

# CONSOLIDATED FINANCIAL STATEMENTS



*For the years ended  
December 31, 2023 and 2022*



## 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 of the Company (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 the consolidated financial statements be presented to the Board for approval.

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)*

Chief Executive Officer

*"René Burgos" (signed)*

Chief Financial Officer

Calgary, Canada

March 7, 2024

# 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, 2023 and 2022, 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 material accounting policy information.

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, 2023 and 2022, 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**

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*Indicators of Impairment of properties, plant and equipment ("PP&E"), and exploration and evaluation assets ("E&E")*

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As at December 31, 2023, the carrying values of Oil & Gas Properties and E&E assets were \$1,606.7 million and \$454.7 million, respectively. Refer to Notes 13 and 14 of the consolidated financial statements for the Company's PP&E and E&E disclosures, respectively, and Note 3 for Company's policy on impairment assessment. Cash-generating units ("CGUs") are assessed by management for indicators of impairment or impairment reversal at each reporting date. The Company concluded that no indicators of impairment or impairment reversal were present as at December 31, 2023.

Auditing the Company's assessment of indicators of impairment or impairment reversal involved significant judgement due to forecast commodity prices and increase fluctuation in the market interest rates.

To test the Company's estimated recoverable amounts, we performed the following procedures, among others:

- Involved our valuation specialists to assist in evaluating the discount rate by referencing current industry, economic, and comparable company information, as well as company specific risk premiums. The valuation team also calculated the discount rate for the Colombia CGUs that would imply a fair value equal to the CGUs book value.
- Evaluated the impact of the change in observable forecasted commodity prices relative to prices used in previous impairment test.
- Compared significant reserve report data to historical results, third party sources, and the Company's development plan.
- 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 8 of the consolidated financial statements in relation to this matter.

## Key audit matter

## How our audit addressed the key audit matter

### *Recoverability of deferred tax assets*

The consolidated statement of financial position as at December 31, 2023, includes deferred tax assets amounting to \$101.6 million. The deferred tax asset consists mainly of deductible temporary differences due to undepreciated capital expenditures related to oil and gas properties and non-capital losses. The recognition of deferred tax assets is based on management's judgement and estimates that it is probable that future taxable profits will be available, against which the underlying deductible temporary differences can be utilized

Refer to Note 3, of the consolidated financial statements for a description of the Company's tax accounting policy.

The estimate of future taxable profit, and the recoverability of the deferred tax asset, is affected by estimates of future oil prices and quantities of proved and probable reserves, amongst other assumptions. We identified this matter as key in our audit due to the judgements associated to projecting future oil prices and specialized industry knowledge required to assess quantities of proved and probable reserves.

To test the Company's estimated recoverability of deferred tax assets, we performed the following procedures, among others:

- Assessed forecasted prices by comparing to historically realized prices and forward price curves.
- Assessed forecasted production, operating cost, capital cost data, and general and administrative expenses by comparing it to historical performance.
- Assessed the competence, capability and objectivity of the Company's external reserve engineer as well as 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.
- Involved our Canadian and Colombian income tax specialists who assisted in evaluating the application of relevant tax laws and regulations used in the determination of the deferred income tax asset.
- With the support of our tax specialists, tax pool balances were agreed to the most recent tax filings, and the tax rates used in determining the deferred tax balances were compared against the enacted or substantively enacted tax rates.
- Evaluated the adequacy of disclosure in Note 10 to the consolidated financial statements in respect of this matter.

## Other information

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

- Management's discussion and analysis

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

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

We obtained management's discussion 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:

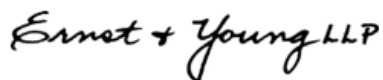
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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.

The logo for Ernst & Young LLP, featuring the company name in a stylized, cursive script font.

Calgary, Canada

March 7, 2024

# Consolidated Statements of Income

	Notes	Year Ended December 31	
		2023	2022
<i>(In thousands of U.S.\$, except per share information)</i>			
Oil and gas sales and other revenue	5	\$ 1,185,552	\$ 1,365,467
Royalties		(36,949)	(94,709)
Revenue		1,148,603	1,270,758
Operating costs	6	415,123	351,196
Costs of purchases	6	235,797	217,375
General and administrative	7	53,907	55,063
Share-based compensation	9	1,148	9,140
Depletion, depreciation and amortization	13	278,269	195,419
Impairment expense (reversal), exploration expenses and other	8	1,645	(205,287)
Restructuring, severance and other costs		8,548	4,463
Income from operations		154,166	643,389
Share of income from associates	15	56,476	42,043
Foreign exchange income (loss)		12,275	(76,413)
Finance income		9,984	5,505
Finance expense		(64,185)	(52,991)
Income (loss) on risk management contracts	23	19,234	(10,423)
Other income (loss)		8,936	(10,800)
Net income before income tax		196,886	540,310
Current income tax expense	10	(33,020)	(87,183)
Deferred income tax recovery (expense)	10	28,890	(162,092)
Income tax expense	10	(4,130)	(249,275)
Net income for the year		\$ 192,756	\$ 291,035
Attributable to:			
Equity holders of the Company		193,497	286,615
Non-controlling interests	20	(741)	4,420
		\$ 192,756	\$ 291,035
Earnings per share attributable to equity holders of the Company			
Basic	11	\$ 2.27	\$ 3.16
Diluted	11	\$ 2.19	\$ 3.08

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

<i>(In thousands of U.S.\$)</i>	Year Ended December 31	
	2023	2022
Net income for the year	\$ 192,756	\$ 291,035
<b>Other comprehensive income (loss) may be reclassified to net income in subsequent periods (nil tax effect)</b>		
Foreign currency translation	53,320	(10,649)
Total comprehensive income for the year	\$ 246,076	\$ 280,386
<b>Attributable to:</b>		
Equity holders of the Company	\$ 246,817	\$ 277,088
Non-controlling interests (Note 20)	(741)	3,298
	\$ 246,076	\$ 280,386



# Consolidated Statements of Financial Position

(In thousands of U.S.\$)	Notes	As at December 31	
		2023	2022
<b>ASSETS</b>			
Current			
Cash and cash equivalents		\$ 159,673	\$ 289,845
Restricted cash	23	12,076	2,505
Trade receivables	23	11,066	21,434
Other receivables	23	74,657	66,514
Inventories	12	72,321	75,109
Income taxes receivable		128,075	30,551
Prepaid expenses and deposits		14,313	21,184
Risk management assets	23	10,665	1,092
<b>Total current assets</b>		<b>482,846</b>	<b>508,234</b>
Non-current			
Properties, plant and equipment	13	1,872,581	1,765,354
Exploration and evaluation assets	14	454,748	316,006
Investments in associates	15	82,825	59,974
Deferred tax assets	10	101,589	64,290
Restricted cash		18,224	20,697
Other assets	17	3,467	2,684
<b>Total non-current assets</b>		<b>2,533,434</b>	<b>2,229,005</b>
<b>Total assets</b>		<b>\$ 3,016,280</b>	<b>\$ 2,737,239</b>
<b>LIABILITIES</b>			
Current			
Accounts payable and accrued liabilities	23	\$ 427,156	\$ 463,406
Short-term debt and current portion of long-term debt	16	52,152	115,922
Risk management liabilities	23	1,275	3,003
Income taxes payable		13,829	7,146
Lease liabilities	18	5,327	2,550
Asset retirement obligations	19	44,962	25,814
<b>Total current liabilities</b>		<b>544,701</b>	<b>617,841</b>
Non-current			
Long-term debt	16	465,452	392,535
Other payables	23	2,361	3,524
Lease liabilities	18	13,891	545
Deferred tax liabilities	10	14,320	4,610
Asset retirement obligations	19	141,562	128,980
<b>Total non-current liabilities</b>		<b>637,586</b>	<b>530,194</b>
<b>Total liabilities</b>		<b>\$ 1,182,287</b>	<b>\$ 1,148,035</b>
Commitments and contingencies	25		
<b>EQUITY</b>			
Share capital		\$ 4,604,704	\$ 4,608,234
Contributed surplus		110,882	109,918
Other reserves		(47,572)	(100,892)
Accumulated deficit		(2,844,416)	(3,037,913)
<b>Equity attributable to equity holders of the Company</b>		<b>\$ 1,823,598</b>	<b>\$ 1,579,347</b>
Non-controlling interests	20	10,395	9,857
<b>Total equity</b>		<b>\$ 1,833,993</b>	<b>\$ 1,589,204</b>
<b>Total liabilities and equity</b>		<b>\$ 3,016,280</b>	<b>\$ 2,737,239</b>

# Consolidated Statements of Changes in Equity

(In thousands of U.S.\$)	Attributable to Equity Holders of the Company						Total	Non-Controlling Interests	Total Equity
	Number of Common Shares	Share Capital	Contributed Surplus	Cumulative Translation Adjustment	Fair Value Investment	Accumulated Deficit			
As at January 1, 2022	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 20)	—	—	(13,368)	—	—	—	(13,368)	(33,877)	(47,245)
Repurchase of Common Shares under SIB (Note 21)	(5,416,666)	(51,180)	—	—	—	—	(51,180)	—	(51,180)
Repurchase of Common Shares under NCIB (Note 21)	(4,197,100)	(40,248)	—	—	—	—	(40,248)	—	(40,248)
Share-based compensation (Note 21)	510,147	5,292	797	—	—	—	6,089	763	6,852
Dividends paid to non-controlling interest (Note 20)	—	—	—	—	—	—	—	(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
Net income (loss) for the year	—	—	—	—	—	193,497	193,497	(741)	192,756
Other comprehensive income	—	—	—	53,320	—	—	53,320	—	53,320
Total comprehensive income (loss)	—	—	—	53,320	—	193,497	246,817	(741)	246,076
Acquisition of non-controlling interests (Note 20)	—	—	268	—	—	—	268	—	268
Repurchase of Common Shares under NCIB (Note 21)	(741,700)	(5,866)	—	—	—	—	(5,866)	—	(5,866)
Share-based compensation (Note 21)	300,841	2,336	696	—	—	—	3,032	1,279	4,311
As at December 31, 2023	85,151,216	\$ 4,604,704	\$ 110,882	\$ (42,370)	\$ (5,202)	\$ (2,844,416)	\$ 1,823,598	\$ 10,395	\$ 1,833,993

# Consolidated Statements of Cash Flows

(In thousands of U.S.\$)	Notes	Year Ended December 31	
		2023	2022
<b>OPERATING ACTIVITIES</b>			
Net income for the year		\$ 192,756	\$ 291,035
Items not affecting cash:			
Depletion, depreciation and amortization		278,269	195,419
Impairment expense (recovery)	8	25,236	(205,833)
Recovery of asset retirement obligations	8	(25,622)	(1,823)
Unrealized gain on risk management contracts	23	(11,880)	(4,310)
Share-based compensation	9	96	7,777
Deferred income tax (recovery) expense	10	(28,890)	162,092
Unrealized foreign exchange (gain) loss		(45,295)	63,161
Share of income from associates	15	(56,476)	(42,043)
Finance expense		64,185	52,991
Finance income		(9,984)	(5,505)
Dividends from associates	15	31,269	33,577
Income tax paid or withheld		(108,181)	(55,303)
Interest received		7,107	8,835
Settlement of asset retirement obligations	19	(5,368)	(10,257)
Other		417	10,589
Changes in working capital (excluding cash)	24	104,155	120,077
Cash provided by operating activities		\$ 411,794	\$ 620,479
<b>INVESTING ACTIVITIES</b>			
Additions to oil and gas properties, infrastructure port, and plant and equipment		\$ (241,185)	\$ (261,144)
Additions to exploration and evaluation assets	14	(195,210)	(154,516)
Acquisition of non-controlling interests	20	(12,902)	(36,105)
Return of capital contributions from investment in associates	15	11,218	18,129
Sale of subsidiaries	8	(7,500)	(6,000)
Decrease in restricted cash and other		10,705	37,301
Changes in working capital (excluding cash)	24	(49,443)	19,069
Cash used in investing activities		\$ (484,317)	\$ (383,266)
<b>FINANCING ACTIVITIES</b>			
Net proceeds from PIL Loan Facility	16	\$ 114,935	\$ —
Repayment of 2025 Puerto Bahia Loan	16	(106,192)	—
Short-term debt - Working Capital Loan	16	20,000	—
Constitution debt service reserve account of PIL Loan Facility, net	16	(8,743)	—
Bancolumbia Working Capital Loan	16	18,201	—
Transaction cost of PIL Loan Facility	16	(1,147)	—
Repayment of long-term debt	16	(42,728)	(45,140)
Lease payments	18	(4,535)	(5,268)
Repurchase of Common Shares under SIB	21	—	(51,180)
Repurchase of Common Shares under NCIB	21	(5,866)	(40,248)
Interest paid and other charges		(46,584)	(43,516)
Dividends paid to non-controlling interests	20	—	(8,252)
Cash used in financing activities		\$ (62,659)	\$ (193,604)
Effect of exchange rate changes		5,010	(11,268)
(Decrease) increase in cash and cash equivalents during the year		(130,172)	32,341
Cash and cash equivalents, beginning of the year		289,845	257,504
Cash and cash equivalents, end of the year		\$ 159,673	\$ 289,845
Cash		127,793	167,731
Cash equivalents		31,880	122,114
Total cash and cash equivalents		\$ 159,673	\$ 289,845

# Notes to the Consolidated Financial Statements

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

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## 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, production, transportation, storage and sale of crude oil and natural gas in South America, including strategic investment in both upstream and infrastructure facilities. The Company’s common shares (“**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, 2023, and 2022 include the accounts of the Company and its subsidiaries.

## 2. Basis of Preparation and Material Accounting Policy Information

### 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 and are dated as of March 7, 2024.

### 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.

For the year ended December 31, 2022, as a result of a review of the consolidated financial statements, the presentation of certain amounts has been changed. These changes will result in more useful information to the users of the financial statements.

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.

# Notes to the Consolidated Financial Statements

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

	Registered Office	Country of Principal Business Activity	Recognition Method	Functional Currency	Percentage Interest as at December 31	
					2023	2022
<b>Principal Subsidiaries</b>						
Frontera Energy Colombia AG	Switzerland	Colombia / Ecuador	Consolidated	USD	100.00 %	100.00 %
CGX Energy Inc. ("CGX")	Canada	Guyana	Consolidated	USD	76.05 %	76.97 %
Sociedad Portuaria Puerto Bahia S.A. ("Puerto Bahia")	Colombia	Colombia	Consolidated	COP	99.97 %	99.80 %
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. <sup>(1)</sup>	Peru	Peru	Consolidated	USD	— %	100.00 %
Pipeline Investment Ltd. ("PIL")	Bermuda	Colombia	Consolidated	COP	100.00 %	100.00 %
Frontera Energy Guyana Corp.	Bahamas	Guyana	Consolidated	USD	100.00 %	100.00 %
Agrocascada S.A.S	Colombia	Colombia	Consolidated	COP	100.00 %	100.00 %
Promotora Agricola de los Llanos S.A.	Panama	Colombia	Consolidated	COP	100.00 %	100.00 %

<sup>(1)</sup> During 2023, the Company sold 100% of Frontera Energy Off Shore Peru S.R.L.

## 3. Material Accounting Policy Information, Judgments, Estimates and Assumptions

### a. Summary of Material Accounting Policy Information

#### 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 exploration and evaluation ("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 officers and employees receive RSUs 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.

# Notes to the Consolidated Financial Statements

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

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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 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 award agreement, which is typically between one 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 profit or loss. 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 Statements 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 profit or loss 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.



# Notes to the Consolidated Financial Statements

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

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### **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 (“**ROU**”) is also included within properties, plant and equipment. Expenditures on major maintenance or repairs that improve the productive capacity, replace 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 ROU 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 profit or loss 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.

# Notes to the Consolidated Financial Statements

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

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## 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 profit or loss 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 profit or loss.

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 income (loss). 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 23).

### *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.



# Notes to the Consolidated Financial Statements

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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 profit or loss. 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 profit or loss 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 profit or loss 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 ROU assets representing the right to use the underlying assets.

# Notes to the Consolidated Financial Statements

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

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### *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 profit or loss 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 income or directly in equity, in which case it is also recognized in other comprehensive 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

# Notes to the Consolidated Financial Statements

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

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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, 2023**

The Company has adopted the following new amendments 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.

##### *Definition of Accounting Estimates - Amendments to IAS 8*

In February 2021, the IASB issued amendments to, *Accounting Policies, Changes in Accounting Estimates and Errors* (“**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 January 1, 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 application of such amendment had no impact on the Company or the consolidated financial statements..

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

In February 2021, the IASB issued amendments to *Presentation of Financial Statements* (“**IAS 1**”), and *Making Materiality Judgements* (“**IFRS Practice Statement 2**”), 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 January 1, 2023, with earlier application permitted. Since the amendments to the IFRS 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. The application of such amendment had no impact on the Company or the consolidated financial statement.

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

In May 2021, the IASB issued amendments to *Income Taxes* (“**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 application of such amendment had no impact on the Company or the consolidated financial statement.

#### **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.

# Notes to the Consolidated Financial Statements

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

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current.

Additional requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and must be applied retrospectively. The Company is currently assessing the impact of the amendments.

### *Lease Liability in a Sale and Leaseback - Amendments to IFRS 16*

In September 2022, the IASB issued amendments to, *Leases* ("IFRS 16") to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. The amendments are not expected to have a material impact on the Company.

### *Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7*

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after January 1, 2024. The Company is currently assessing the impact of the amendments.

## **c. Key Accounting Estimates and Judgments**

### **Global Economy**

#### **Russia-Ukraine conflict**

In February 2022, Russian military forces invaded Ukraine. In response, Ukrainian military personnel and civilians are actively resisting the invasion. The outcome of the conflict continues to be uncertain and is having wide-ranging impacts on the world economy. In addition, certain countries, including Canada and the United States, have imposed strict financial and trade sanctions against Russia, which are having far reaching effects on the global economy. Russia is a major exporter of oil and natural gas. Disruption of supplies of oil and natural gas from Russia is creating a significant worldwide supply shortage of oil and natural gas and have led to sustained high worldwide prices of oil and natural gas. A lack of supply and high prices of oil and natural gas is having a significant adverse impact on the world economy, including record high inflation levels. In addition, many Russian companies that provide goods and services for oil exploration and production may have been or may eventually become in the near future, subject to sanctions, or impacted by logistical and financial difficulties, which in turn may result in temporary shortages of certain materials/equipment needed for the oil and natural gas exploration and production. To date, these events have not impacted the Company's ability to carry on business, there have been no significant delays or direct security issues affecting the Company's operations, offices or personnel, and the enacted sanctions have not affected the Company's business. The long-term impacts of the conflict and the sanctions imposed on Russia remain uncertain and the Company continues to monitor the evolving situation.

#### **Israel-Hamas conflict**

On October 7, 2023, Hamas terrorists infiltrated Israel's southern border from the Gaza Strip and conducted a series of attacks on civilian and military targets. Hamas also launched extensive rocket attacks on Israeli population and industrial centers located along Israel's border with the Gaza Strip and in other areas within the State of Israel. Following the attack, Israel's security cabinet declared war against Hamas and a military campaign against these terrorist organizations and has launched a series of responding attacks in Palestine. The outcome of the conflict continues to be uncertain and has the potential to have wide-ranging consequences on the world economy. Global oil prices have remained highly volatile since the beginning of the Israel-Palestine conflict. While neither Israel nor the Gaza Strip are significant oil producers, there is a risk that the conflict could lead to wider regional instability in the Middle East, home to some of the world's biggest oil producers. To date, these events have not impacted the Company's ability to carry on business, and there have been no significant delays or direct security issues affecting the Company's operations, offices or personnel. The long-term impacts of the conflict remain uncertain, and the Company continues to monitor the evolving situation.

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### 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 its CGUs in Ecuador and Colombia. In Colombia, these CGUs are categorized as follows: North and Central. The North CGU mainly includes the El Dificil and VIM-1 blocks, while 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.

#### *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 25). 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

## Notes to the Consolidated Financial Statements

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

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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.

### *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 19).

### *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 10).



# Notes to the Consolidated Financial Statements

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

## 4. 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 in Guyana.
- Infrastructure Colombia (formerly 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 completing remediation work in block 192 as its petroleum license expired on February 5, 2021.

For the year ended December 31, 2023, operating segmented information for the Consolidated Statements of Income is as follows:

Year Ended December 31	Exploration and Production Onshore				Exploration and Infrastructure Guyana		Infrastructure Colombia (formerly Midstream Colombia)		Canada & Others		Eliminations		Total		
	Colombia		Ecuador		2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	
	2023	2022	2023	2022											
Oil and gas sales	\$1,121,949	\$1,312,207	\$ 19,097	\$ 10,671	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (7,379)	\$ (7,261)	\$ 1,133,667	\$ 1,315,617	
Other revenue	3,622	2,967	—	—	—	—	48,263	46,883	—	—	—	—	51,885	49,850	
Royalties	(36,004)	(94,136)	(945)	(573)	—	—	—	—	—	—	—	—	(36,949)	(94,709)	
Revenue	1,089,567	1,221,038	18,152	10,098	—	—	48,263	46,883	—	—	(7,379)	(7,261)	1,148,603	1,270,758	
Operating costs	380,122	321,701	7,420	2,260	—	—	23,133	21,376	11,827	13,120	(7,379)	(7,261)	415,123	351,196	
Costs of purchases	235,797	217,375	—	—	—	—	—	—	—	—	—	—	235,797	217,375	
General and administrative	35,696	35,200	1,223	979	4,540	5,620	5,148	5,375	7,413	7,918	(113)	(29)	53,907	55,063	
Share-based compensation	504	6,676	6	7	122	911	—	—	516	1,546	—	—	1,148	9,140	
Depletion, depreciation and amortization	270,668	187,948	121	31	27	41	5,562	5,617	1,891	1,782	—	—	278,269	195,419	
Impairment, exploration expenses and other	25,563	(208,590)	—	4,471	—	185	—	—	(23,918)	(1,353)	—	—	1,645	(205,287)	
Restructuring, severance and other costs	4,479	839	—	3	—	821	1,547	2,229	2,522	571	—	—	8,548	4,463	
Income (loss) from operations	136,738	659,889	9,382	2,347	(4,689)	(7,578)	12,873	12,286	(251)	(23,584)	113	29	154,166	643,389	
Share of income from associates	—	—	—	—	—	—	56,476	42,043	—	—	—	—	56,476	42,043	
Segment income (loss)	\$ 136,738	\$ 659,889	\$ 9,382	\$ 2,347	\$ (4,689)	\$ (7,578)	\$ 69,349	\$ 54,329	\$ (251)	\$ (23,584)	\$ 113	\$ 29	\$ 210,642	\$ 685,432	
Other non-operating expense items														(13,756)	(145,122)
Income tax expense														(4,130)	(249,275)
Net income for the year														\$ 192,756	\$ 291,035

## Notes to the Consolidated Financial Statements

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

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

	As at December 31	
	2023	2022
Colombia	\$ 2,033,350	\$ 1,902,712
Guyana	449,252	291,939
Ecuador	50,466	33,786
Canada & Others	366	568
Total non-current assets	\$ 2,533,434	\$ 2,229,005

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	
	2023	2022
Panama (Petroterminal de Panama)	\$ 666,678	\$ 679,756
United States	262,186	509,667
Colombia	134,826	171,580
Jamaica (Kingston Harbour)	69,863	—
Canada	48,225	—
Peru	3,774	—
Chile	—	4,464
Total oil and gas sales and other revenue	\$ 1,185,552	\$ 1,365,467

For the year ended December 31, 2023, the Company had four customers (2022: three customers) that individually accounted for more than 10% of revenue. Sales to these customers were \$357.2 million, \$261.2 million, \$155.5 million and \$149.0 million (2022: \$588.4 million, \$240.8 million, and \$160.7 million), which are included in the Colombia segment.

### 5. 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 4):

	Year Ended December 31	
	2023	2022
Colombia		
Produced crude oil sales	\$ 902,476	\$ 1,094,137
Purchased crude oil and products sales	208,069	201,534
Gas sales	11,404	16,536
Colombia oil and gas sales	1,121,949	1,312,207
Ecuador crude oil sales <sup>(1)</sup>	19,097	10,671
Oil and gas sales	1,141,046	1,322,878
Infrastructure Colombia (formerly Midstream Colombia) sales to external customers	40,884	39,622
Inter-segment sales	7,379	7,261
Infrastructure Colombia (formerly Midstream Colombia) sales	48,263	46,883
Elimination of Infrastructure Colombia (formerly Midstream Colombia) inter-segment sales	(7,379)	(7,261)
Other revenues <sup>(2)</sup>	3,622	2,967
Oil and gas sales and other revenue	\$ 1,185,552	\$ 1,365,467

<sup>(1)</sup> Proceeds from selling oil produced from E&E assets of \$1.5 million related to Espejo block and \$15.9 million related to Perico block (from January to November 30, 2023, refer to Note 14)

<sup>(2)</sup> Revenues from Promotora Agrícola de los Llanos S.A.



# Notes to the Consolidated Financial Statements

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

## 6. Operating Costs

	Year Ended December 31	
	2023	2022
Production costs (excl. energy costs) <sup>(1)</sup>	\$ 139,917	\$ 132,758
Energy costs	69,924	50,644
Transportation costs <sup>(1)</sup>	151,416	137,554
Post-termination obligation	18,814	12,299
Inventory valuation <sup>(1)</sup>	633	(6,877)
Total oil and gas operating costs	380,704	326,378
Port operating costs	23,133	21,377
Special project and other costs <sup>(2)</sup>	11,286	3,441
Total operating costs	\$ 415,123	\$ 351,196

<sup>(1)</sup> For the year ended December 31, 2023, includes production costs, of \$4.8 million, transportation costs of \$1.0 million, and inventory valuation of \$1.3 million, from oil produced from E&E assets, related to Perico (from January to November 30, 2023), and Espejo block. (2022: \$3.2 million, \$0.8 million and \$1.7 million, respectively).

<sup>(2)</sup> Mainly includes costs related to Promotora Agricola de los Llanos S.A., Peru, and the commissioning of the reverse osmosis water treatment facility ("SAARA", previously Agrocascada) expansion in 2023.

### Cost of Purchases

Costs of purchases corresponds mainly to the cost of third-party hydrocarbon volumes purchased primarily for use in dilution and refining as part of the Company's oil operations, and marketing and transportation strategy. For the year ended December 31, 2023, the costs of purchases was \$235.8 million (2022: \$217.4 million).

## 7. General and Administrative

	Year Ended December 31	
	2023	2022
Salaries and benefits	\$ 31,159	\$ 29,847
Professional fees	15,203	18,323
Taxes	4,597	4,492
Other expenses	2,948	2,401
Total	\$ 53,907	\$ 55,063

## 8. Impairment, Exploration Expenses and Other

	Year Ended December 31	
	2023	2022
Impairment expense (recovery) of:		
Properties, plant and equipment (Note 13)	\$ —	\$ (229,774)
Exploration and evaluation assets (Note 14)	20,593	20,908
Other	4,643	3,033
Total impairment expense (recovery)	25,236	(205,833)
Exploration expenses of:		
Geological and geophysical costs, and other	1,673	1,450
Minimum work commitment paid <sup>(1)</sup>	358	919
Total exploration expenses	2,031	2,369
Recovery of asset retirement obligations (Note 19)	(25,622)	(1,823)
Impairment expense (recovery), exploration expenses and other	\$ 1,645	\$ (205,287)

<sup>(1)</sup> Payments made to fulfill the remaining balance of minimum exploration work commitment for certain blocks.

# Notes to the Consolidated Financial Statements

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

## Properties, plant and equipment

As at December 31, 2023, the Company did not identify impairment indicators in properties, 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, 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 VIU 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. 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, 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 and a \$1 change in the forecasted oil prices would impact the recoverable amount by approximately \$63.8 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 the profit or loss.

## Exploration and Evaluation Assets

During the year ended December 31, 2023, the Company recorded an impairment charge on exploration and evaluation of assets in Colombia of \$20.6 million (2022: \$20.9 million), mainly as a result of the Company's decision to proceed with steps to relinquish the VIM-22 block, which remains subject to approval by the Agencia Nacional de Hidrocarburos ("ANH").

## Other

During the year ended December 31, 2023, the Company recognized other impairment expenses of \$4.6 million (2022: \$3.0 million) related to obsolete inventories and allowance of doubtful account receivables.

## Recovery of asset retirement obligations

During the year ended December 31, 2023, the Company recognized a recovery of asset retirement obligations of \$25.6 million (2022: \$1.8 million), mainly as a result of the sale of Frontera Energy Off Shore Peru S.R.L, the 100% consolidated entity that owns the 100% W.I. in block Z1, for a payment of \$7.5 million to a third party. As a result of this transaction, the Company derecognized the asset retirement obligation related to block Z1 and recognized a \$37.4 million asset retirement obligation recovery.

## 9. Employee Salaries and Benefit Expenses

	Year Ended December 31	
	2023	2022
Salaries, bonuses and other short-term benefits	\$ 54,392	\$ 51,914
Share-based compensation <sup>(1)</sup>	1,148	9,140
Total	\$ 55,540	\$ 61,054

<sup>(1)</sup> Includes cash settlement of \$1.1 million (2022: \$1.4 million).

# Notes to the Consolidated Financial Statements (In thousands of U.S.\$, unless otherwise stated)

## 10. 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	
	2023	2022
Net income before income tax	\$ 196,886	\$ 540,310
Colombian statutory income tax rate <sup>(1)</sup>	45 %	35%
Income tax expense at statutory rate	88,599	189,109
(Decrease) increase in income tax provision resulting from:		
Non-deductible/taxable expense/income and other differences	2,952	13,496
Share-based compensation	421	2,914
Differences in tax rates	(11,417)	(10,348)
Change in deferred income tax	(76,425)	54,104
Income tax expense	4,130	249,275
Current income tax expense	33,020	87,183
Deferred income tax expense:		
Relating to origination and reversal of temporary differences	(28,890)	162,092
Income tax expense	\$ 4,130	\$ 249,275
Effective tax rate	2.10 %	46.14%

<sup>(1)</sup> Statutory income tax rate includes an additional estimated surcharge of 10% according to the forecasted average Brent prices for full year 2023.

During the year ended December 31, 2023, the Company recognized a current income tax expense of \$33.0 million (2022: \$87.2 million). The decrease in current income tax expense in 2023, as compared to the respective period in 2022, is mainly due to the higher use of tax losses during the period.

During the year ended December 31, 2023, the Company recognized a deferred income tax recovery of \$28.9 million, respectively, (2022: Expense of \$162.1 million). The variation is mainly due to the changes in the use of tax losses between both periods and the changes in the projected income tax rates to recover the deferred taxes. As of December 31, 2023, the deferred tax asset was \$101.6 million (2022: \$64.3 million), and the deferred tax liability was \$14.3 million (2022: \$4.6 million).

Deferred Tax Asset balances	2023	2022
Tax losses	\$ 109,993	\$ 156,574
Accruals	65,116	55,981
Oil and Gas properties	(87,840)	(152,875)
Total net deferred tax, as at December 31	\$ 87,269	\$ 59,680

Below movements in Deferred Tax Assets and Deferred Tax Liabilities:

Movement in Deferred Tax Assets	2023	2022
As at January 1	\$ 64,290	\$ 225,143
Recognized as deferred income tax expense	(37,299)	(160,853)
Recognized as deferred income tax asset	74,598	—
As at December 31	\$ 101,589	\$ 64,290

Movement in Deferred Tax Liability	2023	2022
As at January 1	\$ 4,610	\$ 4,278
Recognized as deferred income tax expense	8,409	1,238
Recognized as deferred income tax liability	1,301	(906)
As at December 31	\$ 14,320	\$ 4,610

## Notes to the Consolidated Financial Statements (In thousands of U.S.\$, unless otherwise stated)

As at December 31, 2023, deferred tax asset of \$433.0 million (2022: \$502.1 million Canada, Colombia, Ecuador, Guyana, and Peru) relating to non-capital losses in Canada, Colombia, Guyana, and Peru were not recognized as it is probable that 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, 2023:

Tax attributes and expiry years	Year 2025	2026 and Beyond	Indefinitely	Total
<b>Depreciable Capital Costs</b>				
Colombia	\$ —	\$ —	\$ 1,527,046	\$ 1,527,046
Ecuador	—	—	22,900	22,900
<b>Non-Capital Losses</b>				
Canada	—	1,201,159	—	1,201,159
Colombia	—	155,484	267,645	423,129
Guyana	1,502	66,057	—	67,559
Peru	—	15,771	—	15,771
<b>Capital Losses</b>				
Canada	—	—	176,832	176,832
<b>Total</b>	<b>\$ 1,502</b>	<b>\$ 1,438,471</b>	<b>\$ 1,994,423</b>	<b>\$ 3,434,396</b>

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates. The legislation will be effective for the Company's financial year beginning January 1, 2024, and 2023. Frontera has performed an assessment of the Group's potential exposure to Pillar Two income taxes. This assessment is based on the most recent information available regarding the financial performance of the constituent entities in the Company. Based on the assessment performed, the Pillar Two effective tax rates in all jurisdictions in which the Group operates are above 15% and management is not currently aware of any circumstances under which this might change. Therefore, Frontera would not expect a potential exposure to Pillar Two top up taxes. The Company will continue monitoring the situation.

## 11. Earnings per Share

<i>(In thousands of U.S.\$, except share and per share amounts)</i>	Year Ended December 31	
	2023	2022
Income attributable to equity holders of the Company	\$ 193,497	\$ 286,615
Basic weighted average number of shares outstanding	85,305,125	90,743,301
Effect of dilution from dilutive instruments	3,056,687	2,212,768
Diluted weighted average number of shares outstanding	88,361,812	92,956,069
Earnings per share attributable to equity holders of the Company		
Basic	\$ 2.27	\$ 3.16
Diluted	\$ 2.19	\$ 3.08

## 12. Inventories

	As at December 31	
	2023	2022
Crude oil and diluents	\$ 51,537	\$ 57,033
Materials and supplies	20,784	18,076
Total	\$ 72,321	\$ 75,109

As at December 31, 2023, crude oil and gas inventory includes \$34.8 million in Colombia, \$15.7 million in Peru, and \$1.1 million in Ecuador (2022: \$39.2 million in Colombia, \$15.9 million in Peru, and \$1.9 million in Ecuador).

As at December 31, 2023, materials and supplies inventories were net of impairment of \$11.5 million (2022: \$8.3 million).

# Notes to the Consolidated Financial Statements (In thousands of U.S.\$, unless otherwise stated)

## 13. Properties, Plant and Equipment

Cost	Oil & Gas Properties	Port Infrastructure <sup>(1)</sup>	Plant & Equipment	Total
As at January 1, 2022	\$ 7,985,061	\$ 242,472	\$ 111,457	\$ 8,338,990
Additions	251,552	6,130	5,003	\$ 262,685
Transfer from exploration and evaluation assets	82,780	—	—	82,780
Change in asset retirement obligations (Note 19)	(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	\$ 8,258,325	\$ 207,429	\$ 92,312	\$ 8,558,066
Additions	237,441	14,200	8,680	260,321
Transfer from exploration and evaluation assets (Note 14) <sup>(2)</sup>	36,375	—	—	36,375
Change in asset retirement obligations (Note 19)	39,640	—	—	39,640
Disposal <sup>(3)</sup>	(1,300,196)	(266)	(26,647)	(1,327,109)
Currency translation adjustment	17,718	48,826	1,173	67,717
As at December 31, 2023	\$ 7,289,303	\$ 270,189	\$ 75,518	\$ 7,635,010

<sup>(1)</sup> Includes \$19.2 million of Guyana Port project which is under construction and is not depreciated.

<sup>(2)</sup> On December 5, 2023, the Company approved the development plan for Perico block, as a result the block was transferred to Oil & Gas properties (Note 14).

<sup>(3)</sup> Corresponds to the write off due to assets sold or relinquished as block Z1, Guaduas, Orito and Neiva blocks.

Accumulated Depletion, Depreciation and Impairment	Oil & Gas Properties	Port Infrastructure	Plant & Equipment	Total
As at January 1, 2022	\$ 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 8)	(229,774)	—	(7)	(229,781)
Transfer from exploration and evaluation assets	78,206	—	—	78,206
Disposal	(19,585)	(112)	(22,694)	(42,391)
Currency translation adjustment	(12,412)	(1,725)	(1,030)	(15,167)
As at December 31, 2022	\$ 6,700,621	\$ 12,847	\$ 79,244	\$ 6,792,712
Charge for the period	265,032	5,233	5,719	275,984
Disposal <sup>(1)</sup>	(1,298,291)	—	(26,647)	(1,324,938)
Currency translation adjustment	15,281	2,754	636	18,671
As at December 31, 2023	\$ 5,682,643	\$ 20,834	\$ 58,952	\$ 5,762,429

<sup>(1)</sup> Corresponds to the write off due to assets sold or relinquished as block Z1, Guaduas, Orito and Neiva blocks.

Net Book Value	Oil & Gas Properties	Port Infrastructure	Plant & Equipment	Total
As at December 31, 2022	\$ 1,557,704	\$ 194,582	\$ 13,068	\$ 1,765,354
As at December 31, 2023	\$ 1,606,660	\$ 249,355	\$ 16,566	\$ 1,872,581

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

	Oil & Gas Properties	Port Infrastructure	Plant & Equipment	Amount
Properties, plant and equipment - owned	\$ 1,555,429	\$ 194,582	\$ 10,572	\$ 1,760,583
ROU assets - leased	2,275	—	2,496	4,771
As at December 31, 2022	\$ 1,557,704	\$ 194,582	\$ 13,068	\$ 1,765,354
Properties, plant and equipment - owned	\$ 1,591,722	\$ 249,355	\$ 13,251	\$ 1,854,328
ROU assets - leased	14,938	—	3,315	18,253
As at December 31, 2023	\$ 1,606,660	\$ 249,355	\$ 16,566	\$ 1,872,581

# Notes to the Consolidated Financial Statements (In thousands of U.S.\$, unless otherwise stated)

Details of ROU assets are as follows:

	Power Generation	Plant & Equipment	Amount
As at January 1, 2022	\$ 5,330	\$ 3,580	\$ 8,910
Additions	—	981	981
Termination of lease contracts	—	(74)	(74)
Depreciation	(3,055)	(1,991)	(5,046)
As at December 31, 2022	\$ 2,275	\$ 2,496	\$ 4,771
Additions	15,542	3,688	19,230
Depreciation	(2,879)	(2,869)	(5,748)
As at December 31, 2023	\$ 14,938	\$ 3,315	\$ 18,253

## 14. Exploration and Evaluation Assets

	2023	2022
As at January 1	\$ 316,006	188,904
Additions <sup>(1)</sup>	195,210	154,516
Transfer to oil and gas properties (Note 13) <sup>(2)</sup>	(36,375)	(4,574)
Impairment expense (Note 8)	(20,593)	(20,908)
Change in asset retirement obligations	138	(1,110)
Disposals	362	(822)
As at December 31	\$ 454,748	\$ 316,006

<sup>(1)</sup> Mainly includes additions of \$155.4 million in Guyana related to the Corentyne block, \$16.5 million in Ecuador related to the Perico block and \$23.3 million in Colombia, mainly in the VIM-22 and Llanos 99 blocks. (2022: \$100.3 million in Guyana related to Corentyne block, and \$29.0 million in Ecuador related to Perico and Espejo blocks).

<sup>(2)</sup> On December 5, 2023, the Company approved the development plan for Perico block, as a result the block was transferred to Oil & Gas properties (Note 13).

## 15. Investments in Associates

	2023	2022
As at January 1	\$ 59,974	\$ 87,199
Share of income from associates	56,476	42,043
Dividends	(37,018)	(40,483)
Return of capital contributions	(10,299)	(19,667)
Currency translation adjustment	13,692	(9,118)
As at December 31	\$ 82,825	\$ 59,974
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 Company's percentage holdings, ability to appoint directors to the investee's board of directors and its ability to participate in its decision making.

### 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 primarily from the Rubiales and Quifa blocks. The Company, through its 100%-owned subsidiary, PIL, has a 35% equity investment in the ODL pipeline, which connects the Rubiales, Quifa, and Llanos-34 blocks to the Monterrey Station or Cusiana Station in the Casanare Department. On September 15, 2022, the Company acquired the remaining 40.07% interest it did not already own of PIL, increasing its ownership interest to 100%. The remaining 65% interest in ODL is owned by Cenit Transporte y Logística de Hidrocarburos S.A.S. ("Cenit"). ODL's functional currency is COP and currency translation adjustments are recorded in other comprehensive income.

During the year ended December 31, 2023, the Company recognized gross dividends of \$37.0 million (2022: \$40.5 million, respectively), and received cash dividends of \$31.3 million (2022: \$33.6 million). As at December 31, 2023, the carrying value of dividends receivable after withholding taxes was \$Nil (2022: \$Nil).

## Notes to the Consolidated Financial Statements (In thousands of U.S.\$, unless otherwise stated)

In addition, during the year ended December 31, 2023, the Company recognized a return of capital of \$10.3 million (2022: \$19.7 million) and received \$11.2 million in cash (2022: \$18.1 million). As at December 31, 2023, the carrying value of return of capital receivable was Nil (2022: \$15.4 million).

Financial Position	ODL	
As at December 31	2023	2022
Assets	\$ 410,141	\$ 287,796
Liabilities	173,499	116,441
Equity	236,642	171,355
Company's interest in associate	35 %	35%
Carrying amount of the investment	\$ 82,825	\$ 59,974

Income Statement		
As at December 31	2023	2022
Revenue	\$ 345,370	\$ 268,040
Expenses	(184,010)	(147,916)
Net income	161,360	120,124
Company's share of the income for the year	\$ 56,476	\$ 42,043

### 16. Short-Term and Long-Term Debt

As at	Maturity	Principal	Currency	Interest Rate	As at December 31	
					2023	2022
2028 Unsecured Notes	June 2028	400,000	U.S. dollars	7.875%	\$ 393,660	\$ 392,535
PIL Loan Facility (Tranche A)	December 2027	100,000	U.S. dollars	SOFR 6M + 7.25%	78,992	—
Bancolombia Working Capital Loan	October 2024	75,000,000,000	COP	IBR <sup>(1)</sup> + 4%	19,623	—
PIL Loan Facility (Tranche B)	December 2027	20,000	U.S. dollars	11%	16,630	—
PetroSud Davivienda Loan	June 2024	22,000	U.S. dollars	SOFR + 5.30%	5,899	10,028
PetroSud Working Capital Loan	June 2024	2,800	U.S. dollars	SOFR + 5.30%	2,800	2,800
2025 Puerto Bahia Debt	June 2025	370,000	U.S. dollars	LIBOR 6M + 5%	—	103,094
Total					\$ 517,604	\$ 508,457

<sup>(1)</sup> Reference Banking Indicator from the central bank of Colombia ("IBR" for its acronym in Spanish).

As at	As at December 31	
	2023	2022
Current portion	\$ 52,152	\$ 115,922
Non-current portion	465,452	392,535
Total	\$ 517,604	\$ 508,457

#### 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. The 2028 Unsecured Notes will mature in June 2028, unless earlier redeemed or repurchased.

#### Pipeline Investment Loan Facility ("PIL Loan Facility")

On March 27, 2023, PIL, entered into a new credit agreement through which the lender provided a \$120.0 million loan facility to PIL, secured by substantially all the assets and shares of PIL, the shares of Sociedad Portuaria Puerto Bahia S.A. ("**Puerto Bahía**") held by the Company and assets related to Puerto Bahia's liquids terminal, and is guaranteed by Frontera Bahía Holding Ltd., and Frontera ODL Holding Corp., the parent company of PIL. The PIL Loan Facility is a 5-year credit facility, which matures in December 2027, pays semi-annually, and amortizes during the term of the loan with a scheduled \$45.0 million payment due upon maturity. The PIL Loan Facility has two tranches: a \$100.0 million amortizing tranche that pays a SOFR 6-month term plus margin of 7.25% per annum and a \$20.0 million bullet maturity tranche that pays a fixed rate of 11.00% per annum. The conditions precedent to the PIL Loan Facility were fully satisfied and both tranches of the facility were funded on March 31, 2023. As at December 31, 2023, the carrying value of the PIL Loan Facility was \$95.6 million (2022: \$Nil).



## Notes to the Consolidated Financial Statements (In thousands of U.S.\$, unless otherwise stated)

The PIL Loan Facility was recognized net of an original issue discount of \$5.1 million, and directly attributable transaction costs of \$1.1 million, primarily related to underwriter fees, legal fees, registration fees and other professional fees. In addition, \$8.7 million was constituted as a net debt service reserve account for the PIL Loan Facility. This net debt service reserve includes \$10.5 million designated for the establishment and funding of the debt service reserve account, along with \$1.8 million released from the Puerto Bahia debt service reserve account.

The proceeds of the PIL Loan Facility were used to repay in full the 2025 Puerto Bahia Debt (as defined below) maturing in June 2025, which had an outstanding balance plus accrued interest of \$106.2 million, pay transaction fees and expenses, and fund a 6-month debt service reserve account. The PIL Loan Facility has no impact on the Company's financial covenant calculations under the 2028 Unsecured Notes.

### **Bancolombia Working Capital Loan**

On October 24, 2023, the Company entered into a one-year working capital loan agreement with Bancolombia S.A. ("**Bancolombia**"), denominated in COP, with a principal amount of COP 75,000 million (equivalent to \$18.2 million) maturing on October 29, 2024, with an interest rate of IBR + 4.00%, payable quarterly (the "**Bancolombia Working Capital Loan**"). On October 30, 2023, Bancolombia disbursed the total amount of the loan. The main purpose of the Bancolombia Working Capital Loan is to fund general corporate purposes. In connection to the Bancolombia Working Capital Loan, the Company entered into a foreign exchange forward on October 31, 2023, hedging the original loan amount, at a forward rate of COP 4,386.17, and a maturity date on October 29, 2024.

Concurrent with the closing of the Bancolombia Working Capital Loan, the Company repaid in full the existing Citibank working capital loan, which had an outstanding balance of \$12.0 million (for further information refer to Note 13 of the Interim Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2023).

### **Petrosud Loans**

On December 30, 2021, the Company acquired 100% of the issued and outstanding shares of PetroSud (for further information refer to Note 4 of the 2022 Annual Financial Statements).

On March 15, 2019 and December 20, 2021, PetroSud entered into two credit agreements with Banco Davivienda S.A. ("**Banco Davivienda**") for a principal amount of \$22.0 million and \$2.8 million, respectively (the "**PetroSud Debt**"). Both agreements originally had a maturity date in December 2023. In September 2023 Banco Davivienda approved an extension for the original \$22.0 million loan, with an outstanding balance of \$5.9 million as of September 30, 2023, extending the maturity date to June 2024. On December 13, 2023, Banco Davivienda approved an extension for the original \$2.8 million loan, with an outstanding balance of \$2.8 million as of December 31, 2023, extending the maturity date to June 2024. The PetroSud Debt bears interest at 3-month SOFR plus 5.30%, 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 service reserve account for an amount of \$2.9 million. As at December 31, 2023, the outstanding amount under the PetroSud Debt was \$8.7 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 that is greater than or equal to 1.20:1.0. As of December 31, 2023, PetroSud was in compliance with all 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, maturing in June 2025, for the construction and development of a multipurpose port in the Cartagena Bay. The 2025 Puerto Bahia Debt had an interest rate of 6-month LIBOR plus 5% payable semi-annually. The 2025 Puerto Bahia Debt was secured by substantially all the assets and shares of Puerto Bahia. The 2025 Puerto Bahia Debt was non-recourse to the Company. On March 31, 2023, the 2025 Puerto Bahia Debt outstanding amount of \$103.1 million plus accrued interest of \$3.1 million was fully repaid with the funds provided by the PIL Loan Facility. As at December 31, 2023, Puerto Bahia and Frontera have no obligation under the 2025 Puerto Bahia Debt.

### **Letters of Credit**

The Company has various uncommitted bilateral letter of credit lines (the "**Uncommitted LCs**"). As of December 31, 2023, the Company had \$86.7 million (2022: \$62.8 million) of issued and outstanding Uncommitted LCs for exploratory commitments and abandonment funds in Colombia and Ecuador. The lenders under the Uncommitted LCs receive an average fee equal to 2.4% (2022: 2.9%) per annum. In addition to the Uncommitted LCs, as of December 31, 2023, the Company has outstanding letters of credit of \$49.0 million (2022: \$41.3 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.



# Notes to the Consolidated Financial Statements (In thousands of U.S.\$, unless otherwise stated)

## Finance Expense

The following table summarizes the main components of finance expense:

	Year Ended December 31	
	2023	2022
Interest on long-term debt	\$ 47,678	\$ 40,712
Accretion of asset retirement obligations (Note 19)	10,687	6,608
Letters of credit fees and other bank charges	3,880	3,813
Deferred financing fees amortization	1,520	1,037
Lease financing costs (Note 18)	420	565
Accretion expense of other assets	—	256
<b>Total</b>	<b>\$ 64,185</b>	<b>\$ 52,991</b>

## 17. Other Assets

	As at December 31	
	2023	2022
Investments	\$ 1,712	\$ 1,872
Long-term withholding tax	1,489	536
Long-term recoverable VAT	266	276
<b>Total</b>	<b>\$ 3,467</b>	<b>\$ 2,684</b>

## 18. Lease Obligations

The Company leases various properties, vehicles, power generation supply, including the arrangements associated to the CPE-6 Solar Plant and CPE-6 Battery Energy Storage System, and other assets.

### CPE-6 Solar Plant Project Leasing Agreement

During the fourth quarter of 2022, the Company entered into a leasing agreement with Bancolombia to finance the construction and commissioning of a solar power plant project at the CPE-6 block (the “**Solar Plant Debt**”). The financing is denominated in COP, for an amount equivalent to \$6.7 million as at December 31, 2023, and 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 +5.75%, payable monthly over the disbursed amount outstanding.

As of December 31, 2023, Bancolombia disbursed \$6.7 million to Enel Colombia S.A. ESP, the developer of the CPE-6 solar plant project. In addition, during 2023 the Company paid availability fees of \$0.2 million to Bancolombia. As at December 31, 2023, the Company recognized this obligation as a lease liability.

### CPE-6 Battery Energy Storage System Leasing Agreement

During the fourth quarter of 2023, the Company entered into a leasing agreement with Bancolombia to finance the Battery Energy Storage System at CPE-6 block (the “**BESS Project**”). The financing is denominated in COP, for an amount equivalent to \$1.0 million as at December 31, 2023, and a maturity date that is 60 months following the date conditions precedent to the financing are satisfied. The BESS Project debt bears interest equivalent to IBR +5.10%, payable monthly. As of December 31, 2023, the Company has drawn \$Nil million. The Company expects to initiate disbursement in 2024.

## Notes to the Consolidated Financial Statements (In thousands of U.S.\$, unless otherwise stated)

The Company's lease liabilities have an average discount rate of 12.55% (2022: 9.45%), and the maturity analysis by contractual undiscounted cash flows is as follows:

	As at December 31	
	2023	2022
Within 1 year	\$ 7,438	\$ 2,747
Year 2	5,842	347
Year 3	5,462	190
Year 4	2,526	19
Year 5	2,493	—
Thereafter	1,856	—
Total undiscounted lease liabilities	\$ 25,617	\$ 3,303
Less amounts representing finance costs	(6,399)	(208)
Present value of lease liabilities	\$ 19,218	\$ 3,095
Current	\$ 5,327	\$ 2,550
Non-current	13,891	545
Total	\$ 19,218	\$ 3,095

### Amounts Recognized in the Consolidated Statements of Income

	Year Ended December 31	
	2023	2022
Interest on lease liabilities	\$ (420)	\$ (565)
Variable lease payments not included in the measurement of lease liabilities	(16,536)	(12,287)
Income from sub-leasing ROU assets	—	32
Expenses relating to short-term leases	(702)	(303)
Expenses relating to leases of low-value assets	(2,689)	(3,676)

### Amounts Recognized in the Consolidated Statements of Cash Flows

	Year Ended December 31	
	2023	2022
Total cash outflow for leases <sup>(1)</sup>	\$ (24,462)	\$ (21,502)

<sup>(1)</sup> Includes principal payments of lease liabilities and interest of \$4.5 million (2022: \$5.3 million), which are recognized in the Consolidated Statements of Cash Flows as Financing activities.

## 19. Asset Retirement Obligations

	As at December 31	
	2023	2022
As at January 1	\$ 154,794	\$ 174,341
Accretion expense	10,687	6,608
Additions	3,487	3,495
Changes in estimates	44,540	(17,570)
Liabilities settled	(12,868)	(10,257)
Recovery of asset retirement obligations <sup>(1)</sup>	(14,116)	(1,823)
As at December 31	\$ 186,524	\$ 154,794

<sup>(1)</sup> During the year ended December 31, 2023, the Company recognized a recovery of \$37.4 million resulting from the sale of Frontera Energy Off Shore Peru S.R.L. (for further information, refer to Note 8).

	As at December 31	
	2023	2022
Current portion	\$ 44,962	\$ 25,814
Non-current portion	141,562	128,980
Total	\$ 186,524	\$ 154,794

## Notes to the Consolidated Financial Statements (In thousands of U.S.\$, unless otherwise stated)

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 \$300.5 million (2022: \$281.1 million), expected to be executed between 2024 and 2049, of which \$290.4 million (2022: \$249.2 million) relates to Colombia, \$8.3 million (2022: \$31.8 million) to Peru and \$1.9 million (2022: \$1.1 million) to Ecuador.

During the year ended December 31, 2023, the Company recognized an increase in ARO due to changes in estimates of \$44.5 million, which includes an increase of \$25.2 million related to updating the risk-free and inflation rates, an increase of \$30.9 million due to the impact of foreign exchange rates and a decrease of \$11.5 million related to updated cost estimates. A total of \$39.6 million relating to changes in estimates was recognized within Properties, Plant and Equipment (Note 13).

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

- A risk-free rate between 9.56% and 10.96% and an inflation rate between 2.60% and 3.20% for cash flows expected to be settled in COP for Colombia (2022: risk-free rate between 12.21% and 13.30% with inflation rate between 2.50% and 3.30%); and
- A risk-free rate between 0% and 24.78% and an inflation rate between 0% and 2.0% for cash flows expected to be settled in U.S. dollars for Ecuador (2022: risk-free rate between 16.72% and 17.23% with inflation rate between 0% and 2.6%).

## 20. Non-Controlling Interest

	CGX	PIL	Puerto Bahia <sup>(2)</sup>	Amount
As at January 1, 2022	\$ 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 (loss) attributable to NCI	1	(1,284)	161	(1,122)
Dividends and distributions declared	—	(8,252)	—	(8,252)
Acquisition of non-controlling interests <sup>(1)</sup>	—	(33,877)	—	(33,877)
As at December 31, 2022	\$ 9,857	\$ —	\$ —	\$ 9,857
Net loss attributable to NCI	(741)	—	—	(741)
Share-based compensation	1,279	—	—	1,279
As at December 31, 2023	\$ 10,395	\$ —	\$ —	\$ 10,395

<sup>(1)</sup> On September 15, 2022, the Company acquired an additional 40.07% interest in PIL, increasing its ownership interest to 100%. Aggregate cash estimated consideration of \$47.4 million (the amount was based in COP\$) was agreed under the transaction to the non-controlling shareholders which was paid in installments. During the year ended December 31, 2023, total cash of \$12.7 million was paid (2022: \$36.1 million). As a result was recognized as reduction in contributed surplus of \$1.5 million (2022: \$13.4 million).

<sup>(2)</sup> On October 4, 2023, by a payment of \$0.2 million the company acquired the participation of 1.12% that Kiber Ltd had in Puerto Bahia. As a result, \$1.7 million was recognized as contributed surplus. In addition the non-controlling interest changed from 0.20% to 0.03%.

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

## Notes to the Consolidated Financial Statements (In thousands of U.S.\$, unless otherwise stated)

	CGX <sup>(1)</sup>		PIL <sup>(2)</sup>		Puerto Bahia	
	As at December 31		As at December 31		As at December 31	
	2023	2022	2023	2022	2023	2022
Current assets	\$ 8,629	\$ 25,024	\$ —	\$ —	\$ —	\$ —
Non-current assets	76,252	67,984	—	—	—	—
Total assets	84,881	93,008	—	—	—	—
Current liabilities	21,177	27,665	—	—	—	—
Non-current liabilities	276	—	—	—	—	—
Total liabilities	21,453	27,665	—	—	—	—
Equity	63,428	65,343	—	—	—	—
Total liabilities and equity	\$ 84,881	\$ 93,008	\$ —	\$ —	\$ —	\$ —

	CGX		PIL		Puerto Bahia	
	Year ended December 31		Year ended December 31		Year ended December 31	
	2023	2022	2023	2022	2023	2022
Revenue	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 44,249
Other (expenses) income, net	(3,194)	(10,018)	—	19,478	—	(53,267)
Net (expenses) income	\$ (3,194)	\$ (10,018)	\$ —	\$ 19,478	\$ —	\$ (9,018)

<sup>(1)</sup> Since the Company's initial acquisition of shares of CGX, non-controlling interest has fluctuated between 23.03% and 26.15%.

<sup>(2)</sup> On September 15, 2022, the Company acquire the remaining ownership interest in PIL, changing the non-controlling interest from 40.08% to 0.00%.

## 21. 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 years ended December 31, 2023, and 2022, the Company did not declare or pay any dividends.

### Normal Course Issuer Bid ("NCIB")

On November 16, 2023, the TSX approved the Company's notice to initiate a NCIB (the "2023 NCIB"). Pursuant to the 2023 NCIB, the Company may purchase up to 3,949,454 Common Shares, representing approximately 10% of the Company's "public float" (as calculated in accordance with TSX rules) as at November 8, 2023 during the twelve-month period commencing on November 21, 2023, and ending on November 20, 2024. During the year ended December 31, 2023, the Company repurchased for cancellation 280,500 Common Shares under the 2023 NCIB.

On March 15, 2022, the TSX approved the Company's notice to initiate a NCIB (the "2022 NCIB"). Pursuant to the 2022 NCIB, the Company was permitted to purchase for cancellation up to 4,787,976 Common Shares during the twelve-month period that commenced on March 17, 2022, and ended on March 16, 2023. During the year ended December 31, 2023, the Company repurchased for cancellation 461,200 Common Shares under the 2022 NCIB. Between March 17, 2022 and March 16, 2023, the Company purchased for cancellation 4,270,100 Common Shares under the 2022 NCIB.

The following table provides a summary of the share repurchases under the Company's 2022 and 2023 NCIB programs:

	As at December 31	
	2023	2022
(In thousands of U.S.\$, except share and per share amounts)		
Number of Common Shares repurchased	741,700	4,197,100
Total amount of Common Shares repurchased	\$ 5,866	\$ 40,248
Weighted-average price per share	\$ 7.91	\$ 9.59

# Notes to the Consolidated Financial Statements (In thousands of U.S.\$, unless otherwise stated)

## 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 between the course of one 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 Common Shares. The Company recognized \$0.3 million of share-based compensation expense relating to RSUs for the year ended December 31, 2023, (2022: \$7.4 million). As of December 31, 2023, \$4.9 million RSUs are recorded as liabilities (2021: \$7.6 million). The following table provides a summary of the activity related to RSUs during the year:

	Year Ended December 31	
	2023	2022
Outstanding, beginning of year	1,870,184	1,980,538
Granted <sup>(1)</sup>	816,300	890,200
Forfeited	(402,142)	(342,835)
Settled <sup>(2)</sup>	(433,654)	(657,719)
Outstanding, end of year	1,850,688	1,870,184
Vested, end of year	357,104	25,827

<sup>(1)</sup> The weighted average fair value of the RSUs granted was \$8.88 (2022: \$10.67).

<sup>(2)</sup> Includes the issuance of 300,841 Common Shares (2022: 510,147 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 Common Shares. The Company recognized \$0.7 million of share-based compensation expense relating to DSUs for the year ended December 31, 2023, (2022: \$0.8 million).

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

	Year Ended December 31	
	2023	2022
Outstanding, beginning of year	828,827	737,805
Granted <sup>(1)</sup>	83,666	91,022
Outstanding, end of year	912,493	828,827
Vested, end of year	912,493	828,827

<sup>(1)</sup> The weighted average fair value of the DSUs granted was \$8.32 (2022: \$8.77).

### 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, 2023, stock-based compensation expense relating to stock options granted directly by the Company’s subsidiaries was \$0.1 million (2022: \$1.0 million).

# Notes to the Consolidated Financial Statements (In thousands of U.S.\$, unless otherwise stated)

## 22. Related-Party Transactions

The following table provides the total balances outstanding, commitments and transactional amounts with related parties, as at December 31, 2023, and 2022:

	As at December 31		Year Ended
	Accounts Payable	Commitments	December 31
ODL (Note 15)	2023	\$ 3,141	\$ 30,525
	2022	2,553	23,313

The related-party transactions correspond to the ship-or-pay contract for the transportation of crude oil in Colombia for a total commitment of \$2.4 million until 2024 (Note 25).

### 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,	
	2023	2022
Short-term employee benefits	\$ 3,385	\$ 3,687
Termination benefits	—	5
Share-based payments	1,112	3,285
	\$ 4,497	\$ 6,977

## 23. 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 and foreign exchange) that could have a significant impact on profitability, operating cash flows and the value of financial instruments.

#### i) Credit Risk

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

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

## Notes to the Consolidated Financial Statements (In thousands of U.S.\$, unless otherwise stated)

As at	December 31 2023	December 31 2022
Trade receivables before ECL	\$ 26,723	\$ 37,091
Allowance for ECLs - trade receivables	(15,657)	(15,657)
Trade receivables	11,066	21,434
Other receivables:		
Receivables from joint arrangements	27,864	28,595
VAT Receivable and others	43,882	33,798
Other receivables	9,657	11,776
Allowance for ECLs - other receivables	(6,746)	(7,655)
Other receivables	\$ 74,657	\$ 66,514
Withholding tax and others - not considered for credit risk	(43,882)	(33,798)
Total financial assets carried at amortized cost	\$ 41,841	\$ 54,150

### Reconciliation of ECLs

The following table shows a continuity of ECLs:

	2023	2022
As at January 1	\$ 23,312	\$ 29,036
Provision for ECLs	814	27
Reversion ECLs	(3,538)	(2,631)
Effect of exchange rate changes	1,844	(1,701)
Write-off	(29)	(1,419)
As at December 31	\$ 22,403	\$ 23,312

### 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 equivalents.

The following table summarizes the undiscounted cash outflows relating to contractual maturities of the Company's non-derivative financial liabilities as at December 31, 2023:

Financial Liability Due In	2024	2025	2026	2027	2028	Subsequent to 2029	Total
Accounts payable and accrued liabilities <sup>(1)</sup>	\$ 427,156	\$ 2,361	\$ —	\$ —	\$ —	\$ —	\$ 429,517
Short-term and long-term debt	52,152	15,000	20,000	42,570	400,000	—	529,722
Interest on short-term and long-term debt	47,108	41,510	39,492	36,293	15,750	—	180,153
Lease liabilities	7,438	5,842	5,462	2,526	2,493	1,856	25,617
Total	\$ 533,854	\$ 64,713	\$ 64,954	\$ 81,389	\$ 418,243	\$ 1,856	\$ 1,165,009

<sup>(1)</sup> Includes provisions of \$126.5 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.

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

	As at December 31	
	2023	2022
Trade and other payables	\$ 155,829	\$ 170,573
Accrued liabilities	81,709	120,335
Supplier holdbacks and advances	43,224	30,382
Withholding and tax provisions <sup>(1)</sup>	17,403	11,095
Share-based payment liability	4,857	7,605
	303,022	339,990
Provision for contingencies and others	126,495	126,940
Total accounts payable and accrued liabilities	\$ 429,517	\$ 466,930

<sup>(1)</sup> Since March 1, 2023, Colombia tax rules increased the self-withholding tax rates related to crude oil extraction and exportation from 4.6% to 9.9%.



## Notes to the Consolidated Financial Statements (In thousands of U.S.\$, unless otherwise stated)

The Company has various guarantees in place in the normal course of business, supported by letters of credit. As at December 31, 2023, the Company had issued letters of credit for a total of \$135.7 million (2022: \$104.1 million).

### Restricted Cash

As at December 31, 2023, the Company has total restricted cash of \$12.1 million (2022: \$2.5 million) in trust accounts primarily to cover future abandonment obligations, and restricted funds related to the PIL Loan Facility.

### iii) Market and Interest Risk

Market and interest risk are 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 and foreign exchange hedging instruments to manage foreign currency fluctuations.

### 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.

Type of Instrument	Term	Benchmark	Volume (bbl)	Avg. Strike Prices	Carrying Amount	
				Put \$/bbl	Assets	Liabilities
Put	January 2024	Brent	428,500	80.00	\$ 552	\$ —
Put	February to March 2024	Brent	812,835	72.00	—	1,275
Total as at December 31, 2023					\$ 552	\$ 1,275
Put	January 2023	Brent	460,000	80.00	\$ —	\$ 970
Put	February to March 2023	Brent	840,000	70.00	—	988
Total as at December 31, 2022					\$ —	\$ 1,958

#### 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	Carrying Amount	
				Par forward (COP\$)	Assets	Liabilities
Zero-cost collars	January to March 2024	COP / USD	60,000,000	4,125/4,763.25	\$ 4,544	\$ —
Zero-cost collars	April to June 2024	COP / USD	60,000,000	4,125/4,763.25	4,166	—
Forward	October, 2024	COP / USD	17,099,200	4,386.17	1,403	—
Total as at December 31, 2023					\$ 10,113	\$ —
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

#### Risk Management Contracts - Interest swaps

As at December 31, 2023, as a result of the full repayment of the 2025 Puerto Bahia Debt during the first quarter of 2023, the Company terminated the financial derivative that was used to manage the exposure to risks due to the fluctuation of interest rates (Note 16).

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



# Notes to the Consolidated Financial Statements (In thousands of U.S.\$, unless otherwise stated)

	Assets	Liabilities
Total Risk Management Contracts as at December 31, 2023	\$ 10,665	\$ 1,275
Total Risk Management Contracts as at December 31, 2022	\$ 1,092	\$ 3,003

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

	Year Ended December 31	
	2023	2022
Premiums paid on oil price risk management contracts, net	\$ (9,903)	\$ (14,733)
Realized gain on foreign exchange risk hedge <sup>(1)</sup>	17,257	—
Realized gain (loss) on risk management contracts	7,354	(14,733)
Unrealized gain on risk management contracts	11,880	4,310
Total gain (loss) on risk management contracts	\$ 19,234	\$ (10,423)

<sup>(1)</sup> For the year ended December 31, 2023, includes \$9.0 million as a result of the early termination of zero-cost collars foreign exchange risk management contracts and cash settlement of foreign exchange risk management contracts by \$8.3 million.

## b. Fair Value of Financial Instruments

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

The following table summarizes the Company's remaining financial instruments that are carried or disclosed at fair value in accordance with the classification under the fair value hierarchy as at December 31, 2023 and 2022:

	Period	Carrying Value	Fair Value		
			Level 1	Level 2	Level 3
<b>Financial Assets Measured at Fair Value through Profit and Loss</b>					
Risk management assets	2023	\$ 10,665	\$ —	\$ 10,665	\$ —
	2022	1,092	—	1,092	—
<b>Financial Assets Measured at Fair Value through Other Comprehensive Income</b>					
Investments in equity instruments	2023	\$ 1,712	\$ —	\$ —	\$ 1,712
	2022	1,872	—	—	1,872
<b>Financial Liabilities Measured at Fair Value through Profit and Loss</b>					
Risk management liabilities	2023	\$ (1,275)	\$ —	\$ (1,275)	\$ —
	2022	(3,003)	—	(3,003)	—
<b>Financial Liabilities Measured at Amortized Cost</b>					
2028 Unsecured Notes	2023	\$ (393,660)	\$ —	\$ (300,380)	\$ —
	2022	(392,535)	—	(334,348)	—
Other short-term and long-term debt (Note 16)	2023	\$ (123,944)	\$ —	\$ (129,722)	\$ —
	2022	(115,922)	—	(115,922)	—

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 adjusts as necessary 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.

## Notes to the Consolidated Financial Statements (In thousands of U.S.\$, unless otherwise stated)

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	
	2023	2022
Equity attributable to equity holders of the Company	\$ 1,823,598	\$ 1,579,347
Long-term debt	465,452	392,535
Working capital deficit <sup>(1)</sup>	61,855	109,607
Total	\$ 2,350,905	\$ 2,081,489

<sup>(1)</sup> 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.

## 24. Supplemental Disclosure on Cash Flows

Changes in non-cash working capital are as follows:

	Year Ended December 31	
	2023	2022
(Decrease) increase in accounts payable and accrued liabilities	\$ (40,774)	\$ 50,174
Decrease in accounts receivable	52,716	33,188
Increase in income taxes payable	6,683	1,790
Increase in inventories	(3,626)	(23,921)
Decrease (increase) in prepaid expenses and deposits	6,871	(2,210)
Decrease in income taxes receivable	32,842	80,125
Changes in working capital (excluding cash)	\$ 54,712	\$ 139,146
Attributable to		
Operating activities	\$ 104,155	\$ 120,077
Investing activities	(49,443)	19,069
Changes in working capital (excluding cash)	\$ 54,712	\$ 139,146

## 25. Commitments and Contingencies

### Commitments

The Company's commitments as at December 31, 2023, undiscounted and by calendar year, are presented below:

As at December 31, 2023	2024	2025	2026	2027	2028	Subsequent to 2029	Total
<b>Transportation</b>							
Ocensa P-135 ship-or-pay agreement	\$ 72,670	\$ 36,235	\$ —	\$ —	\$ —	\$ —	108,905
ODL agreements	2,380	—	—	—	—	—	2,380
Other transportation and processing commitments	13,981	11,512	11,512	3,816	—	—	40,821
<b>Exploration and evaluation</b>							
Minimum work commitments <sup>(1)</sup>	9,067	87,458	—	—	—	5,066	101,591
<b>Other commitments</b>							
Operating purchases, community obligations and others.	97,719	17,033	14,660	9,891	608	2,904	142,815
Total	\$ 195,817	\$ 152,238	\$ 26,172	\$ 13,707	\$ 608	\$ 7,970	\$ 396,512

<sup>(1)</sup> Includes minimum work commitments relating to E&E activities in Colombia and Ecuador until the contractual phase, when the Company will decide whether to continue or relinquish the exploration areas.

# Notes to the Consolidated Financial Statements (In thousands of U.S.\$, unless otherwise stated)

## Guyana Commitments

As at December 31, 2023, the Company, through its 76.05% equity interest in CGX and directly through its working interest, has certain work commitments under the Petroleum Prospecting License (“PPL”) for the Corentyne block, offshore Guyana (Frontera 72.52% 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 January 23, 2023, CGX and Frontera, the majority shareholder of CGX and joint venture (the “**Joint Venture**”) partner of CGX, announced that the Joint Venture had spud the Wei-1 well on the Corentyne block, approximately 200 kilometers 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. The Joint Venture has complied with its exploration commitments under the Corentyne PPL.

On June 13, 2023, CGX and Frontera announced that the Joint Venture successfully reached total depth of 20,450 feet on the Wei-1 well. On June 28, 2023, CGX and Frontera announced that the Joint Venture discovered oil at the Wei-1 well, with 210 feet of hydrocarbon bearing sands in the Santonian horizon being encountered. The Joint Venture successfully finished drilling operations without any safety incidents.

On November 9, 2023, CGX and Frontera announced the discovery of a total of 114 feet (35 meters) of net pay at the Wei-1 well on the Corentyne block.

On December 11, 2023, CGX and Frontera presented a virtual informational presentation. Based on such evaluations, the Joint Venture believes that approximately 514 to 628 mmboe PMean unrisked gross prospective resources may be present in the Maastrichtian horizons alone and that additional potential upside may exist in the deeper Campanian and Santonian horizons. The Joint Venture, with support from Houlihan Lokey, is actively pursuing options for a possible farm down, to unlock the potential of the Corentyne block.

During the Wei-1 well drilling operations, Frontera and CGX have entered into an agreement (the “**JOA Amending Agreement**”) to amend the Joint Operating Agreement originally signed between a subsidiary of Frontera and CGX on January 30, 2019 (as amended from time to time), to cover the unexpected additional costs of the Wei-1 well due to delays associated with the late release of the rig by a third-party, costs associated with a lost sampling tool, and the drilling of the bypass well. The transactions contemplated by the JOA Amending Agreement remain subject to regulatory approvals.

In accordance with the JOA Amending Agreement, 4.7% of CGX’s participating interest in the Corentyne block was initially assigned to Frontera (subject to government approval), in exchange for Frontera funding CGX’s additional expected outstanding share of the Joint Venture’s costs associated with the Wei-1 well for up to \$16.5 million. After reviewing the funding amounts, and due to lower costs associated with the Wei-1 well, CGX and Frontera have agreed to reassign to CGX a portion of such 4.7% interest, resulting in CGX effectively assigning 4.52% of CGX’s participating interest in the Corentyne block to Frontera.

In addition, in connection with (i) a drilling contract agreement (the “**Drilling Contract**”) between Maersk Drilling Holdings Singapore Pte. Ltd. (now NobleCorp.) and CGX Resources Inc. (“CGX Resources”), the operator of the Corentyne block, for the provision of a semi-submersible drilling unit owned by NobleCorp. and associated services to drill the Joint Venture’s Wei-1 well, and (ii) a services agreement (the “**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 NobleCorp. and Schlumberger for certain obligations. Each of the parent company guarantees provided by Frontera to secure payment obligations under the Drilling Contract and the Services Agreement is limited to a maximum amount of \$30 million. As of December 31, 2023, (i) there is no outstanding balance under the Services Agreement and the corresponding parent company guarantee; and (ii) there are no outstanding payments under the Drilling Contract or the corresponding parent company guarantee.

As at December 31, 2023, CGX had entered into purchase orders and contracts for the Corentyne block to complete its requirement under the Corentyne PPL. As of December 31, 2023, the outstanding purchase orders and contracts under these agreements amount to \$0.8 million for the year 2024.

## Oleoducto Central S.A. (“Ocesa”) 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 Ocesa’s terminal. On March 31, 2022, the Company signed a new pledge agreement with Ocesa and Cenit, which guarantees the payment obligations of both contracts, up to

## Notes to the Consolidated Financial Statements (In thousands of U.S.\$, unless otherwise stated)

\$30.0 million and \$6.0 million, respectively. On July 5, 2023, the term of the pledge agreement has been extended up to March 31, 2024, with Ocesa, and up to April 30, 2024, 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, of 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, 2023, the Company has paid and accrued a total \$18.2 million of such amounts under the agreement.

### Contingencies

The Company is involved in various claims and litigation arising from the normal course of business. Since the outcomes of these matters are uncertain, there can be no assurance that such matters will be resolved in the Company's favour. The outcome of adverse decisions in any pending or threatened proceedings related to these and other matters could have a material impact on the Company's financial position, results of operations or cash flows. Other than as disclosed below, no material changes have occurred regarding the matters disclosed in Note 26 - Commitments and Contingencies of the 2022 Annual Consolidated Statements.

### 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 the barrels of crude oil had on that delivery date. In addition, Ecopetrol requested the Company 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 filed an appeal against the first instance ruling on March 16, 2021.

On March 17, 2023, the Council of State issued a final ruling revoking what was decided by the Court in the first instance ruling and stating that statute of limitations barred Ecopetrol's judicial action. In addition, the Council of State ordered Ecopetrol to pay Frontera Colombia judicial costs which amount to approximately \$0.3 million. As a result, the Company recorded a reversal of a liability provision of \$9.3 million recognized in 2021.

On August 28, 2023, Ecopetrol filed a constitutional action (tutela) in order to revoke the final decision of the Council of State that declared the statute of limitations applied to Ecopetrol's claim of the difference in the value of the barrels of crude oil as a consequence of the late delivery by the Company, in the amount of \$8.5 million plus interest. The Company was linked to the proceeding as an interested third party and, on September 7, 2023, filed a statement of defense.

On September 27, 2023, the Council of State issued a first instance ruling in which it declared inadmissible the constitutional action (tutela) filed by Ecopetrol due to its lack of constitutional relevance. Ecopetrol appealed this decision and a final ruling is pending.

### Agencia Nacional de Hidrocarburos Discussion ("ANH")

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). The Company proposed some activities to be deducted from these commitments. On October 2023, the Company received a communication from the ANH notifying the investment accreditation for the LLA-7 and LLA-55 blocks.

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). On October 2023, the Company received a communication from the ANH notifying the Company of the extension of the suspension of phase zero of the CAG-5 and CAG-6 blocks until April 10, 2024. As at December 31, 2023, 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).

# Notes to the Consolidated Financial Statements (In thousands of U.S.\$, unless otherwise stated)

## 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 building 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 upon 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. 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.

On March 1, 2023, the arbitral tribunal issued the arbitral award which (i) denied CITT’s claim for an award of \$68.4 million for the return of the LOC amount (including interests); (ii) rejected CITT’s claim for damages of \$14.9 million; (iii) confirmed that Puerto Bahia was entitled to terminate the EPC Contract, enforce the LOC, and charge penalties to CITT; (iv) granted Puerto Bahia a remedy of \$24.7 million (i.e., special penalties of \$14.4 million plus the termination penalty clause of \$10.3 million); and (v) ruled to offset the \$17.0 million LOC and \$5.6 million awarded by the Tribunal to CITT as compensation for, among others, accepted invoices and procurement services rendered through June 5, 2015, for a final balance of \$2.0 million in favour of Puerto Bahia, payable by any CITT member at an annual interest rate of 4%.

In September, 2023, CITT filed a constitutional action (tutela) against the award rendered on March 1, 2023. However, on September 29, 2023, Colombian Supreme Court issued a first instance ruling dismissing the constitutional action indicating that CITT cannot use it as a replacement of the annulment action which was not timely exercised. On October 4, 2023, CITT filed and appeal against the tutela decision.

In December, 2023, the Colombian Supreme Court confirmed the tutela decision however, it may eventually be selected for review by the Colombian Constitutional Court.

## Ecopetrol - Rubiales Field Disagreement

Since 2018, Frontera and Ecopetrol have initiated claims against each other before local courts due to disagreements related to the expiration of the Rubiales and Piriri exploration and production contracts.

To settle certain differences under dispute, on December 13, 2023, Frontera and Ecopetrol entered into an agreement which closed 21 (out of 57) disagreements between the parties. As a result, the Company recorded a reversal of a liability provision of \$5.9 million recognized during 2016, 2017, 2020, 2021, 2022, and 2023, a reversal of net liabilities with Ecopetrol of \$0.5 million and paid to Ecopetrol \$4.2 million pursuant to the settlement agreement. Also, as a result of the settlement, Ecopetrol amended the amount of its first lawsuit from \$45.0 million to \$32.0 million and Frontera withdrew one of the lawsuits filed against Ecopetrol and amended the amount of another one from \$9.0 million to \$2.6 million.

## Notes to the Consolidated Financial Statements (In thousands of U.S.\$, unless otherwise stated)

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### 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, 2023, the Company has assessed a possible tax exposure of \$145.8 million, (2022: \$85.4 million) relating to these assessments for taxes, interest, and penalties (the increase in the exposure is mainly due to foreign exchange variances and interest adjustment). As at December 31, 2023, the carrying value of the tax liability provisions was \$13.1 million (2022: \$4.6 million).