INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

For the three and six months ended June 30, 2018 and 2017

FRONTERA ENERGY

Interim Condensed Consolidated Statements of Loss

(Unaudited; in thousands of U.S.$, except per share information)	Notes	Three Months Ended June 30 2018	Three Months Ended June 30 2017	Six Months Ended June 30 2018	Six Months Ended June 30 2017
Oil and gas sales and other revenue		$ 418,560	$ 270,033	$ 708,094	$ 570,186
Sales of oil and gas for trading		166	26,075	2,493	51,346
Total sales	4	418,726	296,108	710,587	621,532
Oil and gas operating costs	5	176,576	167,447	333,279	332,557
Purchase of oil and gas for trading		163	25,483	1,906	50,455
Overlift (settlement)		22,539	(6,433)	5,520	(25)
Fees paid on suspended pipeline capacity	20	40,835	22,237	76,739	49,337
Depletion, depreciation and amortization		85,576	97,588	158,249	199,382
General and administrative		26,168	26,098	48,221	53,804
Impairment	6	109,936	23,159	130,277	12,712
Share-based compensation	16	1,780	233	2,834	253
Restructuring, severance and other costs	7	1,554	1,842	4,392	7,788
Loss from operations		(46,401)	(61,546)	(50,830)	(84,731)
Share of income from associates	13	19,651	9,937	55,410	33,925
Equity tax		—	—	—	(11,694)
Foreign exchange (loss) gain		(8,199)	(12,409)	10,806	(1,163)
Finance costs, net	15	(9,499)	(6,586)	(13,746)	(11,483)
Realized (loss) gain on risk management contracts	19	(68,613)	3,344	(111,006)	(5,442)
Unrealized (loss) gain on risk management contracts	19	(3,198)	12,434	14,115	52,579
Other (loss) income, net		(699)	5,350	(1,303)	7,848
Reclassification of currency translation adjustments	10	(50,847)	—	(50,847)	—
Loss on extinguishment of debt	15	(25,628)	—	(25,628)	—
Net loss before income tax		(193,433)	(49,476)	(173,029)	(20,161)
Current income tax expense	8	(5,454)	(3,535)	(15,783)	(13,569)
Deferred income tax expense	8	(6,271)	—	(6,688)	—
Income tax expense		(11,725)	(3,535)	(22,471)	(13,569)
Net loss for the period		$ (205,158)	$ (53,011)	$ (195,500)	$ (33,730)
Attributable to:					
Equity holders of the Company		(184,436)	(51,542)	(187,557)	(43,044)
Non-controlling interests		(20,722)	(1,469)	(7,943)	9,314
		$ (205,158)	$ (53,011)	$ (195,500)	$ (33,730)
Basic and diluted loss per share attributable to equity holders of the Company	9	$ (1.84)	$ (0.52)	$ (1.88)	$ (0.43)

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

Interim Condensed Consolidated Statements of Comprehensive Loss

(Unaudited; in thousands of U.S.$)	Three Months Ended June 30 2018	Three Months Ended June 30 2017	Six Months Ended June 30 2018	Six Months Ended June 30 2017
Net loss for the period	$ (205,158)	$ (53,011)	$ (195,500)	$ (33,730)
Other comprehensive (loss) income items that may be reclassified to net loss in a subsequent period (nil tax effect)				
Foreign currency translation	(18,205)	(22,860)	13,193	(7,219)
Reclassification of currency translation adjustments (Note 10)	50,847	—	50,847	—
	32,642	(22,860)	64,040	(7,219)
Total comprehensive loss for the period	$ (172,516)	$ (75,871)	$ (131,460)	$ (40,949)
Attributable to:				
Equity holders of the Company	(145,093)	(68,581)	(124,997)	(48,116)
Non-controlling interests	(27,423)	(7,290)	(6,463)	7,167
	$ (172,516)	$ (75,871)	$ (131,460)	$ (40,949)

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

Interim Condensed Consolidated Statements of Financial Position

As at *(Unaudited; in thousands of U.S.$)*	Notes	June 30 2018	December 31 2017
ASSETS			
Current			
Cash and cash equivalents		$ 550,840	$ 511,685
Restricted cash		90,393	65,787
Accounts receivable	19	297,851	288,205
Inventories		72,543	60,273
Income tax receivable		9,456	10,539
Prepaid expenses		1,040	1,971
Assets held for sale	10	14,875	52,925
Total current assets		1,036,998	991,385
Non-current			
Oil and gas properties	11	862,764	889,636
Exploration and evaluation assets	12	62,189	22,229
Plant and equipment		29,164	34,373
Intangible assets		357	4,435
Investments in associates	13	305,273	420,983
Other assets	14	157,039	129,166
Deferred tax asset		14,142	20,830
Restricted cash		88,855	66,614
Total assets		$ 2,556,781	$ 2,579,651
LIABILITIES			
Current			
Accounts payable and accrued liabilities	19	$ 599,708	$ 547,900
Risk management liabilities	19	89,632	103,747
Income tax payable		3,494	5,328
Obligations under finance lease		4,602	4,284
Asset retirement obligations		22,196	20,109
Total current liabilities		719,632	681,368
Non-current			
Long-term debt	15	335,614	250,000
Obligations under finance lease		12,590	14,945
Asset retirement obligations		240,004	236,957
Total liabilities		$ 1,307,840	$ 1,183,270
Commitments and contingencies	20		
EQUITY			
Share capital		4,745,440	4,745,440
Contributed surplus		129,189	127,351
Other reserves		(169,548)	(232,108)
Retained deficit		(3,542,490)	(3,354,933)
Equity attributable to equity holders of the Company		$ 1,162,591	$ 1,285,750
Non-controlling interests		86,350	110,631
Total equity		$ 1,248,941	$ 1,396,381
Total liabilities and equity		$ 2,556,781	$ 2,579,651

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

Interim Condensed Consolidated Statements of Changes in Equity

	Attributable to Equity Holders of the Company								
(Unaudited; in thousands of U.S.$)	**Number of Common Shares (1)**	**Share Capital**	**Contributed Surplus**	**Currency Translation Adjustments**	**Fair Value Investment**	**Retained Deficit**	**Total**	**Non-Controlling Interests**	**Total Equity**
As at January 1, 2018	100,011,664	$ 4,745,440	$ 127,351	$ (226,906)	$ (5,202)	$ (3,354,933)	$ 1,285,750	$ 110,631	$ 1,396,381
Net loss for the period	—	—	—	—	—	(187,557)	(187,557)	(7,943)	(195,500)
Other comprehensive income	—	—	—	62,560	—	—	62,560	1,480	64,040
Total comprehensive income (loss)	—	—	—	62,560	—	(187,557)	(124,997)	(6,463)	(131,460)
Share-based compensation	—	—	1,838	—	—	—	1,838	—	1,838
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(17,818)	(17,818)
As at June 30, 2018	100,011,664	$ 4,745,440	$ 129,189	$ (164,346)	$ (5,202)	$ (3,542,490)	$ 1,162,591	$ 86,350	$ 1,248,941

	Attributable to Equity Holders of the Company								
(Unaudited; in thousands of U.S.$)	**Number of Common Shares (1)**	**Share Capital**	**Contributed Surplus**	**Currency Translation Adjustments**	**Fair Value Investment**	**Retained Deficit**	**Total**	**Non-Controlling Interests**	**Total Equity**
As at January 1, 2017	100,004,726	$ 4,745,355	$ 123,525	$ (229,678)	$ (5,202)	$ (3,138,230)	$ 1,495,770	$ 105,265	$ 1,601,035
Net (loss) income for the period	—	—	—	—	—	(43,044)	(43,044)	9,314	(33,730)
Other comprehensive loss	—	—	—	(5,072)	—	—	(5,072)	(2,147)	(7,219)
Total comprehensive (loss) income	—	—	—	(5,072)	—	(43,044)	(48,116)	7,167	(40,949)
Share-based compensation	6,938	85	896	—	—	—	981	—	981
As at June 30, 2017	100,011,664	$ 4,745,440	$ 124,421	$ (234,750)	$ (5,202)	$ (3,181,274)	$ 1,448,635	$ 112,432	$ 1,561,067

(1) On June 26, 2018, the Company completed a two-for-one share split on its issued and outstanding common shares, which was applied retrospectively. As a result, the common share amounts are stated on an adjusted post-split basis (Note 1).

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

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited; in thousands of U.S.$)	Notes	Three Months Ended June 30 2018	Three Months Ended June 30 2017	Six Months Ended June 30 2018	Six Months Ended June 30 2017
OPERATING ACTIVITIES					
Net loss for the period		$ (205,158)	$ (53,011)	$ (195,500)	$ (33,730)
Items not affecting cash:					
Depletion, depreciation and amortization		85,576	97,588	158,249	199,382
Impairment	6	109,936	23,159	130,277	12,712
Accretion expense		5,696	1,782	7,667	2,683
Unrealized loss (gain) on risk management contracts		3,198	(12,434)	(14,115)	(52,579)
Share-based compensation		655	233	1,709	253
Deferred income tax recovery	8	6,271	—	6,688	—
Unrealized foreign exchange loss (gain)		11,351	11,571	(10,323)	(3,289)
Share of income from associates	13	(19,651)	(9,937)	(55,410)	(33,925)
Reclassification of currency translation adjustments	10	50,847	—	50,847	—
Other		(3,027)	(8,792)	(2,973)	(7,828)
Dividends from associates	13	48,449	—	48,449	27,600
Settlement of asset retirement obligations		—	(282)	(50)	(282)
Equity tax		—	(5,850)	—	5,844
Loss on extinguishment of debt	15	25,628	—	25,628	—
Changes in non-cash working capital	17	(11,371)	(31,972)	(12,478)	(37,860)
Net cash provided by operating activities		$ 108,400	$ 12,055	$ 138,665	$ 78,981
INVESTING ACTIVITIES					
Additions to oil and gas properties and plant and equipment, net		$ (61,778)	$ (40,054)	$ (126,333)	$ (66,728)
Additions to exploration and evaluation assets, net		(26,149)	348	(39,641)	1,235
Additions to other assets, net	14	(30,480)	(435)	(30,480)	(2,573)
Proceeds from sale of power transmission line assets	10	35,649	—	55,649	—
(Increase) decrease in restricted cash		(30,108)	(14,016)	(74,635)	13,055
Proceeds from the sale of assets held for sale		—	17,072	6,434	32,572
Proceeds from the sale of interests in Papua New Guinea	19	—	—	57,000	—
Net cash used in investing activities		$ (112,866)	$ (37,085)	$ (152,006)	$ (22,439)
FINANCING ACTIVITIES					
Payment of leases		(1,689)	(1,690)	(3,361)	(3,360)
Long-term debt - repayment and consent payment	15	(275,628)	—	(275,628)	—
Long-term debt - gross proceeds from issuance prior to transaction costs	15	345,947	—	345,947	—
Transaction costs on issuance of long-term debt	15	(10,333)	—	(10,333)	—
Dividends paid to non-controlling interests	13	(17,818)	—	(17,818)	—
Changes in non-cash working capital		1,178	—	1,178	—
Net cash provided by (used in) financing activities		$ 41,657	$ (1,690)	$ 39,985	$ (3,360)
Effect of exchange rate changes on cash and cash equivalents		(2,162)	(3,775)	12,511	(2,802)
Increase (decrease) in cash and cash equivalents during the period		35,029	(30,495)	39,155	50,380
Cash and cash equivalents, beginning of the period		515,811	469,974	511,685	389,099
Cash and cash equivalents, end of the period		$ 550,840	$ 439,479	$ 550,840	$ 439,479
Cash		$ 237,139	$ 132,247	$ 237,139	$ 132,247
Cash equivalents		313,701	307,232	313,701	307,232
Total cash and cash equivalents		$ 550,840	$ 439,479	$ 550,840	$ 439,479
Cash income tax paid		$ 4,687	$ 1,783	$ 9,249	$ 3,327
Cash interest paid		$ 5,902	$ 6,250	$ 12,152	$ 12,500
Cash interest received		$ 2,598	$ 1,192	$ 6,266	$ 3,703

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

1. Corporate Information

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

On June 26, 2018, the Company completed a two-for-one share split on its issued and outstanding common shares (the "**Share Split**"). The Share Split has been applied retrospectively and as a result, all common shares, share-based units, and per share amounts are stated on an adjusted post-split basis for all periods presented.

These interim condensed consolidated financial statements of the Company, which comprise those of the Company and its subsidiaries, were approved and authorized for issuance by the Audit Committee of the Board of Directors on August 2, 2018.

2. Basis of Preparation and Significant Accounting Policies

a. Statement of Compliance

These interim condensed consolidated financial statements for the three and six months ended June 30, 2018 and 2017 (the "**Interim Financial Statements**") have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("**IASB**"). The Interim 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 audited annual consolidated financial statements for the year ended December 31, 2017 (the "**2017 Annual Financial Statements**"). The comparative period amounts have been reclassified from the ones previously presented to conform to the presentation of the Interim Financial Statements.

b. Significant Accounting Policies

The accounting policies used in preparation of the Interim Financial Statements are consistent with those disclosed in the 2017 Annual Financial Statements, except as outlined below. The Company has not early adopted any standard, interpretation, or amendment that has been issued but is not yet effective.

Changes in Accounting Policies and Disclosures

There were certain new standards, amendments and interpretations effective from January 1, 2018, that the Company applied for the first time. The most significant are outlined below.

*Adoption of IFRS 15 Revenue from Contracts with Customers ("**IFRS 15**")*

Effective January 1, 2018, the Company adopted IFRS 15, which supersedes all previous accounting standards for revenue including IAS 18 Revenue, using the modified retrospective method without the use of any practical expedients. Under this method, prior year financial statements have not been restated and the cumulative effect of any change to net income would have been recognized at January 1, 2018. The adoption of IFRS 15 resulted in no changes to the timing or amount of revenue recognized from the Company's major revenue streams and significant contracts and as a result, no adjustment to retained earnings was recorded on transition.

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 the performance obligations. This transfer of control typically occurs 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. Significant estimates and judgments for revenue recognition are consistent with those described in the 2017 Annual Financial Statements.

IFRS 15 requires revenue recognized from contracts with customers to be disclosed separately from other sources of revenue. As a result, the Company has changed its presentation of realized risk management gains and losses, which are not derived from contracts with customers. These amounts are now presented as "realized (loss) gain on risk management contracts," whereas previously they were included within oil and gas sales. This change in presentation has no impact on net loss for the period and no impact on the Interim Condensed Consolidated Statements of Cash Flows. The comparative period has been reclassified to reflect the updated presentation for risk management contracts. IFRS 15 also requires additional disclosures for interim reporting, including the disaggregation of revenues from customers, included in Note 4.

*Adoption of IFRS 9 Financial Instruments ("**IFRS 9**")*

The Company previously adopted IFRS 9 (2013) and has adopted the amendments to IFRS 9 (2014) as of the effective date of January 1, 2018. The most relevant impact of the amendments relates to a new forward-looking "expected credit loss" ("**ECL**") impairment model replacing the previous incurred loss model.

Upon adoption, the Company did not recognize any additional ECL allowance adjustments at the transition date on short-term trade receivables with customers and partners in joint operations given the negligible historical level of default and that such receivables are almost exclusively to large organizations and governmental entities with strong credit ratings. For long-term receivable balances within the scope of IFRS 9, the Company did not recognize any additional ECL allowance adjustments at the transition date.

The Company has included additional disclosures as per the requirements of the new standard, including an ECL allowance continuity schedule that reflects incurred losses already recognized in previous years as part of the opening January 1, 2018 balance (Note 19).

*Adoption of IFRS 2 Share-based Payment Transactions ("**IFRS 2**") Amendments*

The IASB issued amendments to IFRS 2, effective January 1, 2018, that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction, the classification of a share-based payment transaction with net settlement features for withholding tax obligations, and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. The Company adopted these amendments as at January 1, 2018, without significant impact on existing share-based payment arrangements and activity.

Standards Issued But Not Yet Effective

Standards issued but not yet effective up to the date of issuance of the Interim Financial Statements that are likely to have an impact on the Company are listed below.

*IFRS 16 Leases ("**IFRS 16**")*

IFRS 16 requires lessees to account for all leases, with certain exceptions, under a single on-balance sheet model, similar to finance leases under the current standard IAS 17 Leases. IFRS 16 will apply for annual periods beginning on or after January 1, 2019. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective transition approach. The Company will adopt the standard on January 1, 2019, applying the modified retrospective transition approach, and is currently in the process of identifying and compiling all existing lease and service contracts as part of the scoping and diagnostic phase of the implementation project.

*IFRIC 23 Uncertainty over Income Tax Treatments ("**IFRIC 23**")*

In June 2017, the IASB issued IFRIC 23 to clarify 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 January 1, 2019. The adoption of IFRIC 23 is not expected to have a material impact on the Company's consolidated financial statements.

*IAS 28 Investments in Associates and Joint Ventures ("**IAS 28**") Amendments*

In October 2017, the IASB issued amendments to IAS 28 to clarify that a company applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. The amendments are effective from January 1, 2019, with early application permitted. The Company is assessing the impact of the amendments on its consolidated financial statements.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Interim Financial Statements in accordance with IFRS requires the Company to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates, and assumptions affect the reported amounts of assets, liabilities, revenues and other items in net income or loss, and the related disclosure of contingent liabilities included in the consolidated financial statements. The Company's estimates are evaluated on an ongoing basis and are based on historical experience and on various other assumptions that the Company believes are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

In preparing the Interim Financial Statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were consistent with those applied in the 2017 Annual Financial Statements, except as described below:

(Unaudited; in thousands of U.S.$, unless otherwise stated)

*Carrying Value of Oleoducto Bicentenario de Colombia S.A.S. ("**Bicentenario**")*

Upon exercising its rights to terminate transportation contracts with Bicentenario (Note 20), the Company recognized an impairment expense of $107.7 million on the Company's investment in Bicentenario. The calculation of the recoverable amount involved significant judgment and estimation uncertainty related to Bicentenario's future operational plans and activities after existing transportation agreements expire in 2024 (Note 6).

3. Segmented Information

The Company has two reportable segments: Colombia and Peru. The Company manages its operations to reflect differences in the regulatory environments and risk factors for each country. The "Canada & Other" segment includes corporate office and other non-operating entities that have been aggregated, as they do not generate revenues for the Company.

The following table provides segmented information as at June 30, 2018, and December 31, 2017:

	Colombia		Peru		Canada & Other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Non-current assets	1,470,823	1,537,377	44,606	30,930	4,354	19,959	1,519,783	1,588,266

Segmented information for the Interim Condensed Consolidated Statements of Loss is as follows:

	Colombia		Peru		Canada & Other		Total	
For the Three Months Ended June 30	2018	2017	2018	2017	2018	2017	2018	2017
Oil and gas sales and other revenue	$ 401,766	$ 258,751	$ 16,794	$ 11,282	$ —	$ —	$ 418,560	$ 270,033
Sales of oil and gas for trading	166	26,075	—	—	—	—	166	26,075
Total sales	401,932	284,826	16,794	11,282	—	—	418,726	296,108
Oil and gas operating costs	163,596	151,547	12,980	15,900	—	—	176,576	167,447
Purchase of oil and gas for trading	163	25,483	—	—	—	—	163	25,483
Overlift (settlement)	22,539	(6,433)	—		—	—	22,539	(6,433)
Fees paid on suspended pipeline capacity	40,835	22,237	—	—	—	—	40,835	22,237
Depletion, depreciation and amortization	85,287	93,420	183	3,890	106	278	85,576	97,588
General and administrative	19,904	21,501	1,785	1,547	4,479	3,050	26,168	26,098
Impairment	109,936	23,159	—	—	—	—	109,936	23,159
Share-based compensation	385	—	178	—	1,217	233	1,780	233
Restructuring, severance and other costs	1,035	983	—	—	519	859	1,554	1,842
(Loss) income from operations	(41,748)	(47,071)	1,668	(10,055)	(6,321)	(4,420)	(46,401)	(61,546)
Non-operating items							(147,032)	12,070
Income tax expense							(11,725)	(3,535)
Net loss for the period							$(205,158)	$ (53,011)

(Unaudited; in thousands of U.S.$, unless otherwise stated)

For the Six Months Ended June 30	Colombia 2018	Colombia 2017	Peru 2018	Peru 2017	Canada & Other 2018	Canada & Other 2017	Total 2018	Total 2017
Oil and gas sales and other revenue	$ 650,194	$ 544,611	$ 57,900	$ 25,575	$ —	$ —	$ 708,094	$ 570,186
Sales of oil and gas for trading	2,493	51,346	—	—	—	—	2,493	51,346
Total sales	652,687	595,957	57,900	25,575	—	—	710,587	621,532
Oil and gas operating costs	294,376	301,739	38,903	30,818	—	—	333,279	332,557
Purchase of oil and gas for trading	1,906	50,455	—	—	—	—	1,906	50,455
Overlift (settlement)	5,520	(25)	—		—	—	5,520	(25)
Fees paid on suspended pipeline capacity	76,739	49,337	—	—	—	—	76,739	49,337
Depletion, depreciation and amortization	157,691	191,453	262	7,374	296	555	158,249	199,382
General and administrative	36,780	40,835	3,206	3,026	8,235	9,943	48,221	53,804
Impairment (reversal)	119,061	22,088	—	(10,362)	11,216	986	130,277	12,712
Share-based compensation	1,209	—	178	—	1,447	253	2,834	253
Restructuring, severance and other costs	2,379	5,641	—	1,008	2,013	1,139	4,392	7,788
(Loss) income from operations	(42,974)	(65,566)	15,351	(6,289)	(23,207)	(12,876)	(50,830)	(84,731)
Non-operating items							(122,199)	64,570
Income tax expense							(22,471)	(13,569)
Net loss for the period							$(195,500)	$ (33,730)

4. Total Sales

The following table provides the disaggregation of the Company's revenue from contracts with customers:

	Three Months Ended June 30 2018	Three Months Ended June 30 2017	Six Months Ended June 30 2018	Six Months Ended June 30 2017
Colombia				
Colombian crude oil sales	$ 386,199	$ 240,384	$ 614,585	$ 507,697
Sales of oil and gas for trading	166	26,075	2,493	51,346
Gas sales	9,542	11,254	19,574	22,985
Colombia oil and gas sales	395,907	277,713	636,652	582,028
Power transmission and other revenues(1)	6,025	7,113	16,035	13,929
Colombia total	401,932	284,826	652,687	595,957
Peru total - crude oil sales	16,794	11,282	57,900	25,575
Total sales	$ 418,726	$ 296,108	$ 710,587	$ 621,532

(1) Power transmission revenue recognized until April 19, 2018, the date the transmission line assets were sold (Note 10).

5. Oil and Gas Operating Costs

	Three Months Ended June 30 2018	Three Months Ended June 30 2017	Six Months Ended June 30 2018	Six Months Ended June 30 2017
Production costs	$ 82,450	$ 65,390	$ 156,772	$ 126,917
Transportation costs	68,935	93,435	144,513	184,687
High-price participation payments and cash royalties	12,598	4,922	20,349	10,795
Diluent costs	10,741	7,225	19,606	14,094
Inventory valuation	1,852	(3,525)	(7,961)	(3,936)
Total oil and gas operating costs	$ 176,576	$ 167,447	$ 333,279	$ 332,557

(Unaudited; in thousands of U.S.$, unless otherwise stated)

6. Impairment

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Impairment of investment in associates	$ 107,660	$ —	$ 118,876	$ —
Impairment of assets held for sale - transmission line assets (Note 10)	—	23,159	9,125	23,159
Impairment of oil and gas properties, exploration and evaluation assets, and plant and equipment	2,007	—	2,007	(11,625)
Other	269	—	269	1,178
Total impairment	$ 109,936	$ 23,159	$ 130,277	$ 12,712

Impairment of Investments in Associates

*Interamerican Energy Corp. ("**Interamerican**")*

During the first quarter of 2018, the Company recognized an impairment charge of $11.2 million (2017: $Nil), when it determined the carrying value of its investment in Interamerican was in excess of the fair value less costs to sell calculated with reference to a bid offer (categorized as level 2 inputs under the fair value hierarchy) (Note 13). The investment was reclassified to Assets Held for Sale during the second quarter of 2018 (Note 10).

Bicentenario

During the second quarter of 2018, the Company recognized an impairment charge of $107.7 million against associate investee Bicentenario. As at June 30, 2018, the Company identified the long period of suspended capacity on the Bicentenario pipeline ("**BIC**") as a potential impairment indicator. On July 13, 2018, the Company announced that it had exercised its rights to terminate existing contracts to transport oil through the BIC pipeline, given that Bicentenario had not transported the Company´s oil for more than six uninterrupted months due to a justifiable event (Note 20).

The Company performed an impairment test as at June 30, 2018, where the recoverable amount was calculated based on the value-in-use ("**VIU**") discounted dividends cash flow model. Key assumptions used in the determination of the recoverable amount under the VIU model include:

- A Bicentenario board approved budget made available to shareholders, which includes related operating and capital costs assumptions, and a forecast period until 2024, the year all ship-or-pay agreements were originally scheduled to terminate.
- An after-tax discount rate as determined by the cost of capital, taking into consideration the expected return on investment by the Company's investors, and the cost of debt based on the interest-bearing borrowings of Bicentenario.
- Terms, tariff rates and volumes forecasted under Bicentenario's other major ship-or-pay agreements remain unchanged.

The Company does not have access to planned future operations and activities of Bicentenario to forecast beyond 2024.

7. Restructuring, Severance, and Other Costs

During the three and six months ended June 30, 2018, the Company incurred:

- $0.8 million and $3.6 million, respectively, in costs associated with continuing restructuring and severance for personnel reductions related to the 2016 restructuring transaction (2017: $1.8 million and $7.8 million, respectively).
- $0.8 million in other costs with respect to 2018 transformation activities to deliver process improvements and operational efficiencies (2017: $Nil).

Additional information on the 2016 restructuring transaction, which was completed on November 2, 2016, is included in "Note 1 - Corporate Information" of the 2017 Annual Financial Statements.

(Unaudited; in thousands of U.S.$, unless otherwise stated)

8. Income Taxes

A reconciliation between income tax expense and accounting profit multiplied by the Colombian statutory corporate income tax rate is provided below.

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Net loss before income tax	$ (193,433)	$ (49,476)	$ (173,029)	$ (20,161)
Colombian statutory income tax rate	37%	40%	37%	40%
Income tax expense at statutory rate	(71,570)	(19,790)	(64,021)	(8,064)
Other non-deductible (non-taxable income) expenses	201	1,063	(3,029)	2,306
Share-based compensation	(61)	62	—	67
Differences in tax rates	185	(700)	(7,335)	(3,344)
Loss for which no tax benefit is recognized	40,407	9,487	38,731	12,290
Minimum income tax (presumptive income tax)	7,558	9,484	15,173	15,433
Change in unrecognized deferred income tax	35,005	3,929	42,952	(5,119)
Income tax expense	11,725	3,535	22,471	13,569
Current income tax expense	5,454	3,535	15,783	13,569
Deferred income tax expense:				
Relating to origination and reversal of temporary differences	6,271	—	6,688	—
Income tax expense	$ 11,725	$ 3,535	$ 22,471	$ 13,569

The Canadian statutory combined income tax rate was 26.5% as at June 30, 2018 (2017: 26.5%).

The Colombian statutory income tax rate was 37% as at June 30, 2018 (2017: 40%). The Peruvian statutory income tax rate was 29.5% as at June 30, 2018 (2017: 29.5%). The Peruvian income tax rate for Block Z-1 was 22% as at June 30, 2018 (2017: 22%).

As at June 30, 2018, the Company's non-capital losses, capital losses and other tax pools, by jurisdiction, were:

	Amount
Canada	$ 1,000,000
Colombia	3,097,000
Peru	861,000
Total	$ 4,958,000

The following summarizes the expiry periods of the Company's non-capital losses, capital losses, and other tax pools as at June 30, 2018, and December 31, 2017:

- *Canada:* non-capital losses totalled $865.5 million (2017: $761.8 million) and expire between 2028 and 2038. Capital losses, which do not expire, totalled $134.7 million (2017: $185.4 million).
- *Colombia:* non-capital losses totalled $890.4 million (2017: $761.4 million), of which $635.8 million in losses do not expire, and $254.6 million expire between 2020 and 2029. Undepreciated capital expenditures related tax pools totalled $2,206.6 million, which do not expire (2017: $2,155.3 million).
- *Peru:* non-capital losses totalled $365.0 million (2017: $178.0 million) and expire between 2018 and 2023. Undepreciated capital expenditures related tax pools totalled $496.0 million, which do not expire (2017: $493.2 million).

No deferred tax assets have been recognized in respect of these losses.

9. Loss per Share

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Net loss attributable to equity holders of the Company	$ (184,436)	$ (51,542)	$ (187,557)	$ (43,044)
Basic and diluted weighted average number of shares outstanding	100,011,664	100,011,664	100,011,664	100,005,838
Basic and diluted loss per share attributable to equity holders of the Company (Note 1)	$ (1.84)	$ (0.52)	$ (1.88)	$ (0.43)

(Unaudited; in thousands of U.S.$, unless otherwise stated)

10. Assets Held for Sale

	Oil and Gas Properties	Other	Total
As at January 1, 2018	$ 46,540	$ 6,385	$ 52,925
Additions of transmission line assets - PEL	—	7,064	7,064
Additions of investments - Interamerican (Note 13)	—	10,000	10,000
Disposal of transmission line assets	(36,093)	(4,324)	(40,417)
Other disposals	(5,686)	—	(5,686)
Impairment	—	(9,125)	(9,125)
Transfers	(244)	—	(244)
Currency translation adjustments	358	—	358
As at June 30, 2018	$ 4,875	$ 10,000	$ 14,875

Transmission Line Assets - Sale of Petroelectrica de los Llanos Ltd. ("PEL")

On October 25, 2017, the Company entered into an agreement to sell its interest in PEL, which holds the Company's investment in the power transmission line assets, to an affiliate of Electricas de Medellin - Ingenieria y Servicios S.A.S ("**EDEMSA**"), for total cash consideration of $56.0 million. At December 31, 2017, transmission line assets of $36.1 million and other assets of $6.4 million (excluding $16.3 million in cash, which was reclassified to Restricted Cash) were classified as held for sale.The Company continued to consolidate the results of PEL, including additional assets of $7.1 million (classified as held for sale) and $22.0 million in restricted cash until the sale was completed on April 19, 2018. During the three and six months ended June 30, 2018, an additional impairment expense of $Nil and $9.1 million, respectively, was recognized (2017: $23.2 million).

Upon close of the transaction on April 19, 2018, the Company received, net of transaction costs, $55.6 million in cash consideration. In accordance with requirements under IFRS with respect to accounting for disposal of a foreign subsidiary, the Company recognized a non-cash loss of $50.8 million from the reclassification of cumulative translation adjustments ("**CTA**") to net income from equity. The CTA loss primarily related to historical functional currency Colombian Peso to U.S. dollar presentation currency translation differences on PEL's transmission line assets.

Other Disposals

During the period ended June 30, 2018, the Company completed the title transfer of certain land packages in Colombia, which were classified as held for sale as at December 31, 2017. Accordingly, $5.7 million in disposals was recognized during the period.

11. Oil and Gas Properties

Cost	Amount
As at January 1, 2018	$ 7,028,969
Additions	120,144
Transfers from assets held for sale	244
Change in asset retirement obligations	(1,187)
Disposals	(2,441)
Currency translation adjustments	1,608
As at June 30, 2018	$ 7,147,337

Accumulated Depletion and Impairment	Amount
As at January 1, 2018	$ 6,139,333
Charge for the period	147,119
Disposals	(1,428)
Currency translation adjustments	(451)
As at June 30, 2018	$ 6,284,573

Net Book Value	Amount
As at January 1, 2018	889,636
As at June 30, 2018	$ 862,764

(Unaudited; in thousands of U.S.$, unless otherwise stated)

12. Exploration and Evaluation Assets

		Amount
As at January 1, 2018	$	22,229
Additions, net of sales from long-term testing		39,641
Impairment of exploration and evaluation assets (Note 6)		(2,007)
Change in asset retirement obligations		2,657
Disposals		(331)
As at June 30, 2018	$	62,189

For the six months ended June 30, 2018, the Company recognized, within additions, an offsetting reduction of $12.4 million in sales resulting from long-term testing at exploration properties.

13. Investments in Associates

	ODL	Bicentenario	PIV	Interamerican	CGX	Total
As at January 1, 2018	$ 130,602	$ 206,188	$ 64,729	$ 17,856	$ 1,608	$ 420,983
Share of income (loss) from associates	22,012	35,869	(1,002)	139	(1,608)	55,410
Dividends	(19,880)	(28,569)	—	—	—	(48,449)
Impairment	—	(107,660)	—	(11,216)	—	(118,876)
Transferred to assets held for sale (Note 10)	—	—	—	(7,331)	—	(7,331)
Currency translation adjustments	676	2,201	107	552	—	3,536
As at June 30, 2018	$ 133,410	$ 108,029	$ 63,834	$ —	$ —	$ 305,273
Company's interest as at June 30, 2018	35.00%	43.03%	39.22%	21.19%	45.61%	
As at January 1, 2017	$ 123,244	$ 190,502	$ 81,350	$ 16,086	$ 4,016	$ 415,198
Share of income (loss) from associates	17,406	25,932	(6,316)	(2,183)	(914)	33,925
Dividends	(16,803)	(10,797)	—	—	—	(27,600)
Currency translation adjustments	1,539	(2,890)	(51)	—	—	(1,402)
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	35.00%	43.03%	41.77%	21.19%	45.61%	

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

The Company holds a 63.64% interest in consolidated subsidiary Pacific Midstream Limited ("**PML**"), which has associate investments in two pipelines, ODL and Bicentenario.

On October 13, 2017, the Company entered into an agreement to acquire the remaining 36.36% ownership interest in PML from International Finance Corporation and related funds ("**IFC**"), for cash consideration of $225.0 million. Pursuant to the agreement, should the transaction fail to close as a result of the Company failing to satisfy certain conditions to closing, the Company would be required to pay a break fee of $5.0 million to the IFC. As at June 30, 2018, the Company identified uncertainties in satisfying these conditions, and accrued for the break fee expense under Other (Loss) Income, Net.

On July 9, 2018, the Company announced, effective July 6, 2018, the termination of this agreement to acquire the remaining ownership interest in PML.

Transportation Contract with Bicentenario

On July 13, 2018, the Company announced that it had exercised its rights to terminate its contracts with respect to the BIC pipeline (Note 20). Accordingly, an impairment charge of $107.7 million was recognized against the Bicentenario investment during the second quarter of June 30, 2018 (Note 6).

PML Bicentenario Put Option

Pursuant to an agreement among the shareholders of PML in 2014, PML has an option, that is exercisable at the discretion of IFC and solely in the event that the Bicentenario pipeline is non-operational for six consecutive months, and, as a result, Bicentenario take or pay contracts with the Company's affiliates or Ecopetrol S.A. affiliates are terminated ("**PML Bicentenario Put Option**"). The option requires the Company to purchase PML's interest in Bicentenario at a price equal to $280.0 million, adjusted for Bicentenario's cash dividends payments to PML, and repayment of existing subordinated loans with the Company.

(Unaudited; in thousands of U.S.$, unless otherwise stated)

As at June 30, 2018, the PML Bicentenario Put Option exercise price payable to PML was $84.8 million, and was determined to be out of the money.

Dividends

During the three and six months ended June 30, 2018, the Company recognized gross dividends of $Nil and $48.4 million respectively (2017: $Nil and $27.6 million, respectively) from ODL and Bicentenario, of which the Company received $48.4 million as at June 30, 2018 (2017: $27.6 million). During the three and six months ended June 30, 2018, $17.8 million of dividends was distributed to the minority non-controlling interests (2017: $Nil).

Pacific Infrastructure Ventures Inc. ("PIV")

The Company has loans receivable from PIV (Note 14), including $30.5 million advanced under the equity contribution arrangement on May 31, 2018 in relation to PIV's Puerto Bahia port facility project (Note 20).

Interamerican

During the first quarter of 2018, an impairment of $11.2 million was recognized related to the Company's associate investee Interamerican (Note 6). In April 2018, the Company accepted a bid offer for the sale of the Company's net investment in Interamerican, comprised of the equity interest of $7.3 million and loan receivable of $2.7 million (in Accounts Receivable), and accordingly, was reclassified to Assets Held for Sale (Note 10).

CGX Energy Inc. ("CGX")

On April 25, 2018, the Company amended and restated the 2017 secured bridge loan facility with CGX and increased the aggregate principal amount available to $14.1 million, and extended the maturity date to July 31, 2018. The loan carries an annual interest rate of 5.0%, and is secured by the assets of CGX. As at June 30, 2018, the Company had advanced $6.9 million under the facility (2017: $3.7 million). No impairment or expected credit loss impacts were identified for the amended and restated bridge loan facility as at June 30, 2018. The Company also extended the maturity dates of a series of loans, facilities and debentures previously issued in 2014 to 2016 (which were fully impaired as at December 31, 2017) to July 31, 2018. Subsequent to June 30, 2018, the Company further extended the maturity date on all loans and facilities to October 31, 2018.

Additional information on the Company's loans to CGX is included in "Note 15 - Investments in Associates" of the 2017 Annual Financial Statements.

Summarized financial information for the Company's significant investments in associates, on a 100% basis, as at June 30, 2018, and December 31, 2017, and for three and six months ended June 30, 2018 and 2017:

	ODL		Bicentenario		PIV	
As at June 30, 2018 and December 31, 2017	**2018**	**2017**	**2018[(1)]**	**2017**	**2018**	**2017**
Total assets	$ 599,152	$ 637,752	$ 925,280	$ 1,202,995	$ 652,147	$ 638,675
Total liabilities	217,982	264,603	674,225	723,822	489,388	473,635
Equity	$ 381,170	$ 373,149	$ 251,055	$ 479,173	$ 162,759	$ 165,040
Company's interest in associate	35.00%	35.00%	43.03%	43.03%	39.22%	39.22%
Carrying amount of the investment	$ 133,410	$ 130,602	$ 108,029	$ 206,188	$ 63,834	$ 64,729

(1) Bicentenario total assets adjusted for the gross impact of the impairment recognized as at June 30, 2018, of $250.2 million.

Three Months Ended June 30	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Revenue	$ 85,426	$ 79,780	$ 102,944	$ 93,218	$ 17,486	$ 19,101
(Expense) and other income, net	(51,423)	(53,460)	(59,609)	(62,144)	(42,870)	(44,973)
Net income (loss)	34,003	26,320	43,335	31,074	(25,384)	(25,872)
Company's share of net income (loss) for the period	$ 11,901	$ 9,212	$ 18,647	$ 13,371	$ (9,956)	$ (10,533)

Six Months Ended June 30	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Revenue	$ 164,869	$ 156,843	$ 202,196	$ 178,707	$ 35,210	$ 36,521
(Expense) and other income, net	(101,977)	(107,111)	(118,838)	(118,442)	(37,761)	(51,641)
Net income (loss)	62,892	49,732	83,358	60,265	(2,551)	(15,120)
Company's share of net income (loss) for the period	$ 22,012	$ 17,406	$ 35,869	$ 25,932	$ (1,002)	$ (6,316)

(Unaudited; in thousands of U.S.$, unless otherwise stated)

14. Other Assets

	June 30 2018	December 31 2017
Long-term receivables	$ 79,911	$ 59,079
Long-term recoverable VAT	25,810	24,743
Long-term withholding tax	32,387	26,473
Advances	17,741	17,741
Investments	1,190	1,130
Total	$ 157,039	$ 129,166

Long-Term Receivables

PIV

The Company has loans receivable from PIV of $76.6 million with a carrying value of $44.5 million as at June 30, 2018 (2017: $43.0 million). The loans receivable from PIV bears interest that ranges from LIBOR+3.0% to 10.0% per annum. On May 31, 2018, the Company advanced funds under the terms of an equity contribution agreement for $30.5 million, bearing interest of 14.0%, and a default interest rate of 16.0% in the event of non-payment upon maturity (Note 20).

Accretion income of $0.7 million and $1.3 million was recognized during the three and six months ended June 30, 2018 (2017: accretion loss of $0.5 million, accretion income of $0.1 million, respectively).

Transporte Incorporado S.A.S.

In the first quarter of 2018, the Company reclassified the remaining $17.5 million owing from Transporte Incorporado S.A.S., relating to the Company's 2014 sale of its share of the Oleoducto Central S.A. ("**Ocensa**") pipeline system transportation rights, from Other Assets (as at December 31, 2017) to short-term Accounts Receivable as the balance is due in March 2019.

15. Loans and Borrowings

Long-term Debt

	Maturity	Principal	Currency	Coupon Rate	June 30 2018	December 31 2017
Unsecured Notes	June 2023	$ 350,000	U.S. dollars	9.7%	$ 335,614	$ —
Secured Notes	November 2021	$ 250,000	U.S. dollars	10.0%	—	250,000
					$ 335,614	$ 250,000

On June 25, 2018, the Company completed the offering of $350.0 million 9.7% senior unsecured notes due 2023 ("**Unsecured Notes**"). The interest is payable semi-annually in arrears on June 25 and December 25 of each year, beginning on December 25, 2018.

Certain proceeds from this offering were used to repurchase, at a premium of $25.3 million, the existing $250.0 million 10.0% senior secured notes due 2021 ("**Secured Notes**") pursuant to a cash tender offer and consent solicitation ("**Tender Offer**"). The Unsecured Notes were recognized net of original issue discount of $4.1 million, and directly attributable transaction costs of $10.3 million primarily related to underwriter fees, and legal and other professional fees.

The Secured Notes were settled and extinguished, and a loss of $25.6 million was recognized during the three and six months ended June 30, 2018, comprised of the premium, and $0.3 million in transaction costs.

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

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

As at June 30, 2018, the Company is in compliance with such covenants.

Additional information on the terms of the Secured Notes is included in "Note 17 - Loans and Borrowings, Finance Leases" of the 2017 Annual Financial Statements.

(Unaudited; in thousands of U.S.$, unless otherwise stated)

Finance Costs, net

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

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Interest on Secured Notes and Unsecured Notes	$ 6,374	$ 6,250	$ 12,624	$ 12,500
Accretion of asset retirement obligations	1,917	1,980	3,719	4,346
Transaction costs on New LC Facility (Note 20)	1,728	—	1,728	—
Letters of credit fees and other bank charges (Note 20)	958	1,152	2,036	2,024
Lease financing costs	644	784	1,324	1,599
Accretion expense (income) of other assets, net	2,272	(982)	1,759	(3,262)
Interest income	(4,394)	(2,598)	(9,444)	(5,724)
Total	$ 9,499	$ 6,586	$ 13,746	$ 11,483

16. Share-Based Arrangements

Share-Based Compensation

The Company recognized total share-based compensation of $1.9 million and $2.9 million during the three and six months ended June 30, 2018, respectively, related to restricted share units (“**RSUs**”) and deferred share units (“**DSUs**”) (2017: $0.2 million and $0.3 million, respectively). Of these amounts, $0.1 million was capitalized during the three and six months ended June 30, 2018 (2017: $Nil).

Restricted Share Units

	Number of RSUs Outstanding (1)	Weighted Average Value per Unit (C$) (1)
As at January 1, 2018	752,172	$ 19.34
Forfeited during the period	(77,034)	18.44
Settled during the period - cash	(84,338)	19.63
As at June 30, 2018	590,800	$ 19.13

(1) Units and per unit amounts are stated on an adjusted post-split basis to reflect the Share Split (Note 1).

Total share-based compensation expense for RSUs totalled $1.6 million and $2.5 million during the three and six months ended June 30, 2018, respectively (2017: $Nil). The expense is recognized based on the estimated fair value of RSUs amortized, by tranche, on a straight-line basis over the vesting period of the tranche. There were 590,800 RSUs outstanding as at June 30, 2018 (2017: 752,172), of which 793 units were vested (2017: Nil). During the three and six months ended June 30, 2018, RSU cash settlements totalled $1.3 million.

17. Supplemental Disclosure on Cash Flows

Changes in non-cash working capital are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
(Increase) decrease in accounts receivable	$ (46,660)	$ 9,257	$ (58,318)	$ 12,298
(Increase) decrease in income taxes receivable	(605)	(5,943)	912	(1,215)
Increase (decrease) in accounts payable and accrued liabilities	38,290	(34,101)	52,549	(42,730)
Increase in inventories	(125)	(903)	(6,967)	(910)
Decrease in income taxes payable	(2,629)	(1,080)	(1,585)	(7,460)
Decrease in prepaid expenses	358	798	931	2,157
Total	$ (11,371)	$ (31,972)	$ (12,478)	$ (37,860)

(Unaudited; in thousands of U.S.$, unless otherwise stated)

18. Related-Party Transactions

The following tables provide the transaction amounts, total balances outstanding (before impairments), and commitments with related parties as at June 30, 2018, and December 31, 2017, and for the three and six months ended June 30, 2018, and 2017:

		Accounts Receivable	Accounts Payable	Commitments[2]	Cash Advance[1]	Loans/ Debentures Receivable[1]	Interest Receivable[1]
ODL	2018	$ 2,416	$ 592	$ 107,383	$ —	$ —	$ —
	2017	421	231	130,303	—	—	—
Bicentenario	2018	14,903	—	52,093	87,278	—	—
	2017	12,660	469	902,375	87,278	—	—
PIV	2018	7,887	1,640	144,313	17,741	107,013	30,813
	2017	5,926	1,598	158,179	17,741	76,552	26,331
Interamerican	2018	147	—	—	—	2,224	529
	2017	145	72	—	—	2,224	362
CGX	2018	535	—	—	—	18,151	1,959
	2017	$ 120	$ —	$ —	$ —	$ 16,122	$ 1,516

		Three Months Ended June 30			Six Months Ended June 30		
		Sales	Purchases / Services	Interest Income[1]	Sales	Purchases / Services	Interest Income[1]
ODL	2018	$ 350	$ 9,584	$ —	$ 1,359	$ 21,546	$ —
	2017	1,003	12,084	—	2,000	24,349	—
Bicentenario	2018	—	24,700	—	—	52,798	—
	2017	—	31,657	—	—	67,663	—
PIV	2018	—	6,471	2,430	—	12,804	4,483
	2017	—	6,806	2,063	—	14,102	4,050
Interamerican	2018	—	—	83	3	2	167
	2017	—	5	84	333	21	167
CGX	2018	158	—	111	309	—	443
	2017	$ —	$ —	$ 173	$ —	$ —	$ 331

(1) Amounts presented based on contractual payment obligations, prior to impairments.

(2) Excludes commitments related to terminated transportation agreements (Note 20).

19. Financial Instruments

a. Risk Management Contracts

The Company uses derivative commodity and foreign exchange instruments as economic hedges to manage exposure to price and exchange rate volatility by hedging a portion of crude oil production and currency amounts, respectively. The terms of the outstanding instruments and expected settlement periods are as follows:

				Strike Prices	Carrying Amount	
Type of Instrument	Term	Benchmark	Notional Amount / Volume (bbl)	Put /Call; Call Spreads	Assets	Liabilities
Zero-cost collars	July 2018 to October 2018	Brent	4,800,000	52.00 / 61.63	$ —	$ (86,694)
Call spreads	October 2018	Brent	600,000	59.00 / 63.88	—	(2,581)
Total June 30, 2018					$ —	$ (89,275)
Zero-cost collars	January 2018 to October 2018	Brent	12,000,000	49.11 / 61.63	$ —	$ (102,104)
Call spreads	October 2018	Brent	600,000	59.00 / 63.88	—	(1,643)
Total December 31, 2017					$ —	$ (103,747)

(Unaudited; in thousands of U.S.$, unless otherwise stated)

Type of Instrument	Term	Benchmark	Notional Amount (U.S.$)	Par forward (COP$)	Carrying Amount Assets	Carrying Amount Liabilities
Forward	July to December 2018	COP$ / U.S.$	$ 42,000	2,919.43	$ —	$ (357)
Total June 30, 2018					—	(357)
Total December 31, 2017					$ —	$ —

b. Fair Value of Financial Instruments

The fair value of the Company's cash and cash equivalents, restricted cash, accounts receivable, accounts payable, and accrued liabilities is approximated by the carrying value and categorized under level 2 of the fair value hierarchy.

The following table summarizes the Company's remaining 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, 2018 and December 31, 2017:

			Fair Value			
		Carrying Value	Level 1	Level 2	Level 3	Total
Financial Assets Measured at Fair Value Through Profit or Loss						
Investments in equity instruments (Note 14)	2018	$ 1,190	$ —	$ —	$ 1,190	$ 1,190
	2017	1,130	—	—	1,130	1,130
Financial Assets Measured at Amortized Cost						
Long-term receivables (Note 14)	2018	$ 79,911	$ —	$ 4,623	$ 75,288	$ 79,911
	2017	59,079	—	16,107	42,972	59,079
Financial Liabilities Measured at Fair Value Through Profit or Loss						
Risk management liabilities (Note 19)	2018	$ (89,632)	$ —	$ (89,632)	$ —	$ (89,632)
	2017	(103,747)	—	(103,747)	—	(103,747)
Financial Liabilities Measured at Amortized Cost						
Long-term debt (Note 15)	2018	$ (335,614)	$ —	$ (348,324)	$ —	$ (348,324)
	2017	(250,000)	—	(280,803)	—	(280,803)

A detailed description of the Company's financial assets and financial liabilities and its associated risk management in respect thereof is provided in "Note 23 - Financial Instruments" of the 2017 Annual Financial Statements. There have been no significant changes in the business and economic circumstances and the related financial risks that affect the Company's valuation of financial assets and financial liabilities since December 31, 2017.

c. Risks Associated with Financial Assets and Liabilities

i) Credit Risk

As at June 30, 2018, 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 $35.9 million, $35.7 million, and $35.4 million or 29%, 29%, and 29% of trade accounts receivable, respectively (2017: two customers with $31.2 million and $30.2 million or 34% and 33% of trade accounts receivable). Revenues from these customers for the six months ended June 30, 2018, were $135.4 million, $70.5 million, and $35.4 million, or 23%, 12%, and 6% of revenue.

*Expected Credit Losses ("**ECLs**") Allowances*

For short-term trade receivables, the Company has applied the simplified approach under IFRS 9 and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on historical normalized credit loss experience, and no additional impairment loss allowance was recognized on the transition date of January 1, 2018, and as at June 30, 2018.

For long-term receivables, joint arrangement receivables, and short-term loan assets, the ECL is based on the 12-month ECL and lifetime ECL approach. The 12-month ECL is the portion of lifetime ECLs that result from default events that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company evaluates for credit risk increases based on a variety of indicators, including credit risk rating agency assessments, internal and external information related to the counterparty, 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.

(Unaudited; in thousands of U.S.$, unless otherwise stated)

The Company considers a financial asset in default when contractual payments are more than 90 days past the due date. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

Reconciliation of ECL allowance		Lifetime ECLs Not Credit Impaired	Lifetime ECLs Credit Impaired[(1)]	Lifetime ECLs Simplified Approach[(2)]		Total
As at January 1, 2018 and June 30, 2018	$	—	52,532	15,676	$	68,208

(1) Credit-impaired lifetime ECLs include balances related to long-term receivables with PIV that were previously credit-impaired in 2016 (Note 14) and loans and facilities with CGX that were also credit-impaired in prior years (Note 13). These amounts are directly netted against long-term receivables within Other Assets.

(2) The Company is in legal proceedings against an unrelated customer, QV Trading LLC, in respect of an overdue accounts receivable in the amount of $15.7 million from the sale of oil in August 2015. The receivable was fully impaired as at December 31, 2017.

The following table shows the maximum credit risk exposure of financial assets:

		June 30 2018		December 31 2017
Trade receivables	$	139,684	$	106,262
Short-term advances/deposits		20,198		15,822
Other receivables [(1)]		48,811		79,624
Receivables from joint arrangements		40,824		52,658
Withholding tax and others		68,555		54,060
Allowance for doubtful trade receivables		(15,676)		(15,676)
Allowance for other receivables		(4,545)		(4,545)
Accounts receivable	$	297,851	$	288,205
Long-term receivables (Note 14)		79,911		59,079
Total	$	377,762	$	347,284
Withholding tax and others, short-term advances/deposits - not considered for credit risk		(88,753)		(69,882)
Total current and non-current receivables exposed to credit risk	$	289,009	$	277,402

(1) In 2017, the Company executed an Assignment Deed and Termination Deed with the purchaser of certain interests located in Papua New Guinea for $57.0 million, recorded as a short-term Accounts Receivable. The Company received the $57.0 million on February 20, 2018.

ii) Liquidity Risk

As at June 30, 2018, the Company had issued letters of credit and guarantees for exploration and operational commitments for a total of $93.0 million (2017: $86.3 million) (Note 20). The Company is also in compliance with the financial covenants under the Unsecured Notes (Note 15).

The following table shows the summary of Accounts Payable and Accrued Liabilities:

		June 30 2018		December 31 2017
Trade and other payables	$	177,579	$	158,613
Accrued liabilities		225,174		190,778
Payables to joint ventures partners		2,148		2,145
Advances, warranties, and deposits		41,927		37,217
Provisions and withholding tax		152,880		159,147
Total	$	599,708	$	547,900

(Unaudited; in thousands of U.S.$, unless otherwise stated)

20. Commitments and Contingencies

Commitments

The Company's commitments as at June 30, 2018, undiscounted and by calendar year, are presented below:

As at June 30, 2018	2018	2019	2020	2021	2022	2023 and Beyond	Total
Transportation Commitments							
ODL Ship-or-Pay Agreement	$ 25,099	$ 50,197	$ 30,929	$ 1,158	$ —	$ —	$ 107,383
Bicentenario Ship-or-Pay Agreements (1)	4,152	8,305	8,305	8,305	8,305	14,721	52,093
Ocensa P-135 Ship-or-Pay Agreement	33,536	67,071	67,071	67,071	67,071	168,148	469,968
PIV Take-or-Pay Agreements	19,152	41,653	41,653	41,653	203	—	144,314
Transportation and processing commitments (1)	28,923	50,099	48,813	48,813	48,745	185,587	410,980
Exploration Commitments							
Minimum work commitments	103,009	32,100	54,615	27,546	—	—	217,270
Other Commitments							
Operating purchases and leases	61,113	18,772	18,544	17,416	10,921	7,325	134,091
Community obligations	6,291	525	525	525	525	1,051	9,442
Total	$ 281,275	$ 268,722	$ 270,455	$ 212,487	$ 135,770	$ 376,832	$ 1,545,541

(1) Excludes commitments related to terminated transportation agreements (see below).

Ocensa P-135 Project Arbitration Settlement

The Company and Ocensa have reached a successful settlement agreement in an arbitration on tariffs and monetary conditions relating to transportation contracts entered into with Ocensa concerning the P-135 Project (the "**P-135 Settlement Agreement**"). Under the terms of the P-135 Settlement Agreement, which was approved by the arbitrators, the Company has committed to ship 30,000 barrels of oil per day at $6.3601 per barrel (adjusted at 2.57% inflation per year until 2023 and thereafter, pursuant to applicable regulation), on the Ocensa P-135 Project through June 2025.

The original terms of the contract were for the shipment of 30,000 barrels of oil per day at $8.7729 per barrel (adjusted at 2.57% inflation per year), and $6.91 per barrel under a temporary payment agreement that was in effect during the arbitration process. During the three and six months ended June 30, 2018, the Company recognized a recovery of $5.2 million in transportation costs related to the difference between the rates under this temporary payment agreement and the P-135 Settlement Agreement (2017: $Nil).

As at June 30, 2018, prior to the P-135 Settlement Agreement, total commitments for the Ocensa P-135 Project of $648.3 million, have been reduced to $470.0 million to reflect the settlement tariff terms.

Additional information on the Ocensa P-135 Project and the arbitration process are included in "Note 24 - Commitments and Contingencies" of the 2017 Annual Financial Statements.

Termination of Transportation Agreements

On July 13, 2018, the Company announced that it had exercised its rights to terminate its contracts with Cenit Transporte y Logistica de Hidrocarburos S.A.S ("**CENIT**") to transport oil through the Caño Limón ("**CLC**") pipeline, and with Bicentenario to transport oil through the BIC pipeline. As a consequence of these terminations, the Company is no longer contractually committed to payments of ship-or-pay fees between July 12, 2018 and October 2028 through the CLC pipeline, and between July 12, 2018 and June 2024 through the BIC pipeline. As at June 30, 2018, total commitments of $1.36 billion under these now-terminated contracts were excluded from the commitments table above.

- The CLC pipeline, which connects the BIC pipeline to the Coveñas Export Terminal, has suspended transport rendered to the Company for more than 180 consecutive calendar days, which is a termination event under the Company's transportation agreement with CENIT. Under the agreement, the Company had a commitment to ship 47,333 barrels of oil per day through the pipeline, for which CENIT charges $3.19 per barrel, between now and October 2028.
- The BIC pipeline, which operates between Araguaney and Banadia where it connects to the CLC pipeline, has not transported the Company's oil for more than six uninterrupted months due to a justifiable event, which is a termination event under the transportation agreement with Bicentenario. Under the agreement, the Company had a commitment to ship 47,333 barrels of oil per day through the BIC pipeline at $7.56 per barrel, between now and June 2024.

The Company continues to have existing take-or-pay contracts for storage and offloading facilities in Araguaney, Banadia and Coveñas, for $52.1 million and $158.1 million with Bicentenario and CENIT, respectively. In addition, the Company also has take-or-pay commitments for the Monterey-Araguaney pipeline, which connects the ODL and BIC pipelines, totalling $117.1 million.

On July 16, 2018 and July 17, 2018, the Company received notices from Bicentenario and CENIT, respectively, disputing the grounds for the termination of the above-referenced agreements. As at June 30, 2018, the Company had issued and outstanding $68.8 million in standby letters of credit to Bicentenario.

Suspended pipeline capacity fees

For the three and six months ended June 30, 2018, the net fees paid relating to the periods of disrupted/suspended pipeline capacity were $40.8 million and $76.7 million, respectively (2017: $22.2 million and $49.3 million, respectively).

Puerto Bahia Equity Contribution Agreement

On October 4, 2013, Pacinfra Holding Ltd. ("**Pacinfra**", a subsidiary of the Company), PIV, Sociedad Portuaria Puerto Bahia S.A. ("**Puerto Bahia**") (a subsidiary of PIV, Note 13) and Wilmington Trust, National Association (as Collateral and Administrative Agent), entered into an equity contribution agreement, pursuant to which Pacinfra and PIV agreed to jointly and severally cause equity contributions (via debt or equity) to Puerto Bahia up to the aggregate amount of $130.0 million, when it is determined that there are certain deficiencies related to operation and maintenance of the port facility and Puerto Bahia's ability to make payments towards its bank debt obligations.

During the period ended June 30, 2018, Pacinfra and PIV received deficiency notices, requiring both companies fund a total amount of $30.5 million to Puerto Bahia. On May 31, 2018, Pacinfra advanced these funds under a new shareholder loan agreement (Note 14).

Letter of Credit Facility

On May 17, 2018, the Company replaced its November 2016 amended and restated secured letter of credit facility (the "**Secured LC Facility**") with a new $100.0 million unsecured letter of credit facility ("**New LC Facility**") with a maturity date of May 17, 2020. Under the New LC Facility, the guarantors are limited to the Company's principal subsidiaries and subject to the same covenant terms as the Unsecured Notes (Note 15).

The lenders receive an amount equal to 3.0% per annum on any undrawn issued and outstanding amounts of the letters of credit, due and payable in arrears on the last business day of each calendar month. If any amounts are drawn under the New LC Facility, interest accrues at 6.0% per annum. If any event of default exists, the applicable rate will increase by an additional 2.0% per annum until such default is cured. The Company incurred $1.7 million in transaction costs to replace the previous facility and secure the New LC Facility.

As at June 30, 2018, letters of credit totalling $93.0 million were issued and maintained under the New LC Facility for exploration and operational commitments (2017: $82.3 million under Secured LC Facility).

Contingencies

The Company is involved in various claims and litigation arising in the normal course of business. Since 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 24 - Commitments and Contingencies" of the 2017 Annual Financial Statements.

21. Subsequent Events

Normal Course Issuer Bid

On July 13, 2018, the Company announced that it had received regulatory approval for its notice of intention to make a normal course issuer bid ("**NCIB**") for its common shares from July 18, 2018 to July 17, 2019, and has entered into an automatic share purchase plan with its designated broker to facilitate the purchases under the NCIB. Subject to certain conditions, the Company may purchase up to a maximum of 3,543,270 of its common shares, representing approximately 3.5% of the 100,011,664 issued and outstanding common shares at July 9, 2018.