produced by an E&E asset are recognized in the profit or loss as revenue.

Share-Based Compensation

The Company has a share-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 receive DSUs and officer and employees receive RSUs units in consideration for services provided to the Company. The DSUs and RSUs 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.

The 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.

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 six months and three years. 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 Company expects to settle the RSU awards in a combination of cash and equity, and recognizes share-based compensation expense for the RSU awards based on the fair value, which is re-valued every reporting period with the corresponding amounts reflected as liabilities. 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 liabilities are reclassified to share capital if equity settled.

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 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 Consolidated Statements of Comprehensive Income. When a foreign operation is disposed, the cumulative currency translation adjustment is reclassified from other equity reserves to the Consolidated Statement of Income.

Earning Per Share

Basic earnings per share is calculated using net income attributable to equity holders of the Company divided by the weighted average number of Common Shares outstanding. Diluted earnings 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 bargain purchase, which is a gain in net income on the acquisition date.

Goodwill is not subject to amortization and is measured at cost less any accumulated impairment, if any. 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, depletion, depreciation, and amortization.

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, replaces a component 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 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 proceeds from selling items produced by an E&E asset are not deducted from the cost. The proceeds from selling such items, and the costs of producing those items, are recognized in profit or loss.

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 fair value less costs of disposal ("**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 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 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 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 24).

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, and if risk decrease lifetime can move back to 12 months.

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, letter of credits, deposits 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 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 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 by management (i.e., when they are capable of commercial production). All other borrowing costs are recognized in net 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 testing. 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 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 provision of 1% in Colombia of the investment for use of water sources, costs of reforestation, and any compensation or other costs incurred by 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 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 as 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 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, 2022

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

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 conditions 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 Company adopted the standard effective January 1, 2022, applying the retrospective transition to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the Company first applies the amendment.

As a result of adopting the standard on January 1, 2022, the Company assessed the impact of this amendment, and due to the insignificant impact on the recalculation of the carrying amount of property, plant and equipment the comparative period information has not been restated.

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. The Company applied these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. There was no impact on the Company of the application of the amendment.

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. The Company intends to adopt these amended standards and interpretations, if applicable, when they become effective.

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.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendment is not expected to have a material impact on the Company.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. Currently, the Company is reviewing their accounting policy information disclosures to ensure consistency with the amended requirements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The Company is currently assessing the impact of the amendments.

c. Key Accounting Estimates and Judgments

Global Economy

The COVID-19 pandemic and the Russia-Ukraine conflict continue to influence economic conditions around the world. The uncertainty these events bring has resulted in a challenging economic environment, with more volatile commodity prices, foreign exchange rates and long-term interest rates. The current global crude oil price environment is being lifted mainly by the Russia-Ukraine conflict and the consequences of these events on the certainty of the supply of hydrocarbons in the world. All of these are undermining economic conditions and exacerbating inflation in several economies and are having a direct impact in the cost of goods and services. 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

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 and Central. The North CGU mainly includes the El Dificil and VIM-1 blocks, and the Central CGU includes the Quifa, CPE-6, Guatiquia, Cubiro, Corcel and other remaining blocks located in Colombia.

E&E assets are allocated to CGUs based on 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.

As at December 31, 2022, the Company identified certain indicators that impairment losses recorded in previous years 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, 2022, 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 9.

CPE-6 contingent payments in acquisition

As part of the acquisition of the 50% working interest in the CPE-6 block, the Company has certain contingent payments based on production (Note 26). The Company applied significant judgments for the accounting for these contingent payments. The Company has selected to capitalize those payments when the amount is payable to the counterparty recognizing the variable and fixed components when incurred, as addition to oil and gas properties.

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 Consolidated Financial Position and Results, which include:

- The carrying value of E&E assets and properties, plant and equipment may be affected due to changes in estimated future cash flows.
- Depletion, depreciation and amortization charges in the Consolidated Statements of 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 judgments 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, and equipment, and E&E assets. The Company has recognized an impairment expense on certain oil and gas properties, and E&E assets in the year ended December 31, 2022, and 2021, and an impairment reversal on certain oil and gas properties in the year ended December 31, 2022, and 2021 (Note 9).

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 20).

(In thousands of U.S.$, unless otherwise stated)

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 Petroleos Sudamericanos S.A.

On December 30, 2021, the Company acquired 100% of the issued and outstanding shares of PetroSud, a Swiss entity, with oil and gas production in Colombia. Pursuant to the share purchase agreement, the Company paid $9.0 million as a cash consideration to the sellers and assumed $18.0 million debt held by PetroSud. The purchase price for the fair value of $9.0 million.

This transaction was accounted for as a business combination in accordance with IFRS. As a result, the Company recognized a gain from a bargain purchase of $12.8 million in the Consolidation Statement of Income as other (loss) income. This was mainly due to the increase of crude oil prices since the inception of negotiations until the closing of the deal, and due the seller was planning to exit the country.

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		
Cash paid	$	9,029
Total purchase price		9,029
Fair value of assets acquired and liabilities assumed		
Cash and cash equivalents	$	498
Accounts receivables		1,701
Inventories		147
Income tax receivable		1,114
Prepaid expenses		582
Deferred tax assets		6,993
Non-current restricted cash		2,734
Properties, plant and equipment		32,703
Accounts payable and accrued liabilities		(3,576)
Long-term debt		(17,971)
Asset retirement obligations		(3,049)
Net assets acquired		21,876
Gain on bargain purchase		(12,847)
Purchase consideration		9,029
Cash paid	$	(9,029)
Net cash acquired		498
Net consolidated cash outflow	$	(8,531)

No results in the Consolidation Statement of Income were included in the year ended 2021, as the acquisition date of PetroSud was December 30, 2021. If the acquisition of PetroSud occurred on January 1, 2021, the Company's results for the year ended December 31, 2021, would have included revenues of $16.1 million and a net loss of $6.0 million.

These consolidated financial statements, for the year ended December 31, 2022, include the results of PetroSud for the period following the acquisition date of December 30, 2021.

(In thousands of U.S.$, unless otherwise stated)

5. Segmented Information

The Company has four reportable operating segments, consistent with the basis on which management assesses performance and allocates resources across its business units, as follows:

- Colombia: Includes all upstream business activities of exploration and production in Colombia.
- Ecuador: Includes all upstream business activities of exploration and production in Ecuador.
- Guyana: Includes exploration and infrastructure.
- Midstream Colombia: 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 & Others: Includes the corporate office in Canada, and non-operating entities that have been aggregated as they do not generate revenue for the Company. In addition, it includes certain business activities in Peru, which includes crude oil inventory sales during the year 2021 and completing remediation work in Block 192 as its petroleum license expired on February 5, 2021. Also, the Block Z1 has not been in production since December 19, 2019.

For year ended December 31, 2022, operating segmented information for the Consolidated Statements of Income is as follows:

	Exploration and Production Onshore						Exploration and Infrastructure							
Year Ended December 31	**Colombia**		**Ecuador**		**Canada & Others**		**Guyana**		**Midstream Colombia**		**Eliminations**		**Total**	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Oil and gas sales and other revenue	$1,315,174	$ 869,826	$ 10,671	$ —	$ —	$ 28,692	$ —	$ —	$ 46,883	$ 72,085	$ (7,261)	$ (43,970)	$1,365,467	$ 926,633
Royalties	(94,136)	(32,572)	(573)	—	—	—	—	—	—	—	—	—	(94,709)	(32,572)
Revenue	1,221,038	837,254	10,098	—	—	28,692	—	—	46,883	72,085	(7,261)	(43,970)	1,270,758	894,061
Oil and gas operating costs	539,076	396,924	2,260	—	13,120	27,496	—	—	21,376	19,779	(7,261)	(27,802)	568,571	416,397
Recovery under terminated pipeline contracts	—	(4,386)	—	—	—	—	—	—	—	—	—	—	—	(4,386)
General and administrative	35,200	32,843	979	386	7,918	6,874	5,620	5,535	5,375	6,537	(29)	(41)	55,063	52,134
Share-based compensation	6,676	4,632	7	40	1,546	2,763	911	959	—	—	—	—	9,140	8,394
Depletion, depreciation and amortization	187,948	134,739	31	24	1,782	697	41	24	5,617	4,924	—	(13,716)	195,419	126,692
Impairment reversal, exploration expenses and other	(208,590)	(586,088)	4,471	—	(1,353)	1,880	185	20,053	—	145	—	—	(205,287)	(564,010)
Restructuring, severance and other costs	839	1,636	3	—	571	2,002	821	—	2,229	978	—	—	4,463	4,616
Income (loss) from operations	659,889	856,954	2,347	(450)	(23,584)	(13,020)	(7,578)	(26,571)	12,286	39,722	29	(2,411)	643,389	854,224
Share of income from associates	—	—	—	—	—	—	—	—	42,043	38,033	—	—	42,043	38,033
Segment income (loss)	$ 659,889	$ 856,954	$ 2,347	$ (450)	$ (23,584)	$ (13,020)	$ (7,578)	$ (26,571)	$ 54,329	$ 77,755	$ 29	$ (2,411)	$ 685,432	$ 892,257
Other non-operating expense items													(145,122)	(255,152)
Income tax expense													(249,275)	(1,039)
Net income for the year													$ 291,035	$ 636,066

(In thousands of U.S.$, unless otherwise stated)

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

As at	Year Ended December 31 2022	2021
Colombia	$ 1,902,712	$ 1,896,374
Guyana	291,939	188,566
Ecuador	33,786	8,689
Canada & Others	568	291
Total non-current assets	$ 2,229,005	$ 2,093,920

The Company's oil and gas sales and other revenue based on the geographic location of the port of delivery, is as follows:

	Year Ended December 31 2022	2021 [(1)]
Panama (Petroterminal de Panama)	$ 679,756	$ 364,064
United States	509,667	232,306
Colombia	171,580	103,632
Chile	4,464	6,310
St. Lucia	—	197,939
Peru	—	22,382
Total oil and gas sales and other revenue	$ 1,365,467	$ 926,633

[(1)] *Previous year information was changed to the geographic port of delivery*

For the year ended December 31, 2022, the Company had three customers (2021: four customers) that individually accounted for more than 10% of revenue. Sales to these customers were $588.4 million, $240.8 million, and $160.7 million (2021: $261.4 million, $197.6 million, $134.9 million, and $94.8 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 2022	2021
Colombia		
Crude oil sales	$ 1,298,638	$ 862,526
Gas sales	16,536	7,300
Colombia oil and gas sales	1,315,174	869,826
Ecuador crude oil sales [(1)]	10,671	—
Peru crude oil sales	—	28,692
Oil and gas sales	1,325,845	898,518
Midstream sales to external customers	39,622	28,115
Inter-segment sales	7,261	43,970
Midstream sales	46,883	72,085
Elimination of midstream inter-segment sales	(7,261)	(43,970)
Oil and gas sales and other revenue	$ 1,365,467	$ 926,633

[(1)] *Proceeds from selling oil produced from an E&E asset.*

(In thousands of U.S.$, unless otherwise stated)

7. Operating Costs

	Year Ended December 31 2022	2021
Cost of purchases [1]	$ 216,243	$ 82,725
Production costs [2]	186,539	158,252
Transportation costs [2]	137,852	132,029
Post-termination obligation [3]	12,299	4,980
Dilution costs	1,132	8,773
Overlift (Settlement)	6	(2,641)
Inventory valuation [2]	(6,877)	12,499
Total oil and gas operating costs	547,194	396,617
Port operating costs	21,377	19,780
Total operating costs	$ 568,571	$ 416,397

[1] Cost of third-party volumes purchased for use and resale in the Company's oil operations, including its transportation and refining activities.

[2] Includes production costs, of $3.2 million, transportation costs of $0.8 million and reduction in inventory valuation of $1.7 million, from oil produced of an E&E assets, for the year ended December 31, 2022.

[3] Mainly related to the termination of the services contract for the Block 192 due to changes in the environmental obligations and abandonment costs provisions, and other post-operating activities.

8. General and Administrative

	Year Ended December 31 2022	2021
Salaries and benefits	$ 29,858	$ 28,731
Professional fees	18,323	16,530
Taxes	4,492	3,943
Others expenses	2,390	2,930
Total	$ 55,063	$ 52,134

9. Impairment Reversal, Exploration Expenses and Other

	Year Ended December 31 2022	2021
Impairment (reversal) expense of:		
Properties, plant and equipment (Note 14)	$ (229,774)	$ (586,659)
Exploration and evaluation assets (Note 15)	20,908	26,009
Other [1]	3,033	1,462
Total net impairment reversal	(205,833)	(559,188)
Exploration expenses of:		
Geological and geophysical costs, and other	1,450	1,513
Minimum work commitment paid [2]	919	—
Total exploration expenses	2,369	1,513
Recovery of asset retirement obligations (Note 20)	(1,823)	(6,335)
Impairment reversal, exploration expenses and other	$ (205,287)	$ (564,010)

[1] Mainly related to obsolete inventory of material in Peru.

[2] Payments made to fulfill the remaining balance of minimum exploration work commitment for certain blocks.

(In thousands of U.S.$, unless otherwise stated)

Property, plant and equipment

As of December 31, 2022, the Company identified indicators of impairment reversal for oil and gas properties in one of its two CGUs mainly due to the increase in forecasted crude oil and gas benchmark prices and as consequence an increase in net present value of the proved plus probable reserves. The recoverable amount for each of the CGUs exceeded their carrying amounts which resulted in a total impairment reversal of $229.8 million recorded as of December 31, 2022 (2021: $586.7 million), in the CGU Colombia Central. Impairment reversals are recognized to the extent that impairment had been previously recorded but are limited to the net book value that would exist had the original impairment never been recorded, including estimates for depreciation and depletion.

The recoverable amount for each CGU was based on its value in use method which was estimated using a discounted cash flow model of proved plus probable cash flows from an independent reserve report prepared as at December 31, 2022. The after-tax discount rate applied to the cash flows was 13.2% and 25.2% before tax (2021: 15.0% and 24.7% before tax). The discount rate was determined by reference to the market participants and an assessment of the Company's weighted average cost of capital in relation to its CGUs.

The recoverable amounts were calculated using long-term Brent oil prices of $84.7, $82.6, $81.0, $81.4, and $82.7 per barrel for 2023 to 2027 (2021: Brent oil prices of $75.3, $71.5, $69.6, $71.0, and $72.4 per barrel for 2022 to 2026), respectively, and inflated by an average of 2% per year thereafter. Forecasted oil prices were based on reserve report as at December 31, 2022.

As at December 31, 2022, 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 $107.0 million (2021: $63.3 million) and a $1 change in the forecasted oil prices would impact the recoverable amount by approximately $63.8 million (2021: $58.5 million). The results of the impairment reversal 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 and any impairment charges or reversals would affect net income (loss).

Exploration and Evaluation Assets

During the year ended December 31, 2022, the Company recorded an impairment charge of $20.9 million (2021: $26.0 million) mainly related to exploration and evaluation assets, as follows: i) In Colombia $15.0 million from the Magari-1D well at the La Creciente block that was unsuccessful in producing commercial quantities of hydrocarbons; and ii) in Ecuador $4.5 million of the Pashuri-1 well at Espejo block due to initial lower than expected recoverable resources from the well.

10. Employee Salaries and Benefit Expenses

	Year Ended December 31	
	2022	2021
Salaries, bonuses and other short-term benefits	$ 51,914	$ 49,781
Share-based compensation [1]	9,140	8,394
Total	$ 61,054	$ 58,175

[1] *Includes cash settlement of $1.4 million (2021: $1.7 million).*

(In thousands of U.S.$, unless otherwise stated)

11. Income Taxes

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

	Year Ended December 31	
	2022	2021
Net income before income tax	$ 540,310	$ 637,105
Colombian statutory income tax rate	35%	31%
Income tax expense at statutory rate	189,109	197,503
(Decrease) increase in income tax provision resulting from:		
Non-deductible/taxable expense/income and other differences	7,990	7,994
Share-based compensation	2,914	2,113
Differences in tax rates	(10,348)	(28,622)
Change in deferred income tax	59,610	(177,949)
Income tax expense	249,275	1,039
Current income tax expense	87,183	26,568
Deferred income tax expense (recovery):		
Relating to origination and reversal of temporary differences	162,092	(25,529)
Income tax expense	$ 249,275	$ 1,039
Effective tax rate	46.14%	0.16%

During the year ended December 31, 2022, the Company recognized a current income tax expense of $87.2 million (2021: $26.6 million), with the increase, compared to the same period of 2021, mainly due to higher taxable profits and a tax assessment from previous years.

During the year ended December 31, 2022, the Company also recorded a deferred income tax expense of $162.1 million, (2021: $25.5 million deferred income tax recovery), with the difference related to the utilization of the deferred tax asset and the Colombian peso devaluation. As of December 31, 2022, the deferred tax asset was $64.3 million (2021: $225.1 million), and a deferred tax liability was $4.6 million (2021: $4.3 million).

Deferred Tax Asset balances	2022	2021
Tax losses	$ 156,574	$ 141,188
Accruals	55,981	73,628
Oil and Gas properties	(152,875)	6,049
Total net deferred tax, as at December 31	$ 59,680	$ 220,865

Below movements in Deferred Tax Assets and Deferred Tax Liabilities:

Movement in Deferred Tax Assets	2022	2021
As at January 1	$ 225,143	$ 191,043
Recognized as deferred income tax expense	(160,853)	(18,144)
Recognized as deferred income tax asset	—	52,244
As at December 31	$ 64,290	$ 225,143

Movement in Deferred Tax Liability	2022	2021
As at January 1	$ 4,278	$ 3,239
Recognized as deferred income tax expense	1,238	1,039
Recognized as deferred income tax liability	(906)	—
As at December 31	$ 4,610	$ 4,278

As at December 31, 2022, deferred tax asset of $502.1 million (2021: $402.1 million Canada, Colombia, Ecuador, Guyana and Peru) relating to non-capital losses and other items in Canada 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, 2022:

Tax attributes and expiry years	2023	2024	2025	2026 and Beyond	Indefinitely	Total
Depreciable Capital Costs						
Colombia	$ —	$ —	$ —	$ —	$ 1,198,130	$ 1,198,130
Peru	—	—	—	—	145,186	145,186
Ecuador	—	—	—	—	18,890	18,890
Non-Capital Losses						
Canada	—	—	—	1,186,045	—	1,186,045
Colombia	—	—	—	228,225	212,238	440,463
Guyana	—	—	—	—	55,761	55,761
Peru	58,071	100,265	122,922	2,912	—	284,170
Capital Losses						
Canada	—	—	—	—	180,411	180,411
Total	**58,071**	**$ 100,265**	**$ 122,922**	**$ 1,417,182**	**$ 1,810,616**	**$ 3,509,056**

Colombia 2022 Tax Bill

On December 13, 2022, the Colombian Government enacted a tax bill that established a permanent surtax for oil exploitation, a surtax that is between 0% to 15% depending on the average oil price for the year. In addition, royalty payments for the exploitation of non-renewable resources will not be deductible from income tax purposes, and the value would be equivalent to the production costs of the volumes paid as royalties. The tax reform also repealed and ended accelerated amortization for exploration investments, the five years accelerated amortization for investments in exploratory activities carried out between 2017 and 2027 as well as the incentive credit (CERT) for oil investments. The changes will be applicable from 2023 onwards.

Canada Tax Legislation

During 2021 and 2022, 136 countries and jurisdictions, including Canada (and Colombia), agreed to implement the Organization for Economic Co-operation and Development's (the "OECD's") PillarTwo rules, effective in 2023. The proposed Pillar Two rules are designed to ensure that large multinational enterprises pay a minimum level of tax (currently agreed upon at 15%) on the income arising in each jurisdiction where they operate. The proposed rules remain subject to approval and ratification in multiple countries and jurisdictions. We are actively monitoring future developments on this proposed legislation and any potential impact on the Company.

12. Earnings per Share

(In thousands of U.S.$, except share and per share amounts)	Year Ended December 31 2022	2021
Net income attributable to equity holders of the Company	$ 286,615	$ 628,133
Basic weighted average number of shares outstanding	90,743,301	96,691,579
Effect of dilution from dilutive instruments	2,212,768	3,217,281
Diluted weighted average number of shares outstanding	92,956,069	99,908,860
Earnings per share attributable to equity holders of the Company		
Basic	$ 3.16	$ 6.50
Diluted	$ 3.08	$ 6.29

(In thousands of U.S.$, unless otherwise stated)

13. Inventories

	As at December 31	
	2022	2021
Crude oil and diluents	$ 57,033	$ 31,846
Materials and supplies	18,076	18,230
Total	$ 75,109	$ 50,076

As at December 31, 2022, crude oil and gas inventory includes $39.2 million in Colombia, $15.9 million in Peru and $1.9 million in Ecuador (2021: $15.9 million in Colombia and $15.9 million in Peru).

As at December 31, 2022, materials and supplies inventories were net of impairment of $2.5 million (2021: $1.1 million).

14. Properties, Plant and Equipment

Cost	Oil & Gas Properties	Port Infrastructure [1]	Plant & Equipment	Total
As at January 1, 2021	$ 7,852,818	$ 270,138	$ 113,527	$ 8,236,483
Additions	139,642	8,054	188	$ 147,884
Transfer to crude oil inventory	43,479	—	—	43,479
Acquisition of PetroSud (Note 4)	32,325	—	378	32,703
Change in asset retirement obligations (Note 20)	(46,397)	—	—	(46,397)
Disposal	(23,756)	(260)	(2,151)	(26,167)
Currency translation adjustment	(13,050)	(35,460)	(485)	(48,995)
As at December 31, 2021	$ 7,985,061	$ 242,472	$ 111,457	$ 8,338,990
Additions [2]	251,552	6,130	5,003	262,685
Change in asset retirement obligations (Note 20)	(22,982)	—	—	(22,982)
Disposal	(24,699)	(420)	(23,095)	(48,214)
Currency translation adjustment	(13,387)	(40,753)	(1,053)	(55,193)
As at December 31, 2022	$ 8,175,545	$ 207,429	$ 92,312	$ 8,475,286

[1] *Includes $17.9 million of Guyana Port project which is under construction and is not depreciated.*

[2] *Includes the addition of the remaining 35% from El Dificil block by $12.0 million.*

Accumulated Depletion, Depreciation and Impairment	Oil & Gas Properties	Port Infrastructure	Plant & Equipment	Total
As at January 1, 2021	$ 7,192,865	$ 7,168	$ 99,504	$ 7,299,537
Charge for the year	122,896	4,916	2,969	130,781
Impairment reversal (Note 9)	(586,608)	—	(51)	(586,659)
Disposal	(20,778)	(4)	(2,189)	(22,971)
Currency translation adjustment	(11,283)	(2,841)	(325)	(14,449)
As at December 31, 2021	$ 6,697,092	$ 9,239	$ 99,908	$ 6,806,239
Charge for the year	187,094	5,445	3,067	195,606
Impairment reversal (Note 9)	(229,774)	—	—	(229,774)
Disposal	(19,585)	(112)	(22,701)	(42,398)
Currency translation adjustment	(12,412)	(1,725)	(1,030)	(15,167)
As at December 31, 2022	$ 6,622,415	$ 12,847	$ 79,244	$ 6,714,506

Net Book Value	Oil & Gas Properties	Port Infrastructure	Plant & Equipment	Total
As at December 31, 2021	$ 1,287,969	$ 233,233	$ 11,549	$ 1,532,751
As at December 31, 2022	$ 1,553,130	$ 194,582	$ 13,068	$ 1,760,780

(In thousands of U.S.$, unless otherwise stated)

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

	Oil & Gas Properties	Port Infrastructure	Plant & Equipment	Amount
Properties, plant and equipment - owned	$ 1,282,639	$ 233,233	$ 7,969	$ 1,523,841
ROU assets - leased	5,330	—	3,580	8,910
As at December 31, 2021	1,287,969	233,233	11,549	1,532,751
Properties, plant and equipment - owned	$ 1,550,855	$ 194,582	$ 10,572	$ 1,756,009
ROU assets - leased	2,275	—	2,496	4,771
As at December 31, 2022	$ 1,553,130	$ 194,582	$ 13,068	$ 1,760,780

Details of ROU assets are as follows:

	Power Generation	Plant & Equipment	Amount
As at January 1, 2021	$ 8,545	$ 5,242	$ 13,787
Additions	—	408	408
Depreciation	(3,215)	(2,070)	(5,285)
As at December 31, 2021	$ 5,330	$ 3,580	$ 8,910
Additions	—	981	981
Write-off	—	(74)	(74)
Depreciation	(3,055)	(1,991)	(5,046)
As at December 31, 2022	$ 2,275	$ 2,496	$ 4,771

15. Exploration and Evaluation Assets

	2022	2021
As at January 1	$ 188,904	95,757
Additions (1)	154,516	164,310
Transfer to oil and gas properties (2)	—	(43,479)
Impairment expense (Note 9)	(20,908)	(26,009)
Change in asset retirement obligations	(1,110)	(1,141)
Disposals	(822)	(534)
As at December 31	$ 320,580	$ 188,904

(1) Mainly includes additions of $100.3 million in Guyana related to Corentyne block, and $29.0 million in Ecuador related to Perico and Espejo blocks.

(2) VIM-1 block was transferred to Oil & Gas properties (Note 14) after completing the evaluation phase.

16. Investments in Associates

	2022	2021
As at January 1	$ 87,199	$ 106,839
Share of income from associates	42,043	38,033
Dividends	(40,483)	(41,605)
Return of capital contributions	(19,667)	(4,194)
Currency translation adjustment	(9,118)	(11,874)
As at December 31	$ 59,974	$ 87,199
Company's interest as at December 31	35.0 %	35.0 %

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, ability to appoint directors to the investee's board of directors and its ability to participate in its decision making.

(In thousands of U.S.$, unless otherwise stated)

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 participation interest of 35% in ODL through PIL (the Company acquired the non-controlling interest of 40.07% in PIL, on September 15, 2022. Please refer to Note 21). The remaining 65% interest in ODL is owned by Cenit Transporte y Logistica de Hidrocarburos S.A.S.("**Cenit**"). ODL's functional currency is COP and currency translation adjustments ("**CTA**") are recorded in other comprehensive (loss) income.

During the year ended December 31, 2022, the Company recognized gross dividends of $40.5 million (2021: $41.6 million) and received cash dividends of $33.6 million (2021: $35.5 million). As at December 31, 2022 and 2021, the carrying value of dividends receivable after withholding taxes was $Nil.

In addition, during the year ended December 31, 2022, the Company recognized a return of capital of $19.7 million (2021: $4.2 million) and received in cash $18.1 million (2021: $4.0 million).

Financial Position	ODL	
As at December 31	**2022**	**2021**
Assets	$ 265,989	$ 360,199
Liabilities	94,634	111,059
Equity	171,355	249,140
Company's interest in associate	35 %	35%
Carrying amount of the investment	$ 59,974	$ 87,199

Income Statement		
As at December 31	**2022**	**2021**
Revenue	$ 268,040	$ 243,250
Expenses	$ (147,916)	$ (134,585)
Net income	120,124	108,665
Company's share of the income for the year	$ 42,043	$ 38,033

17. Other Assets

	As at December 31	
	2022	**2021**
Investments	$ 1,872	$ 1,167
Long-term withholding tax	536	27,167
Long-term recoverable VAT	276	1,168
Total	$ 2,684	$ 29,502

18. Long-Term Debt

				As at December 31	
	Maturity	**Principal**	**Interest Rate**	**2022**	**2021**
2028 Unsecured Notes	June 2028	400,000	7.875%	$ 392,535	$ 391,498
2025 Puerto Bahia Debt	June 2025	370,000	LIBOR 6M + 5%	103,094	143,094
PetroSud credit loans	December 2023	24,800	LIBOR 3M + 4.95%	12,828	17,970
Total				$ 508,457	$ 552,562

	As at December 31	
	2022	**2021**
Current portion	$ 115,922	$ 146,724
Non-current portion	392,535	405,838
Total	$ 508,457	$ 552,562

2028 Unsecured notes

On June 21, 2021, the Company completed the offering of $400.0 million 7.875% senior unsecured notes due 2028 ("**2028 Unsecured Notes**"). The interest is payable semi-annually in arrears on June 21 and December 21 of each year, beginning on December 21, 2021.

Certain proceeds from this offering were used to repurchase, at a premium of $17.0 million, the existing $350.0 million 9.70% senior unsecured notes due 2023 ("**2023 Unsecured Notes**") pursuant to a tender offer and redemption notice under the 2023 Unsecured Notes. The Company received consents and tenders to repurchase 82.24% of the 2023 Unsecured Notes. As a result, $286.6 million of the notes tendered prior to the early tender date were settled on June 21, 2021, and $1.2 million, of the notes tendered after the early tender date and prior to the expiration time, were settled on July 6, 2021. On June 29, 2021, the remaining balance of $62.2 million was redeemed and was settled and extinguished on July 7, 2021.

As a result, a loss of $29.1 million was recognized during the year ended December 31, 2021, comprised of the premium, and $12.1 million in transaction costs from the 2023 Unsecured Notes.

The 2028 Unsecured Notes were recognized net of an original issue discount of $2.6 million, and directly attributable transaction costs of $6.4 million, primarily related to underwriter fees, legal and other professional fees.

The 2028 Unsecured Notes rank equal in right of payment with all of the Company's existing and future senior unsecured debt and are guaranteed by the Company's principal subsidiaries.

Under the terms of the 2028 Unsecured Notes, the Company may, among other things, incur indebtedness provided that the following ratios, as defined under the indenture, are in compliance:

- Consolidated net debt to consolidated adjusted EBITDA ratio is less than or equal to 3.25:1.0.

- Consolidated fixed charge is greater than or equal to 2.25:1.0.

As at December 31, 2022, the Company is in compliance with such covenants.

Puerto Bahia Secured Syndicated Credit Loan ("2025 Puerto Bahia Debt")

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 of December 31, 2022, the lenders have given notices stating that Puerto Bahia is in breach of various loan covenants. 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 and it has no impact on the Company's financial covenant calculations under its 2028 Unsecured Notes. No notice of default was received during 2021 or 2022, and the lenders have not accelerated the loan. The ability of the Company to remedy the breaches of the loan covenants depends on a number of variables, many of which are outside the Company's control. If the 2025 Puerto Bahia Debt were accelerated, the Company could pursue various options, including, but it is not obligated to, providing further support to Puerto Bahia. The Company is currently exploring refinancing alternatives, but there can be no assurance that a refinancing will be completed.

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 Infrastructure Ventures Inc. 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**"), which the Company has fully disbursed. Amounts advanced under the ECA were used for the repayment of principal and interest on the 2025 Puerto Bahia Debt. As of December 31, 2022, the Company had converted $98.3 million in ECA Loans into shares of Puerto Bahia.

PetroSud Loans

On December 30, 2021, the Company completed the acquisition of 100% of the common shares of PetroSud (Note 4). On March 15, 2019, and December 20, 2021, PetroSud entered into two credit agreements with Banco Davivienda S.A. for $22.0 million and $2.8 million, respectively, (the "**PetroSud Debt**"), with both loans maturing in December 2023. The PetroSud Debt bears interest at 3-month LIBOR plus 4.95% payable quarterly. The PetroSud Debt is secured by a trust agreement that receives 100% of PetroSud's sales and contemplates a debt service account for an amount equal to 100% of the next scheduled debt service, and a debt reserve account for an amount of $2.0 million. The PetroSud Debt is subject to certain covenants that require PetroSud to maintain a financial debt to EBITDA ratio of less than or equal to 3.50:1.0 and an operating free cash flow plus the debt reserve account balance to debt service ratio greater than or equal to 1.20:1.0. As of December 31, 2022, PetroSud is in compliance with such covenants.

(In thousands of U.S.$, unless otherwise stated)

Letters of Credit

The Company has various uncommitted bilateral letter of credit lines (the "**Uncommitted LCs**"). As of December 31, 2022, the Company had $62.8 million (2021: $49.0 million) of issued and outstanding Uncommitted LCs for exploratory commitments in Colombia and Ecuador and abandonment funds in Peru. The lenders under the Uncommitted LCs receive an average fee equal to 2.9% (2021: 2.1%) per annum.

In addition to the Uncommitted LCs, as of December 31, 2022, the Company has outstanding letters of credit of $41.3 million (2021: $33.8 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.

CPE-6 Solar Plant Project Leasing Agreement

During the fourth quarter of 2022, the Company entered into a leasing agreement with Bancolombia S.A. to finance the construction and commissioning of a solar plant project at the CPE-6 block (the"**Solar Plant Debt**"). The financing is denominated in COP, in an amount equivalent to US$5.3 million and with a maturity date that is 72 months following the date the conditions precedent to the financing are satisfied. The Solar Plant Debt bears interest equivalent to IBR(1) +5.75%, payable monthly. As of December 31, 2022, no disbursements have been made under this financing.

(1) *Reference Banking Indicator from the central bank of Colombia ("IBR" for its acronyms in Spanish).*

Finance Expense

The following table summarizes the main components of finance expense:

	Year Ended December 31	
	2022	**2021**
Interest on long-term debt	$ 40,712	$ 42,007
Accretion of asset retirement obligations (Note 20)	6,608	3,471
Letters of credit fees and other bank charges	3,813	1,949
Deferred financing fees amortization	1,037	2,543
Lease financing costs (Note 19)	565	1,306
Accretion expense of other assets	256	546
Total	$ 52,991	$ 51,822

19. Leases Obligations

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

The Company's lease liabilities have an average discount rate of 9.45% (2021:9.95%), and the maturity analysis by contractual undiscounted cash flows is as follows:

	As at December 31	
	2022	**2021**
Within 1 year	$ 2,747	$ 5,229
Year 2	347	2,922
Year 3	190	92
Year 4	19	57
Total undiscounted lease liabilities	$ 3,303	$ 8,300
Less amounts representing finance costs	(208)	(727)
Present value of lease liabilities	$ 3,095	$ 7,573
Current	$ 2,550	$ 4,241
Non-current	545	3,332
Total	$ 3,095	$ 7,573

(In thousands of U.S.$, unless otherwise stated)

Amounts Recognized in the Consolidated Statements of Income

	Year Ended December 31	
	2022	2021
Interest on lease liabilities	$ (565)	$ (1,306)
Variable lease payments not included in the measurement of lease liabilities	(12,287)	(7,504)
Income from sub-leasing ROU assets	32	40
Expenses relating to short-term leases	(303)	(837)
Expenses relating to leases of low-value assets	(3,676)	(5,885)

Amounts Recognized in the Consolidated Statements of Cash Flows

	Year Ended December 31	
	2022	2021
Total cash outflow for leases (1)	$ (21,502)	$ (25,867)

(1) *Includes principal payments of lease liabilities and interest of $5.3 million (2021: $11.7 million), which are recognized in the Consolidated Statements of Cash Flow as Financing activities.*

20. Asset Retirement Obligations

	2022	2021
As at January 1	$ 174,341	$ 226,243
Accretion expense	6,608	3,469
Additions	3,495	2,617
Acquisition of PetroSud (Note 4)	—	3,049
Changes in estimates	(17,570)	(44,194)
Liabilities settled	(10,257)	(10,133)
Recovery of asset retirement obligation	(1,823)	(6,335)
Currency translation adjustment	—	(375)
As at December 31	$ 154,794	$ 174,341

	As at December 31	
	2022	2021
Current portion	$ 25,814	$ 27,007
Non-current portion	128,980	147,334
Total	$ 154,794	$ 174,341

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 $281.1 million (2021: $245.4 million), which is expected to be executed between 2023 and 2045, of which $249.2 million (2021: $213.4 million) will be incurred in Colombia and $31.8 million (2021: $31.9 million) in Peru.

During the year ended December 31, 2022, the Company recognized a decrease in the ARO from changes in estimates of $17.6 million, which includes a reduction of $21.4 million relating to the updating of the risk-free and inflation rates and $13.7 million due to the impact of foreign exchange rates, offset by an increase of $26.6 million relating to updated cost estimates to abandon and reclaim wells and well sites, including environmental liabilities. A total of $23.0 million relating to changes in estimates was recognized within Properties, Plant and Equipment (Note 14).

The risk-free and inflation rates used for discounting to present value are as follows:

- A risk-free rate between 12.21% and 13.30% and an inflation rate between 2.50% and 3.30% for cash flows expected to be settled in COP (2021: risk-free rate between 6.3% and 8.6% with inflation rate between 3.0% and 3.9%); and
- A risk-free rate between 7.75% and 8.26% and an inflation rate between 2.50% and 4.10% for cash flows expected to be settled in U.S. dollars (2021: risk-free rate between 2.1% and 2.6% with inflation rate between 2.2% and 2.6%).

(In thousands of U.S.$, unless otherwise stated)

21. Non-Controlling Interest

	CGX	PIL	Puerto Bahia	Amount
As at January 1, 2021	$ 14,764	$ 43,513	$ 2,702	$ 60,979
Net (loss) income attributable to NCI	(2,997)	12,822	(1,892)	7,933
Share-based compensation	1,907	—	—	1,907
Other comprehensive income attributable to NCI	—	(5,215)	520	(4,695)
Change in ownership interests	(1,928)	—	(550)	(2,478)
Dividends and distributions declared	—	(15,721)	—	(15,721)
As at December 31, 2021	$ 11,746	$ 35,399	$ 780	$ 47,925
Net (loss) income attributable to NCI	(2,653)	8,014	(941)	4,420
Share-based compensation	763	—	—	763
Other comprehensive income attributable to NCI	1	(1,284)	161	(1,122)
Dividends and distributions declared	—	(8,252)	—	(8,252)
Acquisition of non-controlling interests [1]	—	(33,877)	—	(33,877)
As at December 31, 2022	$ 9,857	$ —	$ —	$ 9,857

[1] On September 15, 2022, the Company acquired an additional 40.07% interest in PIL, increasing its ownership interest to 100%. Aggregate cash consideration of $47.4 million is payable to the non-controlling shareholders in installments. As at December 31, 2022, total cash of $36.1 million was paid. The remaining installments to be paid until the end of 2023.

The summarized financial information for PIL, CGX and Puerto Bahia is as follows:

	CGX [1]		PIL [2]		Puerto Bahia [3]	
	As at December 31		As at December 31		As at December 31	
	2022	2021	2022	2021	2022	2021
Current assets	$ 25,024	$ 28,556	$ —	$ 1,146	$ —	$ 45,361
Non-current assets	67,984	23,801	—	87,199	—	239,728
Total assets	93,008	52,357	—	88,345	—	285,089
Current liabilities	27,665	60,762	—	5	—	149,791
Non-current liabilities	—	—	—	—	—	112,161
Total liabilities	27,665	60,762	—	5	—	261,952
Equity	65,343	(8,405)	—	88,340	—	23,137
Total liabilities and equity	$ 93,008	$ 52,357	$ —	$ 88,345	$ —	$ 285,089

	CGX		PIL		Puerto Bahia	
	Year ended December 31		Year ended December 31		Year ended December 31	
	2022	2021	2022	2021	2022	2021
Revenue	$ —	$ —	$ —	$ —	$ 44,249	$ 66,714
Other (expenses) income, net	(11,523)	(12,332)	19,478	32,000	(53,267)	(95,572)
Net (expenses) income	$ (11,523)	$ (12,332)	$ 19,478	$ 32,000	$ (9,018)	$ (28,858)

[1] Since the acquisition of CGX, non-controlling interest has fluctuated between 23.02% and 26.15%.

[2] On September 15, 2022, the Company has the 100% ownership interest in PIL, changing the non-controlling interest from 40.08% to 0.00%.

[3] On December 27, 2022, the Company increased its participation in Puerto Bahia, changing the non-controlling interest from 3.45% to 0.20% (2021: fluctuated between 5.82% and 3.45).

22. 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, 2022, and 2021, the Company did not declare or pay any dividends.

Normal Course Issuer Bid

On March 15, 2022, TSX approved the Company's notice to initiate a normal course issuer bid ("**NCIB**") for its Common Shares, upon the expiry of its previous NCIB (which expired on March 16, 2022). Pursuant to the Company's current NCIB, the Company may purchase for cancellation up to 4,787,976 of its Common Shares during the twelve-month period commencing March 17, 2022, and ending March 16, 2023. In connection with the SIB (as defined below) and as required under TSX rules, the Company suspended share repurchases under its NCIB from June 20, 2022 (the date that the SIB was announced) until August 8, 2022 (the expiry time of the SIB).

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)	**2022**	**2021**
Number of Common Shares repurchased	4,197,100	3,855,400
Total amount of Common Shares repurchased	$ 40,248	$ 21,537
Weighted-average price per share	$ 9.59	$ 5.59

Substantial Issuer Bid

On June 24, 2022, the Company launched a substantial issuer bid (the "**SIB**"), pursuant to which the Company offered to purchase from shareholders for cancellation up to C$65.0 million of its outstanding Common Shares. The SIB proceeded by way of a "modified Dutch auction" procedure, with a tender price range from C$11.00 to C$13.00 per Common Share.

The SIB expired on August 8, 2022. On August 11, 2022, the Company announced that, in accordance with the terms and conditions of the SIB, the Company took up for cancellation 5,416,666 Common Shares at a price of C$12.00 per Common Share, representing an aggregate purchase price of C$65 million funded by cash, for a total cost of $51.2 million, including transaction costs. The Common Shares taken up for cancellation under the SIB represented approximately 5.84% of the total number of the Company's issued and outstanding Common Shares as of August 8, 2022.

Share-Based Compensation

Restricted Stock Units

The Company's RSUs vest over the course of between six months and 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 RSUs, 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 RSUs 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 granted on the Company's Common Shares. The Company recognized $4.3 million of share-based compensation expense relating to RSUs for the year ended December 31, 2022 (2021: $5.7 million). As of December 31, 2022, $7.6 million RSUs are recorded as liabilities (2021: $7.1 million). The following table provides a summary of the activity related to RSUs during the year:

	Year Ended December 31	
	2022	**2021**
Outstanding, beginning of year	1,980,538	2,876,614
Granted (1)	890,200	1,010,709
Forfeited	(342,835)	(552,868)
Settled (2)	(657,719)	(1,353,917)
Outstanding, end of year	1,870,184	1,980,538
Vested, end of year	25,827	—

(1) *The weighted average fair value of the RSUs granted was $10.67 (2021: $4.28).*

(2) *Includes the issuance of 510,147 Common Shares (2021: 1,007,066 common shares).*

Deferred Stock Units

Pursuant to the Incentive Plan, directors of the Company 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 granted on the Company's Common Shares. The Company recognized $0.8 million of share-based compensation expense relating to DSUs for the year ended December 31, 2022 (2021: $1.2 million).

(In thousands of U.S.$, unless otherwise stated)

The following table provides a summary of the activity related to DSUs during the year:

	Year Ended December 31	
	2022	2021
Outstanding, beginning of year	737,805	595,359
Granted [(1)]	91,022	220,250
Settled [(2)]	—	(77,804)
Outstanding, end of year	828,827	737,805
Vested, end of year	828,827	737,805

[(1)] *The weighted average fair value of the DSUs granted was $8.77 (2021: $5.52).*

[(2)] *All settled in Common Shares.*

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, 2022, stock-based compensation expense relating to stock options granted directly by the Company's subsidiaries was $1.0 million (2021: $1.0 million).

23. Related-Party Transactions

The following tables provide the total balances outstanding, commitments and transactional amounts with related parties for the year ended December 31, 2022, and 2021:

		As at December 31		Year Ended December 31
		Accounts Payable	Commitments	Purchases / Services
ODL	2022	$ 2,553	$ 31,796	$ 23,313
	2021	112	56,716	27,523

ODL is an investment in an associate of the Company. The related-party transactions correspond to the ship-or-pay contract for the transportation of crude oil in Colombia for a total commitment of $31.8 million until 2025 (Note 26).

Key Management Compensation

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

	As at December 31	
	2022	2021
Short-term employee benefits	$ 3,687	$ 3,358
Termination benefits	5	1,430
Share-based payments	3,285	2,444
Total	$ 6,977	$ 7,232

24. 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 a significant impact on profitability, operating cash flows and the value of financial instruments.

(In thousands of U.S.$, unless otherwise stated)

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, presented at the gross carrying amounts, prior to the ECL model allowances:

	As at December 31 2022	2021
Trade receivables	$ 37,091	$ 83,087
Receivables from joint arrangements	28,595	31,326
Withholding tax and others	33,798	15,652
Other receivables	11,776	14,486
Allowance for expected credit losses [1]	(23,312)	(29,036)
Accounts receivable	$ 87,948	$ 115,515
Withholding tax and others - not considered for credit risk	(33,798)	(15,652)
Total financial assets carried at amortized cost	$ 54,150	$ 99,863

[1] *Includes ECLs of $15.7 million for trade receivables (2021: $15.7 million).*

Reconciliation of ECLs

The following table shows a continuity of ECLs:

	2022	2021
As at January 1	$ 29,036	$ 32,521
Provision for ECLs	27	567
Reversion ECLs	(2,631)	—
Effect of exchange rate changes	(1,701)	—
Write-off	(1,419)	(4,052)
As at December 31	$ 23,312	$ 29,036

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.

The following tables summarizes the undiscounted cash outflows relating to contractual maturities of the Company's non-derivative financial liabilities as at December 31, 2022:

Financial Liability Due In	2023	2024	2025	2026	2027	Subsequent to 2028	Total
Accounts payable and accrued liabilities [1]	$ 466,580	$ 3,524	$ —	$ —	$ —	$ —	$ 470,104
Long-term debt [2]	115,922	—	—	—	—	400,000	515,922
Interest on Long-term debt	39,034	31,500	31,500	31,500	31,500	15,750	180,784
Lease liabilities	2,747	347	190	19	—	—	3,303
Total	$ 624,283	$ 35,371	$ 31,690	$ 31,519	$ 31,500	$ 415,750	$ 1,170,113

[1] *Includes provisions of $126.9 million, which do not have a definitive amortization term and are therefore classified as current liabilities. These provisions are not expected to be settled within the next 12 months.*

[2] *The 2025 Puerto Bahia Debt of $103.1 million is presented as a current liability as lenders have notified that Puerto Bahia is in breach of various loan covenants. However, this loan is not expected to mature within the next 12 months as the Company continues to service the loan on time, and no amounts have been accelerated. If the debt is not accelerated, the amount currently owed within the next 12 months totals $45.0 million.*

(In thousands of U.S.$, unless otherwise stated)

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

	As at December 31	
	2022	**2021**
Trade and other payables	$ 170,573	$ 151,704
Accrued liabilities	123,509	68,341
Supplier holdbacks and advances	30,382	26,822
Withholding and tax provisions	11,095	7,756
Share-based payment liability	7,605	7,079
	343,164	261,702
Provision for contingencies and others	126,940	143,558
Total payable and accrual liabilities	$ 470,104	$ 405,260

The Company has various guarantees in place in the normal course of business, supported by issued letters of credit (Note 18). As at December 31, 2022, the Company had issued letters of credit for a total of $104.1 million (2021: $82.8 million).

Restricted Cash

As at December 31, 2022, the Company has total restricted cash of $23.2 million (2021: $63.3) in trust accounts primarily to cover future abandonment obligations, exploration commitments, insurance collateral for certain contingencies and other matters.

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 long-term debt.

Risk Management Contracts

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

Risk Management Contracts - Crude Oil

As part of its risk management strategy, the Company uses derivative commodity instruments to manage exposure to price volatility by hedging a portion of its oil production. The Company's strategy aims to protect a minimum of 40% up to 60% of the estimated production with a tactical approach, using derivative commodity instruments to protect the revenue generation and cash position of the Company, while maximizing the upside.

				Avg. Strike Prices	Carrying Amount	
Type of Instrument	**Term**	**Benchmark**	**Volume (bbl)**	**Put $/bbl**	**Assets**	**Liabilities**
Not Subject to Hedge Accounting:						
Commodities price risk contracts						
Put	January 2023	Brent	460,000	80.00	341	—
Put	February to March 2023	Brent	840,000	70.00	875	—
Total as at December 31, 2022					$ 1,216	$ —
Commodities price risk contracts						
Zero-cost collars	January 2022	Brent	55,000	60.0/102.0	1	—
Put	January to April 2022	Brent	970,000	60.00	273	—
Put	January to March 2022	Brent	550,000	60.00	—	279
Total as at December 31, 2021					$ 274	$ 279
Total as at December 31, 2022					$ 1,216	$ —
Total as at December 31, 2021					$ 274	$ 279

(In thousands of U.S.$, unless otherwise stated)

Risk Management Contracts - Foreign Exchange

The Company is exposed to foreign currency fluctuations. Such exposure arises primarily from expenditures that are incurred in COP and its fluctuation against the USD.

Type of Instrument	Term	Benchmark	Notional Amount / Volume in USD	Avg. Put / Call Par forward (COP$)	Carrying Amount Assets	Carrying Amount Liabilities
Zero-cost collars	January to June 2023	COP / USD	120,000,000	4,200 / 5,321	$ —	$ 1,045
Total as at December 31, 2022					$ —	$ 1,045
Zero-cost collars	January to June 2022	COP / USD	120,000,000	3,725 / 4,273	$ —	$ 276
Total as at December 31, 2021					$ —	$ 276

Risk Management Contracts - Interest swaps

Puerto Bahia has a financial derivative to manage exposure to risks due to the fluctuation of the interest rate expressed in LIBOR in the 2025 Puerto Bahia Debt.

As at December 31, 2022, Puerto Bahia has a swap contract from January 2023 to June 2025:

Type of Instrument	Term	Benchmark	Notional Amount	Avg. Strike Prices Floating rate	Carrying Amount Assets	Carrying Amount Liabilities
Swap	January 2023 to June 2025	LIBOR + 180	$ 79,100	3.9 %	$ 1,092	$ —
Total as at December 31, 2022					$ 1,092	$ —
Swap	January 2022 to June 2025	LIBOR + 180	$ 121,100	3.9 %	$ —	$ 6,258
Total as at December 31, 2021					$ —	$ 6,258

	Assets	Liabilities
Total Risk Management Contracts as at December 31, 2022	$ 2,308	$ 1,045
Total Risk Management Contracts as at December 31, 2021	$ 274	$ 6,813

The following table provides the disaggregation of the Company’s total loss on risk management contracts:

	Year Ended December 31 2022	2021
Premiums paid on risk management contracts settled	$ (14,733)	$ (11,462)
Cash settlement on risk management contracts	—	(37,657)
Realized loss on risk management contracts	(14,733)	(49,119)
Unrealized gain on risk management contracts	4,310	7,213
Total	$ (10,423)	$ (41,906)

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.

(In thousands of U.S.$, unless otherwise stated)

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, 2022, and December 31, 2021:

			Fair Value		
	Period	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets Measured at Fair Value through Profit & Loss					
Risk management assets	2022	$ 2,308	$ —	$ 2,308	$ —
	2021	274	—	274	—
Financial Assets Measured at Fair Value through Other Comprehensive Income					
Investments in equity instruments	2022	$ 1,872	$ —	$ —	$ 1,872
	2021	1,167	—	—	1,167
Financial Liabilities Measured at Fair Value through Profit & Loss					
Risk management liabilities	2022	$ (1,045)	$ —	$ (1,045)	$ —
	2021	(6,813)	—	(6,813)	—
Financial Liabilities Measured at Amortized Cost					
2028 Unsecured Notes (1)	2022	$ (392,535)	$ —	$ (334,348)	$ —
	2021	(391,498)	—	(375,688)	—
2025 Puerto Bahia and PetroSud debts Note 18	2022	$ (115,922)	$ —	$ (115,922)	$ —
	2021	(161,064)	—	(161,064)	—

(1) The information included as at December 31, 2022 and 2021 corresponds to the 2028 Unsecured Notes (Note 18).

The Company uses Level 3 information to measure the fair value of certain investments that do not belong to active markets.

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 its 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 buy back 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 debt covenant ratios associated with the Company's outstanding 2028 Unsecured Notes, 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	
	2022	**2021**
Equity attributable to equity holders of the Company	$ 1,579,347	$ 1,400,966
Long-term debt	392,535	405,838
Working capital deficit (1)	109,607	78,885
Total	$ 2,081,489	$ 1,885,689

(1) Working capital deficit is a capital management measure, according to NI 52-112 - Non-GAAP and Other Financial Measures Disclosure and is defined as the net of total current assets after deducting total current liabilities, including the current portion of long-term debt.

(In thousands of U.S.$, unless otherwise stated)

25. Supplemental Disclosure on Cash Flows

Changes in non-cash working capital are as follows:

	Year Ended December 31	
	2022	**2021**
Increase in accounts payable and accrued liabilities	$ 50,174	$ 43,889
Decrease (increase) in accounts receivable	33,188	(24,193)
Increase in income taxes payable	1,790	10,325
(Increase) decrease in inventories	(23,921)	8,834
Increase in prepaid expenses and deposits	(2,210)	(2,842)
Decrease in income taxes receivable	80,125	3,668
Changes in non-cash working capital	$ 139,146	$ 39,681
Attributable to		
Operating activities	$ 120,077	$ (12,177)
Investing activities	19,069	51,858
Changes in non-cash working capital	$ 139,146	$ 39,681

26. Commitments and Contingencies

Commitments

The Company's commitments as at December 31, 2022, undiscounted and by calendar year, are presented below:

As at December 31, 2022	2023	2024	2025	2026	2027	Subsequent to 2028	Total
Transportation							
Ocensa P-135 ship-or-pay agreement	$ 71,027	$ 71,027	$ 35,416	$ —	$ —	$ —	$ 177,470
ODL agreements	17,141	14,655	—	—	—	—	31,796
Other transportation and processing commitments	14,047	11,738	11,738	11,738	3,892	—	53,153
Exploration and evaluation							
Minimum work commitments (1)	84,088	31,802	53,025	—	—	5,066	173,981
Other commitments							
Operating purchases, community obligations and others.	66,692	14,605	19,815	14,610	10,661	10,004	136,387
Total	$ 252,995	$ 143,827	$ 119,994	$ 26,348	$ 14,553	$ 15,070	$ 572,787

(1) Includes minimum work commitments relating to exploration and evaluation 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 interest in CGX, has other exploration work commitments in Guyana (not included in the table), as described below.

Guyana Commitments

As at December 31, 2022, the Company, through its 76.97% interest in CGX and directly through its working interest has exploration work commitments under the Petroleum Prospecting Licenses ("**PPLs**") for certain Guyana blocks as follows:

- Corentyne block (Frontera 68% W.I. and non-operator) - In accordance with the PPL for the Corentyne block, a second exploration well was required to be spud by January 31, 2023, which was extended from the previous expiry date of November 26, 2022. On November 28, 2022, CGX and Frontera, the majority shareholder of CGX and joint venture partner of CGX (the "**Joint Venture**"), announced their continued commitment to drill the Wei-1 well and that final preparations were complete in advance of spudding the Wei-1 well. On January 23, 2023, CGX and Frontera announced that the Joint Venture had spud the Wei-1 well, on the Corentyne block, approximately 200 kilometres offshore from Georgetown, Guyana. In addition, the Government of Guyana has approved an Appraisal Plan for the northern section of the Corentyne block, which commenced with the Wei-1 well. Following completion of Wei-1 drilling operations and upon detailed analysis of the results, the Joint Venture may consider future wells per its appraisal program to evaluate possible development feasibility in the Kawa-1 discovery area and throughout the northern section of the Corentyne block.

- Demerara Block (Frontera 33% W.I. and non-operator) - On February 14, 2022, CGX and Frontera, announced that as a result of the initial positive results at the Kawa-1 exploration well on the Corentyne block, the Joint Venture would focus on the significant exploration opportunities in the Corentyne block and would not engage in drilling activities on the Demerara block in 2022. Subsequent to year end 2022, the Government of Guyana and CGX finalized a surrender deed to formalize relinquishment of the Demerara block.
- Berbice block – At the year end 2022, the Company held a 47.73% indirect interest in this block through its 76.97% interest in CGX, which has an indirect interest held through its 62.0% interest in ON Energy Inc. ("**ON Energy**"), which was the holder of the PPL related to the block. On February 4, 2022, the Company, through ON Energy, notified the Ministry of Natural Resources that, given the focus on rapidly developing the Corentyne block, operational considerations and investment priorities, ON Energy would be unable to drill an exploration well on the Berbice block in 2022. Subsequent to year end 2022, the Government of Guyana and ON Energy finalized a surrender deed to formalize relinquishment of the Berbice block.

In addition, in connection with (i) a drilling contract agreement between Maersk Drilling Holdings Singapore Pte. Ltd. (now Noble Corp.) and CGX Resources Inc. ("**CGX Resources**"), the operator of the Corentyne block, for the provision of a semi-submersible drilling unit owned by Noble Corp. and associated services to drill the Joint Venture's Wei-1 well, and (ii) a services agreement between Schlumberger Guyana Inc. ("**Schlumberger**") and CGX Resources for the provision of certain oilfield services and the supply of related goods and products for the Corentyne block, Frontera entered into a deed of guarantee with each of Noble Corp. and Schlumberger for certain obligations, in each case up to a maximum of $30.0 million and subject to a sliding scale mechanism in connection with payments made under the drilling contract with Noble Corp. or the services agreement with Schlumberger, as applicable.

As at December 31, 2022, CGX had entered into purchase orders and contracts for the drilling of the Wei-1 well and the Guyana Port Project, pursuant to which the Company has amounts outstanding of $98.3 million, which is expected to be paid in 2023.

On July 22, 2022, Frontera and CGX jointly announced that the companies entered into an agreement to amend the Joint Operating Agreement originally signed between CGX and a subsidiary of Frontera on January 30, 2019, as amended (the "JOA Amendment"), effectively farming into the Corentyne block and securing funding for the Joint Venture's Wei-1 well. The JOA Amendment was subject to certain conditions precedent, including approval of the TSX Venture Exchange and certain confirmations from the Government of Guyana relating to the petroleum agreement for the Corentyne block. On December 1, 2022, Frontera and CGX jointly announced that the companies had completed the JOA Amendment. As part of the JOA Amendment, CGX transferred 29.73% of its participating interest in the Corentyne block to Frontera in exchange for Frontera funding the Joint Venture's costs associated with the Wei-1 well for up to $130.0 million and up to an additional $29.0 million of certain Kawa-1 exploration well and Wei-1 Pre-Drill and other costs. In addition, CGX assigned an additional 4.94% of its participating interest in the Corentyne block to Frontera as consideration for the repayment of the outstanding principal amounts under (i) the previously announced $19.0 million convertible loan to CGX dated May 28, 2021, as amended, and (ii) the previously announced $35.0 million convertible loan to CGX dated March 10, 2022, as amended, and Frontera made a cash payment to CGX of $3.8 million. As a result of the JOA Amendment, CGX has a 32.00% participating interest and Frontera has a 68.00% participating interest in the Corentyne block.

Oleoducto Central S.A. ("Ocensa") and Cenit Pledge

In May 2022, a new ship-or-pay contract with Bicentenario and Cenit entered into force and as a result the pledged inventory crude oil is stored in Cenit's terminal of Coveñas (TLU-3) instead of Ocensa's terminal. On March 31, 2022, the Company signed a new pledge agreement with Ocensa and Cenit, which guarantees the payment obligations of both contracts, up to $30.0 million and $6.0 million, respectively. The term of the pledge agreement has been amended and extended for the period from May 1, 2022, to March 31, 2023, with Ocensa, and for the period from May 1, 2022, to April 30, 2023, with Cenit.

Other Guarantees and Pledges

As part of the Company's acquisition of Repsol Colombia Oil & Gas Ltd.'s ("**RCOG**") 50% working interest in the CPE-6 block, the Company granted a pledge to RCOG over the production from the CPE-6 block to guarantee the payments, up to a maximum of $48.0 million. Under the farm-out agreement two kinds of payments are set, each contingent on production from this block and each applicable until the maximum payment of $48.0 million is paid: i) a variable monthly payment, and ii) three potential production milestone payments of $5.0 million each when 5 million, 10 million and 20 million total barrels production, respectively, are achieved. As at December 31, 2022, the Company has paid and accrued a total of $15.2 million of such amounts under the agreement.

Sale of Subsidiary Maurel et Prom Colombia B.V. ("M&P")

On October 22, 2021, the Company executed and closed a sale and settlement agreement, transferring to Etablissement Maurel & Prom 49.999% of all issued and outstanding shares of M&P which holds 100% interests in the COR-15 and Muisca blocks in Colombia. The Company received cash consideration of $1.8 million. In addition, during the period ended September 30, 2022, the Company made payments of $6.0 million related to outstanding commitments at the COR-15 block.

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 consolidated financial position, results of operations or cash flows.

Quifa Late Delivery Volumes Claim

On September 20, 2016, Ecopetrol filed a lawsuit against the Company before the Court alleging that the Company breached the Quifa association agreement due to the alleged late delivery of the volume of crude oil produced during the period between April 3, 2011, and April 14, 2013. Consequently, Ecopetrol requested payment of $8.5 million representing the difference between the value of the barrels of crude oil allegedly not delivered on time, and the value of that barrels of crude oil had on that delivery date. In addition, Ecopetrol requested the Company to pay a LIBOR (Six months) +3.25% from the time the delivery was due until the time of the payment.

In March 2021, the Company received notification that the Court had decided in favour of Ecopetrol and awarded $8.5 million, as adjusted by the Consumer Price Index. The Company has filed an appeal against the first instance ruling on March 16, 2021, and a final ruling is pending. The Company has included a liability provision of $9.3 million.

Agencia Nacional de Hidrocarburos Discussion ("ANH")

Since May 8, 2020, the Company has been discussing with the ANH the termination of certain exploratory contracts due to environmental, social and security restrictions in the contracted areas, which are preventing the Company from executing on exploratory commitments of $26.2 million.

On December 12, 2021, the Company informed the ANH that the outstanding commitments at the LLA-7 and LLA-55 blocks of $26.2 million were going to be executed by means of drilling exploration wells in other blocks, as provided under the recent regulation issued by the ANH (Acuerdo 10 of 2021). Currently, the Company has proposed some activities to be deducted from these commitments. Once the activities are completed and are evidenced to the ANH, they will be deemed to have been full-filled.

On December 20, 2022, the Company requested that the ANH terminate the contracts for the CAG-5 and CAG-6 blocks due to social and security restrictions in the contracted areas pursuant to a recent regulation issued by the ANH (Acuerdo 01 of 2022). The CAG-5 and CAG-6 blocks have exploration commitments for a total of $101.8 million (the Company's net share of such commitment is $53.0 million).

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.

Puerto Bahia – Tank Construction Related Arbitration

In the course of constructing its port facility, Puerto Bahia retained the services of Isolux Ingeniería S.A., Tradeco Industrial S.A. de C.V., Tradeco Infraestructura S.A. de C.V ("**CITT**") for the construction of the Hydrocarbons' Terminal, including eight storage tanks and other facilities (the "**EPC Contract**"). CITT failed to comply with the terms of the EPC Contract, including the timely delivery of the work contracted which caused damages to Puerto Bahia, among other contract breaches. As a result, Puerto Bahia proceeded to draw up a letter of credit in the amount of $17.0 million granted by CITT as a guarantee of the EPC Contract (the "**LOC**").

On June 11, 2015, CITT initiated arbitration proceedings under the regulations of the International Chamber of Commerce of Paris, claiming, among other things: (i) the return of the money from the LOC; (ii) recognition of costs incurred during the execution of the EPC Contract due to the stand-by; (iii) the right to extend the contract term as per the changes requested by Puerto Bahia; and (iv) unlawful termination of the EPC Contract. The total amount claimed is $70.4 million. On August 21, 2015, Puerto Bahia filed a counterclaim against CITT for failure to comply with its contractual obligations under the EPC Contract that led it to breach the delivery dates and the agreed schedules, generating over costs, damages, and losses to Puerto Bahia. Puerto Bahia claims damages up to $65.0 million.

During 2021, the CITT claim structure was amended to remove the technical claims, while concentrating on the request for the return funds drawn under the LOC. Of the approximately $68.2 million claimed by CITT, approximately $17.0 million corresponds to the amount delivered to Puerto Bahia through the LOC, and approximately $29.1 million corresponds to the interests on the LOC. As per Puerto Bahia's defense arguments, the interest is being erroneously calculated by CITT as they are applying a different rate from the 4% annual rate stipulated in the EPC contract and have also contravened Colombian legal provisions regarding interest calculations. Between May and June 2022, the final hearings were held, and in September 2022, Puerto Bahia filed a post-hearing brief. An arbitration award is pending.

Ecopetrol - Rubiales Field Disagreement

The Company has been involved in negotiations with 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 $25.3 million. On August 16, 2022, Frontera was served with the admission of the lawsuit against Frontera for over $45.0 million filed by Ecopetrol, and on September 23, 2022, Frontera filed its statement of defense.

On June 30, 2022, Ecopetrol filed a second lawsuit against Frontera claiming approximately $4.1 million and on November 24, 2022, Frontera filed a second lawsuit against Ecopetrol before the Administrative Tribunal of Cundinamarca claiming it is owed $9.0 million.

On December 28, 2022, Frontera and Ecopetrol filed a joint settlement request before the General Attorney Office (the Procuraduría General de la Nación), pursuant to which the parties intend to settle 21 disagreements, including 13 related to Rubiales field disagreements, amounting to approximately $40.0 million in total. As part of the settlement, the parties will set off mutual debts as follows: Frontera will acknowledge that it owes Ecopetrol approximately $9.0 million and Ecopetrol will acknowledge that it owes Frontera approximately $5.0 million.A conciliation hearing before the General Attorney Office is expected to take place in March 2023. The settlement that could result from that hearing must be approved by the courts.

Conciliation Agreement

On November 16, 2020, as part of the Conciliation Agreement between the Company, Cenit and Oleoducto Bicentenario de Colombia S.A.S. ("Bicentenario"), the Company agreed to transfer its 43.03% interest in Bicentenario to Cenit. On November 11, 2021, the Conciliation Agreement was approved by the Administrative Tribunal of Cundinamarca and confirmed that the final formalities of the settlement arrangement had been concluded. As a part of the part of the finalization of the Conciliation Agreement the Company recognized a non-cash loss of $103.6 million related to the CTA (for further information, refer to Note 27 of the Company's Annual Consolidated Financial Statements for the years ended December 31, 2021 and 2020) .

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 exportation expenditures, transportation costs, VAT credits, municipal taxes, and other expenses. As at December 31, 2022, the Company has assessed a possible tax exposure of $85.4 million, (2021: $101.4 million) relating to these assessments for taxes, interest, and penalties.