INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

For the three and six months ended

June 30, 2017 and 2016

FRONTERA ENERGY

Interim Condensed Consolidated Statements of Loss

(In thousands of U.S. dollars, except per share information; unaudited)	Notes	Three months ended June 30 2017	Three months ended June 30 2016	Six months ended June 30 2017	Six months ended June 30 2016
Sales					
Oil and gas sales and other income		$ 273,377	$ 375,438	$ 564,744	$ 831,354
Trading sales		26,075	965	51,346	1,880
Total sales		299,452	376,403	616,090	833,234
Costs of operations					
Oil & gas operating costs	4	167,447	219,784	332,557	487,547
Purchase of oil for trading		25,483	665	50,455	1,506
Overlift (underlift)		(6,433)	(145)	(25)	(34,835)
Fees paid on suspended pipeline capacity		22,237	18,058	49,337	43,449
Gross earnings		90,718	138,041	183,766	335,567
Depletion, depreciation and amortization		97,588	145,891	199,382	376,483
General and administrative		26,098	35,647	53,804	68,500
Impairment and exploration expenses	13	23,159	22,788	12,712	689,686
Share-based compensation	17b	233	(5,297)	253	(8,503)
Restructuring and severance costs		1,842	49,978	7,788	67,719
Loss from operations		(58,202)	(110,966)	(90,173)	(858,318)
Finance costs	14	(6,586)	(32,891)	(11,483)	(101,805)
Share of gain of equity-accounted investees	11	9,937	29,526	33,925	56,373
Equity tax		-	-	(11,694)	(26,901)
Foreign exchange (loss) gain		(12,409)	8,518	(1,163)	5,179
Gain (loss) on risk management	19d	12,434	6,073	52,579	(107,472)
Other income		5,350	2,210	7,848	44,420
Net loss before income tax		(49,476)	(97,530)	(20,161)	(988,524)
Current income tax expense	5	(3,535)	(8,594)	(13,569)	(20,088)
Deferred income tax (expense) recovery	5	-	(30)	-	1,516
Total income tax expense		(3,535)	(8,624)	(13,569)	(18,572)
Net loss for the period		$ (53,011)	$ (106,154)	$ (33,730)	$ (1,007,096)
Attributable to:					
Equity holders of the parent		(51,542)	(118,654)	(43,044)	(1,019,603)
Non-controlling interests		(1,469)	12,500	9,314	12,507
		$ (53,011)	$ (106,154)	$ (33,730)	$ (1,007,096)
Basic and diluted loss per share attributable to equity holders of the parent	6	(1.03)	(37,665.40)	(0.86)	(323,661.71)

See accompanying notes to the Interim Condensed Consolidated Financial Statements

Interim Condensed Consolidated Statements of Comprehensive Loss

(In thousands of U.S. dollars; unaudited)	Three months ended June 30 2017	Three months ended June 30 2016	Six months ended June 30 2017	Six months ended June 30 2016
Net loss for the period	$ (53,011)	$ (106,154)	$ (33,730)	$ (1,007,096)
Other comprehensive income not to be reclassified to net earnings in subsequent periods (nil tax effect)				
Fair value adjustments	-	190	-	190
Other comprehensive (loss) income to be reclassified to net earnings in subsequent periods (nil tax effect)				
Foreign currency translation	(22,860)	16,460	(7,219)	42,490
Unrealized gain on the time value of cash flow hedges	-	-	-	(99)
Realized gain on cash flow hedges transferred to earnings	-	(6,073)	-	(12,146)
	(22,860)	10,577	(7,219)	30,435
Total comprehensive loss for the period	$ (75,871)	$ (95,577)	$ (40,949)	$ (976,661)
Attributable to:				
Equity holders of the parent	$ (68,581)	$ (111,800)	$ (48,116)	$ (999,179)
Non-controlling interests	(7,290)	16,223	7,167	22,518
	$ (75,871)	$ (95,577)	$ (40,949)	$ (976,661)

See accompanying notes to the Interim Condensed Consolidated Financial Statements

Interim Condensed Consolidated Statements of Financial Position

(In thousands of U.S. dollars; unaudited)	Notes	As at June 30 2017	As at December 31 2016
ASSETS			
Current			
Cash and cash equivalents		$ 439,479	$ 389,099
Restricted cash		34,269	61,036
Accounts receivables	19b	286,050	234,828
Inventories		43,512	38,609
Income tax receivable		60,236	59,451
Prepaid expenses		1,296	3,453
Assets held for sale	7	25,324	44,797
Risk management assets	19d	23,371	-
Total current assets		913,537	831,273
Non-current			
Oil and gas properties	8	1,034,990	1,182,668
Exploration and evaluation assets	9	8,629	9,000
Plant and equipment	10	42,839	53,402
Intangible assets		8,706	14,800
Investments in associates	11	420,121	415,198
Other assets	12	125,647	182,632
Restricted cash		67,402	52,746
Total assets		$ 2,621,871	$ 2,741,719
LIABILITIES			
Current			
Accounts payable and accrued liabilities	19c	$ 536,909	$ 576,350
Risk management liability	19d	2,777	31,985
Income tax payable		3,922	10,775
Current portion of obligations under finance lease		3,989	3,713
Asset retirement obligation	15	23,620	2,834
Total current liabilities		571,217	625,657
Non-current			
Long-term debt	14	250,000	250,000
Obligations under finance lease		17,192	19,229
Asset retirement obligation	15	222,395	245,798
Total liabilities		$ 1,060,804	$ 1,140,684
Contingencies and commitments	16		
EQUITY			
Common shares	17a	$ 4,745,440	$ 4,745,355
Contributed surplus		124,421	123,525
Other reserves		(239,952)	(234,880)
Retained deficit		(3,181,274)	(3,138,230)
Equity attributable to equity holders of the parent		1,448,635	1,495,770
Non-controlling interests		112,432	105,265
Total equity		$ 1,561,067	$ 1,601,035
		$ 2,621,871	$ 2,741,719

See accompanying notes to the Interim Condensed Consolidated Financial Statements

Interim Condensed Consolidated Statements of Changes in Equity (Deficit)

For the six months ended June 30, 2017

(In thousands of U.S. dollars; unaudited)	Note	Common Shares	Contributed Surplus	Retained Deficit	Foreign currency translation	Fair value Investment	Total	Non-controlling interests	Total Equity
		Attributable to equity holders of parent							
As at December 31, 2016		$ 4,745,355	$ 123,525	$ (3,138,230)	$ (229,678)	$ (5,202)	$ 1,495,770	$ 105,265	$ 1,601,035
Net income for the period		-	-	8,498	-	-	8,498	10,783	19,281
Other comprehensive income		-	-	-	11,967	-	11,967	3,674	15,641
Total comprehensive income		-	-	8,498	11,967	-	20,465	14,457	34,922
Shared-based compensation	17b	-	748	-	-	-	748	-	748
As at March 31, 2017		$ 4,745,355	$ 124,273	$ (3,129,732)	$ (217,711)	$ (5,202)	$ 1,516,983	$ 119,722	$ 1,636,705
Net loss for the period		-	-	(51,542)	-	-	(51,542)	(1,469)	(53,011)
Other comprehensive loss		-	-	-	(17,039)	-	(17,039)	(5,821)	(22,860)
Total comprehensive loss		-	-	(51,542)	(17,039)	-	(68,581)	(7,290)	(75,871)
Share-based compensation	17b	85	148	-	-	-	233	-	233
As at June 30, 2017		$ 4,745,440	$ 124,421	$ (3,181,274)	$ (234,750)	$ (5,202)	$ 1,448,635	$ 112,432	$ 1,561,067

For the six months ended June 30, 2016

(In thousands of U.S. dollars; unaudited)	Note	Common Shares	Contributed Surplus	Retained Deficit	Cash flow hedge	Time Value Reserves	Foreign currency translation	Fair value Investment	Total	Non-controlling interests	Total Deficit
		Attributable to equity holders of parent									
As at December 31, 2015		$ 2,615,788	$ 124,150	$ (5,586,753)	$ 12,146	$ 99	$ (259,414)	$ (5,392)	$ (3,099,376)	$ 109,145	$ (2,990,231)
Net loss for the period		-	-	(900,949)	-	-	-	-	(900,949)	7	(900,942)
Other comprehensive income		-	-	-	(6,073)	(99)	19,742	-	13,570	6,288	19,858
Total comprehensive income		-	-	(900,949)	(6,073)	(99)	19,742	-	(887,379)	6,295	(881,084)
Dividends paid to non-controlling interest	11	-	-	-	-	-	-	-	-	(14,618)	(14,618)
Effect of deconsolidation of subsidiary		-	-	-	-	-	-	-	-	19,433	19,433
As at March 31, 2016		$ 2,615,788	$ 124,150	$ (6,487,702)	$ 6,073	$ -	$ (239,672)	$ (5,392)	$ (3,986,755)	$ 120,255	$ (3,866,500)
Net loss for the period		-	-	(118,654)	-	-	-	-	(118,654)	12,500	(106,154)
Other comprehensive (loss) income		-	-	-	(6,073)	-	12,737	190	6,854	3,723	10,577
Total comprehensive income		-	-	(118,654)	(6,073)	-	12,737	190	(111,800)	16,223	(95,577)
As at June 30, 2016		$ 2,615,788	$ 124,150	$ (6,606,356)	$ -	$ -	$ (226,935)	$ (5,202)	$ (4,098,555)	$ 136,478	$ (3,962,077)

See accompanying notes to the Interim Condensed Consolidated Financial Statements

Interim Condensed Consolidated Statements of Cash Flows

(In thousands of U.S. dollars; unaudited)	Notes	Three months ended June 30 2017	Three months ended June 30 2016	Six months ended June 30 2017	Six months ended June 30 2016
OPERATING ACTIVITIES					
Net loss for the period		$ (53,011)	$ (106,154)	$ (33,730)	$ (1,007,096)
Items not affecting cash:					
Depletion, depreciation and amortization		97,588	145,891	199,382	376,483
Impairment and exploration expenses	13	23,159	22,788	12,712	689,686
Accretion expense		1,782	5,870	2,683	5,592
(Gain) loss on risk management	19d	(12,434)	(6,073)	(52,579)	107,472
Share-based compensation	17b	233	(5,297)	253	(8,503)
Deferred income tax expense (recovery)	5	-	30	-	(1,516)
Unrealized foreign exchange loss (gain)		11,571	(13,225)	(3,289)	754
Share of gain of equity-accounted investees	11	(9,937)	(29,526)	(33,925)	(56,373)
Gain on loss of control		-	-	-	(15,597)
Other		(8,792)	(7,128)	(7,828)	(7,841)
Dividends from associates	11	-	-	27,600	40,839
Equity tax (paid) expense		(5,850)	(12,840)	5,844	14,061
Deferred revenue (non-cash settlement)		-	-	-	(75,000)
Changes in non-cash working capital	20	(31,972)	(1,363)	(37,860)	(105,191)
Net cash provided (used) by operating activities		$ 12,337	$ (7,027)	$ 79,263	$ (42,230)
INVESTING ACTIVITIES					
Additions to oil and gas properties and plant and equipment		(40,336)	(25,551)	(67,010)	(46,145)
Additions to E&E, net of production from long-term testing		348	(279)	1,235	(9,490)
Investment in associates and other assets		(435)	169	(2,573)	(8,753)
(Increase) decrease in restricted cash and others		(14,016)	(50,133)	13,055	(71,525)
Proceeds from the sale of assets held for sale		17,072	-	32,572	-
Net cash used in investing activities		$ (37,367)	$ (75,794)	$ (22,721)	$ (135,913)
FINANCING ACTIVITIES					
Payment of debt and leases		(1,690)	(5,009)	(3,360)	(34,321)
DIP Notes and Warrants	1	-	480,000	-	480,000
Dividends paid to non-controlling interest	11	-	-	-	(14,618)
Net cash (used) provided in financing activities		$ (1,690)	$ 474,991	$ (3,360)	$ 431,061
Effect of exchange rate changes on cash and cash equivalents		(3,775)	1,366	(2,802)	3,832
Change in cash and cash equivalents during the period		(30,495)	393,536	50,380	256,750
Cash and cash equivalents, beginning of the period		469,974	205,874	389,099	342,660
Cash and cash equivalents, end of the period		$ 439,479	$ 599,410	$ 439,479	$ 599,410
Cash		$ 132,247	$ 568,898	$ 132,247	$ 568,898
Cash equivalents		307,232	30,512	307,232	30,512
		$ 439,479	$ 599,410	$ 439,479	$ 599,410

See accompanying notes to the Interim Condensed Consolidated Financial Statements

1. Corporate Information

Frontera Energy Corporation (formerly Pacific Exploration & Production Corporation; the "**Company**") is an oil and gas company incorporated and domiciled in Canada that is engaged in the exploration, development, and production of crude oil and natural gas primarily in Colombia and Peru. The Company's common shares are listed and publicly traded on the Toronto Stock Exchange under the symbol "**FEC**" (formerly "**PEN**"). The Company's head office is located at 333 Bay Street, Suite 1100, Toronto, Ontario, M5H 2R2 and its registered office is located at Suite 650 – 1188 West Georgia Street, Suite 650, Vancouver, British Columbia, V6E 4A2.

Restructuring Transaction

On April 19, 2016, the Company, with the support of certain holders of its senior unsecured notes and lenders under its credit facilities, which totalled $5.3 billion, entered into an agreement with The Catalyst Capital Group Inc. ("**Catalyst**") with respect to implementing a comprehensive financial Restructuring Transaction (the "**Restructuring Transaction**"). Pursuant to the terms of the Restructuring Transaction, the claims of certain creditors ("**Affected Creditors**") were compromised in exchange for common shares in the Company. On November 2, 2016, the Company successfully completed the implementation of its Restructuring Transaction in accordance with its plan of compromise and arrangement which was approved by both the Affected Creditors and the Ontario Superior Court of Justice (Commercial List). The Restructuring Transaction substantially changed the capital structure of the Company, reducing financial debt to $250 million, which is represented in five-year secured notes (the "**Exit Notes**") and a letter of credit facility which at the time of the implementation of the Restructuring Transaction totalled $115.5 million; after completion of the Restructuring Transaction, the shareholders of the Company comprised the Affected Creditors with approximately 69.2% and Catalyst with approximately 30.8% of the common shares.

Additional information is included in Note 1: Comprehensive Restructuring Transaction of the Company´s annual financial statements as at December 31, 2016.

2. Basis of Preparation and Significant Accounting Policies

The Interim Condensed Consolidated Financial Statements for the three and six months ended June 30, 2017 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at December 31, 2016. Certain prior period amounts have been reclassified to conform to the current period presentation.

These Interim Condensed Consolidated Financial Statements of the Company, which comprises the Company as the parent and all its subsidiaries, were approved and authorized for issuance by the Audit Committee of the Board of Directors on August 8, 2017.

2.1. Significant Accounting Judgments, Estimates and Assumptions

Estimation Uncertainty and Assumptions

Oil and gas properties

Oil and gas properties are depreciated using the unit-of-production method. As of January 1, 2017, oil and gas properties were depleted over proved and probable reserves, compared with 2016, when they were depleted over proved reserves. This change is a result of the Company's ability to finance its near-term capital programs included in the updated reserve estimates. The calculation of the unit-of-production rate of amortization could be impacted to the extent that actual production in the future is different from current forecasted production based on proved and probable reserves. This would generally result from significant changes in any of the following:

- changes in reserves;
- the effect on reserves of differences between actual commodity prices and commodity price assumptions; or
- unforeseen operational issues.

2.2. Changes in Accounting Policies and Disclosures

The accounting policies used in preparation of the Interim Condensed Consolidated Financial Statements, other than as described in Note 2.1, are consistent with those disclosed in the Company's annual consolidated financial statements for the year ended December 31, 2016, except for the adoption of minor amendments and interpretations effective January 1, 2017. These amendments and interpretations had little or no impact on the Interim Condensed Consolidated Financial Statements. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

2.3. Standards Issued but Not Yet Effective

IFRS 9 Financial Instruments

The Company previously adopted IFRS 9 (2013) and will adopt the amendments to IFRS 9 (2014) as of the effective date of January 1, 2018. The amendments primarily relate to a new "expected credit loss" impairment model. The Company does not expect this standard to have an impact given that sales are almost exclusively to large organizations and governmental entities with strong credit ratings and the negligible historical level of customer default.

IFRS 15 Revenue from Contracts with Customers

The Company will adopt IFRS 15 as of January 1, 2018. The Company has completed the scoping phase of this project which included an evaluation of each revenue stream by legal entity. This assessment included a detailed review of all contracts, including those relating to infrastructure assets, using the five-step model under the new standard. Based on the assessment to date, the Company does not expect a material change to the amount of revenue recognized and believes the impact will be limited to additional disclosure requirements. The Company is expecting to complete our assessment, including the selection of an adoption method, during the third quarter.

IFRS 16 Leases

The Company will adopt IFRS 16 as of January 1, 2019 and is currently developing an implementation plan to assess the impact on its consolidated financial statements.

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

IFRIC 23 Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23 to clarify the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on January 1, 2019 and the Company is currently assessing the impact of IFRIC 23 on its consolidated financial statements.

3. Segmented Information

The Company is organized into business units based on the main types of activities and has two reportable segments as at June 30, 2017: the exploration, development, and production of crude oil and gas in (1) Colombia and (2) Peru. The Company manages its operations to reflect differences in the regulatory environments and risk factors for each country.

As at June 30, 2017	Colombia	Peru	Corporate	Others	Total
Cash and cash equivalents	$ 155,435	$ 7,429	$ 260,732	$ 15,883	$ 439,479
Non-current assets	1,655,680	29,097	17,740	5,817	1,708,334
	$ 1,811,115	$ 36,526	$ 278,472	$ 21,700	$ 2,147,813

As at December 31, 2016	Colombia	Peru	Corporate	Others	Total
Cash and cash equivalents	$ 123,445	$ 4,543	$ 259,458	$ 1,653	$ 389,099
Non-current assets	1,792,200	36,751	18,933	62,562	1,910,446
	$ 1,915,645	$ 41,294	$ 278,391	$ 64,215	$ 2,299,545

The selected Interim Condensed Consolidated Statements of Loss components by reporting segment are as follows:

Three months ended June 30, 2017	Colombia	Peru	Corporate	Others	Total
Oil and gas sales and other income	$ 262,095	$ 11,282	$ -	$ -	$ 273,377
Trading sales	26,075	-	-	-	26,075
Oil & gas operating costs	151,547	15,900	-	-	167,447
Purchase of oil for trading	25,483	-	-	-	25,483
Overlift (underlift)	(6,433)	-	-	-	(6,433)
Fees paid on suspended pipeline capacity	22,237	-	-	-	22,237
Depletion, depreciation and amortization	93,420	3,890	30	248	97,588
General and administrative	21,501	1,547	2,448	602	26,098
Impairment and exploration expenses	23,159	-	-	-	23,159
Restructuring and severance costs	983	-	859	-	1,842
Finance costs (income)	2,560	324	5,162	(1,460)	6,586
Share of (gain) loss of equity-accounted investees	(12,176)	-	2,239	-	(9,937)
Current income tax expense	3,051	-	381	103	3,535
Net (loss) gain for the period	$ (34,670)	$ (10,849)	$ (11,462)	$ 3,970	$ (53,011)

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

Three months ended June 30, 2016	Colombia	Peru	Corporate	Others	Total
Oil and gas sales and other income	$ 368,295	$ 7,143	$ -	$ -	$ 375,438
Trading sales	965	-	-	-	965
Oil & gas operating costs	207,573	12,211	-	-	219,784
Purchase of oil for trading	665	-	-	-	665
Overlift (underlift)	(145)	-	-	-	(145)
Fees paid on suspended pipeline capacity	18,058	-	-	-	18,058
Depletion, depreciation and amortization	141,916	1,777	61	2,137	145,891
General and administrative	22,860	2,092	6,924	3,771	35,647
Impairment and exploration expenses	4,149	664	-	17,975	22,788
Restructuring and severance costs	670	-	46,414	2,894	49,978
Finance costs (income)	2,752	679	30,909	(1,449)	32,891
Share of (gain) loss of equity-accounted investees	(29,710)	-	184	-	(29,526)
Current income tax expense	8,335	-	205	84	8,624
Net gain (loss) for the period	$ 13,156	$ (8,150)	$ (79,988)	$ (31,172)	$ (106,154)

Six months ended June 30, 2017	Colombia	Peru	Corporate	Others	Total
Oil and gas sales and other income	$ 539,169	$ 25,575	$ -	$ -	$ 564,744
Trading sales	51,346	-	-	-	51,346
Oil & gas operating costs	301,739	30,818	-	-	332,557
Purchase of oil for trading	50,455	-	-	-	50,455
Overlift (underlift)	(25)	-	-	-	(25)
Fees paid on suspended pipeline capacity	49,337	-	-	-	49,337
Depletion, depreciation and amortization	191,453	7,374	57	498	199,382
General and administrative	40,835	3,026	8,928	1,015	53,804
Impairment and exploration expenses (reversal)	22,088	(10,362)	986	-	12,712
Restructuring and severance costs	5,641	1,008	1,139	-	7,788
Finance costs (income)	3,174	680	10,641	(3,012)	11,483
Share of (gain) loss of equity-accounted investees	(37,274)	-	3,349	-	(33,925)
Current income tax expense	13,074	-	383	112	13,569
Net (loss) gain for the period	$ (5,295)	$ (7,263)	$ (25,960)	$ 4,788	$ (33,730)

Six months ended June 30, 2016	Colombia	Peru	Corporate	Others	Total
Oil and gas sales and other income	$ 814,733	$ 16,621	$ -	$ -	$ 831,354
Trading sales	1,880	-	-	-	1,880
Oil & gas operating costs	451,820	35,727	-	-	487,547
Purchase of oil for trading	1,506	-	-	-	1,506
Overlift (underlift)	(34,199)	(636)	-	-	(34,835)
Fees paid on suspended pipeline capacity	43,449	-	-	-	43,449
Depletion, depreciation and amortization	328,341	45,435	140	2,567	376,483
General and administrative	42,961	4,062	13,148	8,329	68,500
Impairment and exploration expenses	591,160	79,427	-	19,099	689,686
Restructuring and severance costs	1,212	318	63,194	2,995	67,719
Finance costs (income)	4,355	(1,346)	101,691	(2,895)	101,805
Share of (gain) loss of equity-accounted investees	(56,519)	-	146	-	(56,373)
Current income tax expense	17,502	-	423	647	18,572
Net loss for the period	$ (670,881)	$ (143,708)	$ (155,948)	$ (36,559)	$(1,007,096)

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

4. Oil & Gas Operating Costs

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Production costs	$ 70,312	$ 87,069	$ 137,712	$ 184,022
Transportation costs	93,435	129,360	184,687	280,147
Dilution costs	7,225	19,954	14,094	45,953
Inventory valuation	(3,525)	(16,599)	(3,936)	(22,575)
Total costs	$ 167,447	$ 219,784	$ 332,557	$ 487,547

5. Income Tax Expense

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Net loss before income tax	$ (49,476)	$ (97,530)	$ (20,161)	$ (988,524)
Colombian statutory income tax rate	40%	40%	40%	40%
Income tax recovery at statutory rate	$ (19,790)	$ (39,012)	$ (8,064)	$ (395,410)
Increase (decrease) in income tax provision resulting from:				
Other non-deductible expenses (non-taxable income)	$ 1,063	$ 18,478	$ 2,306	$ 67,954
Share-based compensation	62	(1,404)	67	(2,305)
Differences in tax rates in foreign jurisdictions	(700)	15,115	(3,344)	29,373
Loss (gain) for which no tax benefit is recognized	9,487	(206,695)	12,290	26,891
Minimum income tax (presumptive income tax)	9,484	83,815	15,433	157,614
Changes in deferred income tax not recognized	3,929	138,327	(5,119)	134,455
Income tax expense	$ 3,535	$ 8,624	$ 13,569	$ 18,572
Current income tax expense	$ 3,535	$ 8,594	$ 13,569	$ 20,088
Deferred income tax recovery:				
Relating to origination and reversal of temporary differences	-	30	-	(1,516)
Income tax expense	$ 3,535	$ 8,624	$ 13,569	$ 18,572
Effective tax rate	-7.14%	-8.84%	-67.30%	-1.88%

The Canadian statutory combined income tax rate was 26.5% as at June 30, 2017 (2016: 26.5%).

Effective January 1, 2017, the Colombian Congress enacted structural tax reform whereby it abolished the fairness tax ("**CREE**"), while modifying the income tax rates to adjust for this change. The Congress has maintained the previously set corporate tax rates for Colombian source income at 40% in 2017, 37% in 2018, and 33% in 2019 and subsequent taxation years. However, these rates will apply to a broader taxable base due to limitations and modifications on certain deductions. In addition, the tax reform increased the minimum tax (presumptive tax) from 3% to 3.5% and introduced a dividend withholding tax on previously taxed profits of 5%.

6. Loss Per Share

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Net loss attributable to shareholders of the Company	$ (51,542)	$ (118,654)	$ (43,044)	$ (1,019,603)
Basic and diluted weighted average number of shares	50,005,832	3,150	50,002,919	3,150
Basic and diluted loss per share attributable to equity holders of the parent	$ (1.03)	$ (37,665.40)	$ (0.86)	$ (323,661.71)

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

7. Assets Held for Sale

	Exploration and evaluation assets	Oil and gas properties	Total
As at December 31, 2016	$ 20,647	$ 24,150	$ 44,797
Additions to assets held for sale (Note 8,9)	10,562	4,243	14,805
Dispositions	(16,149)	-	(16,149)
Adjustment	-	(348)	(348)
Currency translation adjustment	-	258	258
As at March 31, 2017	$ 15,060	$ 28,303	$ 43,363
Dispositions	-	(17,768)	(17,768)
Adjustment	-	131	131
Currency translation adjustment	-	(402)	(402)
As at June 30, 2017	$ 15,060	$ 10,264	$ 25,324

On November 30, 2016, the Company and Cepsa Peruana S.A.C. (“**Cepsa**”) entered into a farm-out agreement whereby Cepsa agreed to acquire the Company’s participation interest in one onshore block in Peru, Lot 131, for a total cash consideration of $17.8 million and the assumption of contractual exploration obligations. On April 26, 2017, the Company received Peruvian regulatory approval for the sale, and on May 19, 2017, Cepsa paid $17.1 million in cash plus VAT.

The recoverable amounts of the majority of the assets held for sale relate to value in excess of the asset retirement obligation being assumed by the third party on the expected closing of each transaction.

8. Oil and Gas Properties

Cost	Amount
Cost as at December 31, 2016	$ 7,225,489
Additions	30,967
Assets held for sale (Note 7)	(230,626)
Currency translation adjustment	10,840
Change in asset retirement obligation	18,153
Cost as at March 31, 2017	$ 7,054,823
Additions	35,542
Derecognition, sales, disposals and write-off	(626)
Currency translation adjustment	(13,844)
Change in asset retirement obligation	(23,107)
Cost as at June 30, 2017	$ 7,052,788

Accumulated depletion and impairment	Amount
Accumulated depletion and impairment as at December 31, 2016	$ 6,042,821
Charge for the period	91,674
Assets held for sale (Note 7)	(226,383)
Reversal of previously recognized impairments (Note 13)	(1,263)
Currency translation adjustment	6,242
Accumulated depletion and impairment as at March 31, 2017	$ 5,913,091
Charge for the period	90,081
Impairment (Note 13)	23,159
Disposals of properties	(130)
Currency translation adjustment	(8,403)
Accumulated depletion and impairment as at June 30, 2017	$ 6,017,798

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

Net book value	Amount
As at December 31, 2016	$ 1,182,668
As at March 31, 2017	1,141,732
As at June 30, 2017	1,034,990

9. Exploration and Evaluation Assets

	Amount
Cost, net of impairment as at December 31, 2016	$ 9,000
Additions, net of production from long-term testing	(887)
Assets held for sale (Note 7)	(10,562)
Reversal of previously recognized impairments (Note 13)	10,362
Change in asset retirement obligation	1,981
Cost, net of impairment as at March 31, 2017	$ 9,894
Additions, net of production from long-term testing	8
Disposals	(356)
Change in asset retirement obligation	(917)
Cost, net of impairment as at June 30, 2017	$ 8,629

10. Plant and Equipment

Cost	Land & buildings	Other plant & equipment	Total
Cost as at December 31, 2016	$ 61,744	$ 190,609	$ 252,353
Additions	-	1,302	1,302
Disposals	(33)	-	(33)
Currency translation adjustment	-	53	53
Cost as at March 31, 2017	$ 61,711	$ 191,964	$ 253,675
Additions	-	1,203	1,203
Disposals	-	(905)	(905)
Currency translation adjustment	-	(317)	(317)
Cost as at June 30, 2017	$ 61,711	$ 191,945	$ 253,656

Accumulated depletion and impairment	Land & buildings	Other plant & equipment	Total
Accumulated depletion and impairment as at December 31, 2016	$ 55,119	$ 143,832	$ 198,951
Charge for the period	1,505	5,527	7,032
Disposals	(7)	-	(7)
Currency translation adjustment	-	24	24
Accumulated depletion and impairment as at March 31, 2017	$ 56,617	$ 149,383	$ 206,000
Charge for the period	1,200	4,154	5,354
Disposals	-	(508)	(508)
Currency translation adjustment	-	(29)	(29)
Accumulated depletion and impairment as at June 30, 2017	$ 57,817	$ 153,000	$ 210,817

Net book value			
As at December 31, 2016	$ 6,625	$ 46,777	$ 53,402
As at March 31, 2017	5,094	42,581	47,675
As at June 30, 2017	3,894	38,945	42,839

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

11. Investments in Associates

	ODL	Bicentenario	PII	Interamerican	CGX	Total
As at December 31, 2016	$ 123,244	$ 190,502	$ 81,350	$ 16,086	$ 4,016	$ 415,198
Gain (loss) from equity investments	8,194	12,561	4,217	(353)	(631)	23,988
Dividends	(16,803)	(10,797)	-	-	-	(27,600)
Currency translation adjustment	8,294	7,810	594	-	-	16,698
As at March 31, 2017	$ 122,929	$ 200,076	$ 86,161	$ 15,733	$ 3,385	$ 428,284
Gain (loss) from equity investments	9,212	13,371	(10,533)	(1,830)	(283)	9,937
Currency translation adjustment	(6,755)	(10,700)	(645)	-	-	(18,100)
As at June 30, 2017	$ 125,386	$ 202,747	$ 74,983	$ 13,903	$ 3,102	$ 420,121
Company´s interest as at June 30, 2017	35.0%	43.0%	41.8%	21.1%	45.6%	

The Company holds a 63.64% interest in Pacific Midstream Ltd. ("**PM**"), which is the holding company for two of the Company's pipelines and a power transmission asset; i.e., a 35% interest in the ODL pipeline, a 41.5% interest in the Bicentenario pipeline, and a 100% interest in Petroelectrica de los Llanos Ltd.

During the three and six months ended June 30, 2017, the Company recognized dividends from its equity-accounted investments of $Nil and $27.6 million respectively (2016: $Nil and $40.8 million, respectively). During the three and six months ended June 30, 2017, the Company distributed dividends to the minority interest in PM of $Nil and $Nil, respectively (2016: $Nil and $14.6 million, respectively).

Pacific Infrastructure Ventures Inc. ("PII")

Pursuant to a warrant agreement dated November 7, 2013, International Finance Corporation ("**IFC**") and certain of its affiliates are entitled to exercise warrants for shares of PII. During the three months ended June 30, 2017, IFC has communicated its intent to exercise its warrants. As a result, our equity interest in PII may be diluted from our current 41.8% ownership of the capital stock of PII to 39.2%, which is estimated to decrease the carrying value of PII by approximately $4.5 million.

12. Other Assets

	As at June 30 2017	As at December 31 2016
Long-term receivables	51,855	105,460
Long-term recoverable VAT	24,061	26,989
Long-term withholding tax	26,122	27,439
Advances	22,489	21,782
Investments	1,120	962
	$ 125,647	$ 182,632

As at June 30, 2017, $57.0 million was reclassified from Other assets to Other short-term receivables (Note 19b) related to the Company's exit from the Papua New Guinea blocks ($56.1 million as at December 31, 2016 registered in long-term receivables). On June 22, 2017, the Company executed an Assignment Deed and Termination Deed with ExxonMobil Canada Holdings ULC ("**Exxon**") as successor to InterOil Corporation for transfering and assigning its rights and benefits in the PPL 475 and PRL 39 interests. The consideration for this transaction was a total cash amount of $57.0 million net of outstanding liabilities, which is due upon approval by the appropriate regulatory authority.

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

13. Impairment and Exploration Expenses

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Impairment expenses of oil & gas properties and plant and equipment (Note 8)	$ 23,159	$ -	$ 21,896	$ 603,998
Impairment expenses (reversal) of exploration and evaluation assets (Note 9)	-	22,773	(10,362)	32,826
Impairment of other assets (advances and Bicentenario prepayments)	-	-	-	52,595
Loan, taxes and others	-	15	1,178	267
Total impairment and exploration expenses	$ 23,159	$ 22,788	$ 12,712	$ 689,686

During the three and six months ended June 30, 2017, the Company recognized an impairment expense of $23.2 million and $12.7 million respectively.

In the second quarter of 2017, the Company continued its strategy to divest certain non-core assets. As part of this process, the Company received various offers below carrying value. In accordance with the provisions of IAS 36, Impairment of Assets, the Company considered this to be an indicator of impairment and accordingly, we were required to estimate the recoverable amount of the Cash Generating Unit (¨**CGU**¨). As a result of this analysis, an impairment charge of $23.2 million was recognized in the quarter. The Company has not categorized the assets as held-for-sale as the sale is not considered to be highly probable.

In the first quarter of 2017, the Company recognized a reversal of impairment on certain assets as held for sale of $11.6 million. The Company assessed the fair value of those assets and reversed the following impairment charges previously recognized: exploration and evaluation assets in the Peru CGU by $10.3 million and oil and gas properties in the Colombia Central CGU by $1.3 million. The majority of the reversal relates to evidence of each asset's recoverable value in excess of the asset retirement obligation being assumed by the third party on the expected closing of each transaction.

14. Interest-Bearing Loans and Borrowing

Secured Senior Notes (Exit Notes)

	Maturity	Principal	Currency	Interest Rate	As at June 30 2017	As at December 31 2016
Secured Senior Notes (Exit Notes)	2021	250,000	USD	10%	$ 250,000	$ 250,000
		250,000			$ 250,000	$ 250,000

The Exit Notes are listed on the Official List of the Luxembourg Stock Exchange and trade on the Euro MTF. Pursuant to the indenture governing the Exit Notes (the "**Indenture**"), the Company may not incur, with some exceptions, any additional indebtedness prior to November 2, 2018. Following this date, the Company is required to maintain (1) an interest coverage ratio greater than 3.25:1; and (2) a debt-to-EBITDA ratio lower than 2.5:1. The Company would otherwise continue to be restricted from incurring additional indebtedness. Other covenants under the Indenture limit, with some exceptions, the Company's ability to sell assets, incur liens, declare dividends, and enter into lease-back transactions, among others.

Letter of Credit Facility

On June 22, 2016, as a part of the Restructuring Transaction, the Company entered into a letter of credit facility that was amended and restated on November 2, 2016 ("**Letter of Credit Facility**"), and matures on June 22, 2018.

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

The Company pays 5% annual interest on the Letter of Credit Facility. As of June 30, 2017, letters of credit totalling $103.1 million (2016: $111.7 million) were outstanding under the Letter of Credit Facility.

The following table summarizes the main components of finance cost for the period:

	Three months ended		Six months ended	
	2017	2016	2017	2016
Interest on Secured Senior Notes (Exit Notes)	$ 6,250	$ 1,333	$ 12,500	$ 1,333
Accretion of asset retirement obligations	1,980	2,781	4,346	5,383
Other bank charges	1,152	1,852	2,024	2,866
Lease financing costs	784	1,007	1,599	2,171
Accretion income of account receivables	(982)	(1,118)	(3,262)	(5,162)
Interest income	(2,598)	(2,972)	(5,724)	(6,071)
Interest on Senior Notes	-	18,141	-	76,599
Interest on other debt	-	8,667	-	21,486
Accretion of deferred transaction costs	-	3,200	-	3,200
	$ 6,586	$ 32,891	$ 11,483	$ 101,805

15. Asset Retirement Obligation

	Amount
As at December 31, 2016	$ 248,632
Accretion expense	2,366
Additions	7,462
Changes in assumptions	5,432
Currency translation adjustment	8,748
As at March 31, 2017	$ 272,640
Accretion expense	1,980
Liabilities settled	(282)
Derecognition and disposals	(1,594)
Changes in assumptions	(14,751)
Currency translation adjustment	(11,978)
As at June 30, 2017	$ 246,015

Current portion	$ 23,620
Non-current portion	222,395
	$ 246,015

The asset retirement obligation represents the present value of decommissioning and environmental liability costs relating to oil and gas properties, of which $298 million on an undiscounted basis is expected to be incurred (2016: $356 million).

As at June 30, 2017, $14.6 million related to assets held for sale was reclassified from non-current to current liabilities as the responsibility for these liabilities is being assumed by third parties on the expected closing of each transaction.

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

16. Contingencies and Commitments

A summary of the Company's commitments, undiscounted and by calendar year, is presented below:

As at June 30, 2017	2017	2018	2019	2020	2021	2022 and later years	Total
Transportation commitments							
ODL Ship-or-Pay Agreement	$ 25,723	$ 50,053	$ 49,052	$ 30,266	$ 1,159	$ -	$ 156,253
Bicentenario Ship-or-Pay Agreement	69,153	138,307	138,307	138,307	138,307	348,783	971,164
Transportation and processing commitments	123,427	233,676	236,008	236,008	236,216	923,482	1,988,817
Exploration commitments							
Minimum work commitments	68,694	108,625	127,143	35,386	-	-	339,848
Other commitments							
Operating purchases and leases	22,560	6,572	4,989	4,893	4,893	9,029	52,936
Community obligations	5,788	-	-	-	-	-	5,788
Total	$ 315,345	$ 537,233	$ 555,499	$ 444,860	$ 380,575	$ 1,281,294	$ 3,514,806

The Company has various guarantees in place in the normal course of business. As at June 30, 2017, the Company had issued letters of credit and guarantees for exploration and operational commitments for a total of $154.5 million (2016: $162.8 million).

In Colombia, the Company is participating as a shipper in a project to expand the OCENSA pipeline, which was completed and commenced operations in July 2017. As part of the expansion project, the Company, through its subsidiaries Meta Petroleum Corp. and Petrominerales Colombia Corp., entered into separate crude oil transport agreements with OCENSA for future transport capacity. The Company started paying ship-or-pay fees once the expansion project was completed and operational. As part of the expansion project agreements, the Company is required to maintain minimum credit ratings of BB- (Fitch) and Ba3 (Moody's) or to evidence compliance of net assets and working capital tests. The Company met the tests requirements based on the net assets and working capital and submitted them to OCENSA upon filing of the 2016 financial statements.

Contingencies

The Company is involved in various claims and litigation arising in the normal course of business. Because the outcome of these matters is uncertain, there can be no assurance that such matters will be resolved in the Company's favour. The Company does not currently believe that the outcome of adverse decisions in any pending or threatened proceedings related to these and other matters, or any amount which it may be required to pay by reason thereof, would have a material impact on its financial position, results of operations, or cash flows.

Except as noted above, no material changes have occurred with respect to the matters disclosed in Note 25 "Contingencies and Commitments" of the Company's annual consolidated financial statements for the year ended December 31, 2016, and no new contingencies have occurred that are material to the Company since the issuance of those financial statements.

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

17. Issued Capital

a. Authorized, issued, and fully paid common shares

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

	Number of Shares		Amount
As at December 31, 2016, and March 31, 2017	50,002,363	$	4,745,355
Issued on exercise of DSUs	3,469		85
As at June 30, 2017	50,005,832	$	4,745,440

b. Deferred stock units ("DSUs")

	Number of DSUs Outstanding		Amount
As at December 31, 2016	16,634	$	728
Granted during the period	6,755		20
As at March 31, 2017	23,389	$	748
Granted during the period	7,153		233
Settled during the period	(3,469)		(85)
As at June 30, 2017	27,073	$	896

18. Related-Party Transactions

The following table provides the total balances, loans, interest balance outstanding and commitments with related parties as at June 30, 2017 and December 31, 2016:

		Accounts Receivables	Accounts Payables	Commitments	Cash Advance	Loan Receivable	Interest Receivable	Convertible Debentures
Oleoducto de los Llanos (ODL)	2017	$ -	$ 3,582	$ 156,253	$ -	$ -	$ -	$ -
	2016	638	341	176,442	-	-	-	-
Oleoducto Bicentenario de Colombia S.A.S.	2017	13,473	570	971,164	87,753	-	-	-
	2016	13,400	-	1,164,251	87,753	-	-	-
Pacific Infrastructure Ventures Inc.-Sociedad Portuaria Puerto Bahia S.A.	2017	898	1,557	173,663	-	76,552	22,148	-
	2016	828	905	199,859	-	74,279	18,097	-
Interamerican Energy - Consorcio Genser Power - Proelectrica	2017	-	111	-	-	-	-	-
	2016	174	555	-	-	-	-	-
Paye Foundation [(1)]	2017	-	81	-	-	-	-	-
	2016	-	1,737	-	-	-	-	-
CGX Energy Inc.	2017	64	-	-	-	12,866	1,515	1,500
	2016	-	-	-	-	10,000	1,500	1,500
Fupepco Foundation [(2)]	2017	-	30	-	-	-	-	-

(1) Formerly Pacific Rubiales Foundation
(2) The Company established a charitable foundation Fupepco Foundation in Colombia in 2017. The foundation has the objective of advancing social and community development projects in the country

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

The following table provides the total amount of transactions and interest income that had been entered with related parties during the three and six months ended June 30, 2017 and 2016:

		Three months ended June 30			Six months ended June 30		
		Sales	Purchases / Services	Interest Income	Sales	Purchases / Services	Interest Income
Oleoducto de los Llanos (ODL)	2017	$ -	$ 12,508	$ -	$ -	$ 21,295	$ -
	2016	124	21,817	-	217	51,466	-
Oleoducto Bicentenario de Colombia S.A.S.	2017	-	33,929	-	-	66,205	-
	2016	-	29,067	-	-	79,318	-
Pacific Infrastructure Ventures Inc.-Sociedad Portuaria Puerto Bahia S.A.	2017	-	9,982	2,063	-	19,971	4,050
	2016	509	9,823	1,263	2,592	20,064	2,527
Interamerican Energy - Consorcio Genser Power - Proelectrica	2017		19	-	338	19	-
	2016	1,764	9,206	-	7,660	15,194	-
Paye Foundation	2017	-	-	-	-	1,715	-
	2016	-	1,727	-	-	5,284	-
Fupepco Foundation	2017	-	10	-	-	54	-

On April 26, 2017, the Company entered into a secured bridge loan facility with CGX Energy Inc. ("**CGX**"). The principal amount of up to $3.1 million is divided into tranches payable within 12 months of the first draw-down. The loan carries an annual interest rate of 5% and its secured by the assets of CGX. During the quarter ended June 30, 2017, the Company advanced $1.8 million under this facility.

19. Financial Instruments

Risks Associated with Financial Assets and Liabilities

a. Market Risks

Commodity price risk

Commodity price risk is the risk that the cash flows and operations of the Company will fluctuate due to changes in commodity prices associated with oil pricing. Significant changes in commodity prices can also impact the Company's ability to raise capital or obtain additional debt financing. Commodity prices for crude oil are impacted by world economic events that dictate the levels of supply and demand. While the Company does not engage in speculative financial instrument trading, it may enter into various hedging strategies such as costless collars, swaps, and forwards to minimize its commodity price risk exposure to oil prices.

Foreign currency risk

Foreign currency risk arises from changes in foreign exchange rates that may affect the fair value or future cash flows of the Company's financial assets or liabilities. As the Company operates primarily in Colombia, fluctuations in the exchange rate between the Colombian peso and the U.S. dollar can have a significant effect on the Company's reported results.

The Company's foreign exchange gain/loss primarily includes unrealized foreign exchange gains and losses on the translation of COP-denominated risk management assets and liabilities held in Colombia.

Interest rate risk

The Company does not have any financial liability that is subject to interest rate risk as at June 30, 2017.

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

Sensitivity analysis on market risks

The details below summarize the sensitivities of the Company's risk management positions to fluctuations in the underlying benchmark prices, with all other variables held constant. Fluctuations in the underlying benchmark could have resulted in unrealized gains or losses impacting pre-tax net earnings as follows:

- A 10% change in the COP/U.S.$ exchange rate would have resulted in a $1.2 million change in foreign exchange gain/loss as at June 30, 2017 (2016: $0.9 million).
- A 10% change in the COP/U.S.$ exchange rate would have resulted in a $0.7 million change in other comprehensive income/loss as at June 30, 2017 (2016: $3.0 million).

b. Credit Risk

Credit risk arises from the potential that the Company may incur a loss if a counterparty to a financial instrument fails to meet its obligations in accordance with agreed terms. The Company actively limits the total exposure to individual client counterparties and holds a trade credit insurance policy for indemnification for losses from non-collection of trade receivables.

	Note	As at June 30 2017	As at December 31 2016
Trade receivables		$ 102,266	$ 104,994
Other receivables		80,680	20,893
Withholding tax and others		65,848	58,102
Receivables from joint arrangements		35,551	41,183
Advances/deposits		20,095	28,040
Allowance for doubtful trade receivables		(15,677)	(15,848)
Allowance for other receivables		(1,332)	(1,178)
Allowance for joint arrangements		(528)	(492)
Allowance for doubtful advances/ deposits		(853)	(866)
Short-term receivables		$ 286,050	$ 234,828
Long-term receivables	12	51,855	105,460
Total accounts receivables		$ 337,905	$ 340,288
Withholding tax and others - Not considered for credit risk		(65,848)	(58,102)
Total accounts receivables considered for credit risk		$ 272,057	$ 282,186

As at June 30, 2017, three of the Company's customers had accounts receivable that were greater than 10% of the total trade accounts receivable. The Company's credit exposure to these customers was $23 million, $22 million and $22 million or 26%, 25% and 25% of trade accounts receivable, respectively (December 31, 2016: two customers at $46 million and $25 million or 51% and 27% of trade accounts receivable). Revenues from these customers for the six months ended June 30, 2017 were $70 million, $92 million and $22 million, or 11%, 15% and 3% of revenue (2016: $163 million and $91 million or 20% and 11% of revenue), respectively.

The majority of the receivables from joint arrangements is due from Ecopetrol.

According to the agreement between the Company and Exxon dated June 22, 2017, the account receivable of $57.0 million was reclassified from Long-term receivables to Other short-term receivables (Note 12).

The Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except for the loan with PII.

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

c. 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's process for managing liquidity risk includes ensuring, to the extent possible, that it will have sufficient liquidity to meet its liabilities when they become due. The Company prepares annual capital expenditure budgets that are monitored and updated as required. In addition, the Company requires authorizations for expenditures on projects to assist with the management of capital. As at June 30, 2017, the Company had $154.5 million in letters of credit outstanding (2016: $162.8 million), $103.1 million of which are committed under the Letter of Credit Facility (2016: $111.7 million) (Note 14).

The following are the contractual maturities of non-derivative financial liabilities (based on calendar year and undiscounted):

Financial liability due in	Note	2017	2018	2019	2020	2021	Total
Accounts payable and accrued liabilities		$ 316,501	$ 220,408	$ -	$ -	$ -	$ 536,909
Secured Senior Notes (Exit Notes)	14	-	-	-	-	250,000	250,000
Obligations under finance lease		3,417	6,778	6,778	6,797	4,511	28,281
Total		$ 319,918	$ 227,186	$ 6,778	$ 6,797	$ 254,511	$ 815,190

Accounts payable and accrued liabilities consisted of the following as at June 30, 2017 and December 31, 2016:

	As at June 30 2017	As at December 31 2016
Trade and other payables	$ 106,144	$ 97,678
Accrued liabilities	126,946	170,588
Payables - JV partners	3,318	13,446
Advances, warranties, and deposits	41,382	38,074
Provisions and withholding tax	253,473	256,564
Equity tax	5,646	-
	$ 536,909	$ 576,350

d. Risk Management Contracts

The Company has entered into a number of oil price risk management contracts, but none of these instruments were subject to hedge accounting. Any change in fair value is recorded in profit or loss as risk management gain or loss with realized amounts recorded in revenue.

The terms and conditions of the hedging instruments and expected settlement periods as at June 30, 2017 are as follows:

Type of Instrument	Term	Notional Amount / Volume (bbl)	Floor/ Ceiling or Long/Short strike	Benchmark	Carrying amount Assets	Carrying amount Liabilities
Commodities Price Risk						
Put spreads	August to September 2017	1,405,000	49 / 53	BRENT	-	2,777
Zero-cost collars	July to December 2017	7,640,000	49 / 63.10	BRENT	23,371	-
Total as at June 30, 2017					$ 23,371	$ 2,777

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

The terms and conditions of the hedging instruments and expected settlement periods as at December 31, 2016 are as follows:

Type of Instrument	Term	Notional Amount / Volume (bbl)	Floor/ Ceiling or Long/Short strike	Benchmark	Carrying amount Assets	Carrying amount Liabilities
Commodities Price Risk						
Zero-cost collars	January to July 2017	8,080,000	42.5 / 61.5	BRENT	-	31,985
Total as at December 31, 2016					$ -	$ 31,985

For the three and six months ended June 30, 2017, the Company recorded risk management gains of $12.4 million and $52.6 million, respectively, on commodity price risk management contracts (2016: gain of $6.1 million and loss of $107.5 million, respectively). In addition, for the three and six months ended June 30, 2017, the Company recognized a gain in revenue of $3.3 million and a loss of $5.4 million respectively related to the contracts that were settled in the period (2016: gain in revenues of $Nil and $148 million, respectively).

Fair Value of Financial Instruments

The following table summarizes the Company's financial instruments that are carried or disclosed at fair value in accordance with the classification of fair value input hierarchy in *IFRS 7 Financial Instruments - Disclosures*.

As at June 30, 2017:

	Carrying Value	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Fair Value Total
Financial assets measured at fair value through profit or loss (FVTPL)					
Held-for-trading derivatives	$ 23,371	$ -	$ 23,371	$ -	$ 23,371
Investments in equity instruments	1,120	-	-	1,120	1,120
Financial assets measured at amortized cost					
Long-term receivables	$ 51,855	$ -	$ 51,855	$ -	$ 51,855
Financial liabilities measured at fair value through profit or loss (FVTPL)					
Held-for-trading derivatives that are not designated in hedge accounting relationships	$ (2,777)	$ -	$ (2,777)	$ -	$ (2,777)
Financial liabilities measured at amortized cost					
Secured Senior Notes (Exit Notes)	$ (250,000)	$ (277,758)	$ -	$ -	$ (277,758)
Obligations under finance lease	(21,181)	-	(26,686)	-	(26,686)

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

As at December 31, 2016:

		Fair Value			
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss (FVTPL)					
Investments in equity instruments	$ 962	$ -	$ -	$ 962	$ 962
Financial assets measured at amortized cost					
Long-term receivables	$ 105,460	$ -	$ 105,460	$ -	$ 105,460
Financial liabilities measured at fair value through profit or loss (FVTPL)					
Held-for-trading derivatives that are not designated in hedge accounting relationships	$ (31,985)	$ -	$ (31,985)	$ -	$ (31,985)
Financial liabilities measured at amortized cost					
Secured Senior Notes (Exit Notes)	$ (250,000)	$ (250,000)	$ -	$ -	$ (250,000)
Obligations under finance lease	(22,942)	-	(28,904)	-	(28,904)

The Company uses Level 1 inputs, being the last based on quoted price in active, observable markets.

The Company uses Level 2 inputs to measure the fair value of its risk management contracts, certain receivables, and debt balances. The fair values of the risk management contracts are estimated using internal discounted cash flows based on forward prices and quotes obtained from counterparties to the contracts, taking into account the creditworthiness of those counterparties or the Company's credit rating when applicable. The fair value of certain receivables and debt balances are measured using inputs from sources other than quoted prices.

The Company uses Level 3 inputs to measure the fair value of certain investments that do not have an active market.

Valuation techniques

The credit risks associated with the counterparties and the Company are estimated based on observable benchmark risk spreads. The commodity risk management contracts are measured at observable spot and forward crude oil prices. The fair value of the Company's debt is based on observable market prices.

Other financial instruments measured at amortized cost

The carrying value of the Company's cash and cash equivalents, restricted cash, accounts receivable and accounts payable and accrued liabilities approximates its fair value as a result of the short-term nature of the instruments.

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

20. Supplemental Disclosure on Cash Flows

Changes in non-cash working capital are as follows:

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Decrease in accounts receivable	$ 9,257	$ 65,017	$ 12,298	$ 214,672
(Increase) decrease in income taxes receivable	(5,943)	37,032	(1,215)	82,724
Decrease in accounts payable and accrued liabilities	(34,101)	(84,895)	(42,730)	(380,089)
Increase in inventories	(903)	(21,362)	(910)	(26,898)
(Decrease) increase in income taxes payable	(1,080)	594	(7,460)	1,509
Decrease in prepaid expenses	798	2,251	2,157	2,891
	$ (31,972)	$ (1,363)	$ (37,860)	$ (105,191)

Other cash flow information is as follows:

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Cash income taxes paid	$ 1,783	$ 2,416	$ 3,327	$ 4,664
Cash interest paid	6,250	1,878	12,500	4,899
Cash interest received	1,192	2,628	3,703	4,226