INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

For the three months ended March 31, 2020 and 2019

FRONTERA ENERGY

Interim Condensed Consolidated Statements of (Loss) Income

(Unaudited; in thousands of U.S.$, except per share information)	Notes	Three Months Ended March 31 2020	2019
Oil and gas sales	4	$ 243,838	$ 313,459
Sales of oil and gas for trading	4	—	73,444
Royalties		(6,900)	(9,376)
Revenue		236,938	377,527
Oil and gas operating costs	5	192,837	143,829
Costs of oil and gas for trading		—	70,758
General and administrative		15,015	16,492
Share-based compensation		1,217	572
Depletion, depreciation and amortization		88,020	93,146
Impairment, exploration expenses and other	6	148,567	—
Restructuring, severance and other costs	7	6,408	1,440
(Loss) income from operations		(215,126)	51,290
Share of (loss) income from associates	11	(8,406)	23,498
Foreign exchange (loss) gain		(20,597)	602
Finance income		4,678	6,030
Finance expense		(15,260)	(13,675)
Gain (loss) on risk management contracts	14	44,630	(7,780)
Other (loss) income, net		(2,991)	11,294
Net (loss) income before income tax		(213,072)	71,259
Current income tax expense		(5,095)	(3,533)
Deferred income tax expense		(167,979)	(18,153)
Income tax expense	8	(173,074)	(21,686)
Net (loss) income for the period		$ (386,146)	$ 49,573
Attributable to:			
Equity holders of the Company		(387,809)	46,187
Non-controlling interests		1,663	3,386
		$ (386,146)	$ 49,573
Basic and diluted (loss) earnings per share attributable to equity holders of the Company	9	$ (4.04)	$ 0.47

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

Interim Condensed Consolidated Statements of Comprehensive (Loss) Income

(Unaudited; in thousands of U.S.$)	Three Months Ended March 31 2020	 2019
Net (loss) income for the period	$ (386,146)	$ 49,573
Other comprehensive (loss) income to be reclassified to net (loss) income in subsequent periods (nil tax effect)		
Foreign currency translation	(53,495)	3,703
Total comprehensive (loss) income for the period	$ (439,641)	$ 53,276
Attributable to:		
Equity holders of the Company	(433,833)	48,334
Non-controlling interests	(5,808)	4,942
	$ (439,641)	$ 53,276

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

Interim Condensed Consolidated Statements of Financial Position

(Unaudited; in thousands of U.S.$)	Notes	As at March 31 2020	As at December 31 2019
ASSETS			
Current			
Cash and cash equivalents		$ 265,009	$ 328,433
Restricted cash		29,909	37,216
Accounts receivable		161,750	132,155
Inventories		52,353	103,116
Income taxes receivable		35,355	37,592
Prepaid expenses and deposits		3,891	5,992
Risk management assets	14	53,221	10,109
Total current assets		601,488	654,613
Non-current			
Properties, plant and equipment	10	756,134	976,621
Exploration and evaluation assets		111,859	114,155
Intangible assets		—	58,311
Investments in associates	11	116,469	196,961
Deferred tax assets	8	55,009	222,988
Restricted cash		66,351	90,162
Other assets		157,091	178,940
Total assets		$ 1,864,401	$ 2,492,751
LIABILITIES			
Current			
Accounts payable and accrued liabilities	14	$ 456,889	$ 501,991
Risk management liabilities	14	12,740	36
Income taxes payable		23,673	29,048
Lease liabilities		26,379	28,138
Asset retirement obligations	12	14,092	24,044
Total current liabilities		533,773	583,257
Non-current			
Long-term debt		332,080	331,118
Lease liabilities		31,800	43,404
Asset retirement obligations	12	154,959	264,938
Total liabilities		$ 1,052,612	$ 1,222,717
Commitments and contingencies	16		
EQUITY			
Share capital		$ 4,705,800	$ 4,712,114
Contributed surplus		121,554	120,112
Other reserves		(226,634)	(180,610)
Retained deficit		(3,842,899)	(3,441,358)
Equity attributable to equity holders of the Company		$ 757,821	$ 1,210,258
Non-controlling interests		53,968	59,776
Total equity		$ 811,789	$ 1,270,034
Total liabilities and equity		$ 1,864,401	$ 2,492,751

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

Interim Condensed Consolidated Statements of Changes in Equity

(Unaudited; in thousands of U.S.$)	Number of Common Shares	Share Capital	Contributed Surplus	Cumulative Translation Adjustment	Fair Value Investment	Retained Deficit	Total	Non-Controlling Interests	Total Equity
	Attributable to Equity Holders of the Company								
As at January 1, 2020	96,433,257	$ 4,712,114	$ 120,112	$ (175,408)	$ (5,202)	$ (3,441,358)	$ 1,210,258	$ 59,776	$ 1,270,034
Net (loss) income for the period	—	—	—	—	—	(387,809)	(387,809)	1,663	(386,146)
Other comprehensive income	—	—	—	(46,024)	—	—	(46,024)	(7,471)	(53,495)
Total comprehensive income	—	—	—	(46,024)	—	(387,809)	(433,833)	(5,808)	(439,641)
Dividends declared to equity holders of the Company [1]	474,568	3,761	—	—	—	(13,732)	(9,971)	—	(9,971)
Repurchase of common shares [2]	(1,392,314)	(10,075)	—	—	—	—	(10,075)	—	(10,075)
Share-based compensation	—	—	1,442	—	—	—	1,442	—	1,442
As at March 31, 2020	95,515,511	4,705,800	121,554	(221,432)	(5,202)	(3,842,899)	757,821	53,968	811,789

(Unaudited; in thousands of U.S.$)	Number of Common Shares	Share Capital	Contributed Surplus	Cumulative Translation Adjustment	Fair Value Investment	Retained Deficit	Total	Non-Controlling Interests	Total Equity
	Attributable to Equity Holders of the Company								
As at January 1, 2019	98,421,079	$ 4,727,598	$ 116,725	$ (179,028)	$ (5,202)	$ (3,637,766)	$ 1,022,327	$ 84,861	$ 1,107,188
Net income for the period	—	—	—	—	—	46,187	46,187	3,386	49,573
Other comprehensive income	—	—	—	2,147	—	—	2,147	1,556	3,703
Total comprehensive income	—	—	—	2,147	—	46,187	48,334	4,942	53,276
Acquisition of CGX Energy Inc.	—	—	—	—	—	—	—	14,598	14,598
Dividends declared to equity holders of the Company [1]	625,923	5,824	—	—	—	(12,827)	(7,003)	—	(7,003)
Repurchase of common shares [2]	(942,520)	(8,570)	—	—	—	—	(8,570)	—	(8,570)
Share-based compensation	—	—	1,068	—	—	—	1,068	—	1,068
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(37,746)	(37,746)
As at March 31, 2019	98,104,482	$ 4,724,852	$ 117,793	$ (176,881)	$ (5,202)	$ (3,604,406)	$ 1,056,156	$ 66,655	$ 1,122,811

[1] *During the three months ended March 31, 2020, the Company declared dividends of C$0.205/share (2019: C$0.165/share).*

[2] *During the three months ended March 31, 2020, the Company repurchased for cancellation $10.1 million of common shares (2019: $8.6 million) under its normal course issuer bid, for an average repurchase cost of $7.24/share (2019: $9.09/share).*

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 March 31 2020	2019
OPERATING ACTIVITIES			
Net (loss) income for the period		$ (386,146)	$ 49,573
Items not affecting cash:			
Depletion, depreciation and amortization		88,020	93,146
Impairment	6	150,757	—
Recovery of asset retirement obligations	12	(2,623)	—
Unrealized (gain) loss on risk management contracts	14	(29,140)	6,187
Share-based compensation		1,217	958
Deferred income tax expense	8	167,979	18,153
Unrealized foreign exchange loss (gain)		34,805	(4,988)
Share of loss (income) from associates	11	8,406	(23,498)
Finance expense		15,260	13,675
Dividends from associates	11	—	9,408
Settlement of asset retirement obligations	12	(2,298)	(1,909)
Other		(1,518)	(11,579)
Changes in non-cash working capital	15	1,822	(65,971)
Cash provided by operating activities		$ 46,541	$ 83,155
INVESTING ACTIVITIES			
Additions to properties, plant and equipment		$ (48,041)	$ (56,608)
Additions to other assets, net		—	447
Additions to exploration and evaluation assets, net		(15,643)	(11,824)
Decrease (increase) in restricted cash		8,321	(1,024)
Acquisition of CGX Energy Inc.		—	4,296
Proceeds from the sale of non-current assets		—	890
Changes in non-cash working capital	15	(9,105)	(53,103)
Cash used in investing activities		$ (64,468)	$ (116,926)
FINANCING ACTIVITIES			
Lease payments		$ (8,343)	$ (8,293)
Dividends paid to equity holders of the Company		(9,971)	(18,706)
Dividends paid to non-controlling interests		—	(37,746)
Repurchase of common shares		(10,075)	(8,570)
Interest and other bank charges		(569)	(331)
Cash used in financing activities		$ (28,958)	$ (73,646)
Effect of exchange rate changes on cash and cash equivalents		(16,539)	1,956
Decrease in cash and cash equivalents during the period		(63,424)	(105,461)
Cash and cash equivalents, beginning of the period		328,433	446,132
Cash and cash equivalents, end of the period		$ 265,009	$ 340,671
Cash		238,666	202,036
Cash equivalents		26,343	138,635
Total cash and cash equivalents		$ 265,009	$ 340,671
Supplementary cash flow information			
Cash income tax paid		1,149	1,154
Cash interest paid		288	153
Cash interest received		$ 1,615	$ 2,444

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 South America. The Company's common shares are listed and publicly traded on the Toronto Stock Exchange ("**TSX**") under the trading symbol **"FEC".** The Company's head office is located at 333 Bay Street, Suite 1100, Toronto, Ontario, Canada, M5H 2R2, and its registered office is 1055 West Georgia Street, 1500 Royal Centre, Vancouver, British Columbia, Canada, V6E 4N7.

These interim condensed consolidated financial statements of the Company, comprising those of the Company and its subsidiaries, were approved and authorized for issuance by the Audit Committee of the Board of Directors on May 5, 2020.

2. Basis of Preparation and Significant Accounting Policies

a. Statement of Compliance

These interim condensed consolidated financial statements for the three months ended March 31, 2020 and 2019 (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, 2019 (the "**2019 Annual Financial Statements**").

Certain amounts in the comparative interim condensed consolidated statements of cash flow have been reclassified from the amounts previously presented to conform to the presentation of the current consolidated financial statements. Specifically, beginning with the 2019 Annual Financial Statements, interest paid is now classified as a financing activity instead of an operating activity.

b. Significant Accounting Policies

The accounting policies used in preparation of the Interim Financial Statements are consistent with those disclosed in the 2019 Annual Financial Statements. The Company has not early adopted any standard, interpretation, or amendment that has been issued but is not yet effective.

Critical Judgments in Applying Accounting Policies

Going Concern

These interim condensed consolidated financial statements have been prepared on a going concern basis as the Company expects to have adequate liquidity to support its operations and meet its financial obligations for the foreseeable future. Management is required to identify when events or conditions indicate that significant doubt may exist about the Company's ability to continue as a going concern. Significant doubt about the Company's ability to continue as a going concern would exist when relevant conditions and events, considered in the aggregate, indicate that the Company will not be able to meet its obligations as they become due for a period of at least, but not limited to, the next twelve months from the reporting date.

The Company's ability to continue as a going concern for the next twelve months involves significant judgment and is dependent on its ability to generate positive cash flows from operations, which are primarily impacted by estimates concerning future oil prices. After considering its plans, management has concluded that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The estimates used by management in reaching this conclusion are based on information available as of the date these financial statements were authorized for issuance, and include internally generated cash flow forecasts based on future projections of oil prices and other operational factors. Accordingly, actual results could differ from these estimates and resulting variances may be material to management's assessment.

Impairment indicators

At the end of each reporting period, the Company assesses internal and external sources of information to decide whether there is any indication that an asset or cash generating unit ("**CGU**") may be impaired. External sources of information include changes in the economic and legal environment in which the CGUs operate. Internal sources include the economic performance of the CGUs and other asset specific indicators. Due to the dramatic decrease in global benchmark oil prices, the Company has determined that indicators of impairment exist and, as a result, has performed a recoverability test on the value of its non-current assets. The Company applies judgment to various assumptions included in the impairment test (Note 6).

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

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 the corporate office, Guyana and Ecuador assets, and other non-operating entities that have been aggregated, as they do not generate revenue for the Company.

The following table provides the total balances as at March 31, 2020 and December 31, 2019:

	Colombia		Peru		Canada & Other [1]		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Non-current assets	$ 1,174,055	$ 1,743,777	$ 6,041	$ 9,863	$ 82,817	$ 84,498	$ 1,262,913	$ 1,838,138

[1] *Included in Canada & Other is $79.2 million (2019: $77.6 million) of non-current assets in Guyana.*

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

	Colombia		Peru		Canada & Other		Total	
Three Months Ended March 31	2020	2019	2020	2019	2020	2019	2020	2019
Oil and gas sales and other revenue	$ 217,559	$ 308,971	$ 26,279	$ 4,488	$ —	$ —	$ 243,838	$ 313,459
Sales of oil and gas for trading	—	73,444	—	—	—	—	—	73,444
Royalties	(6,857)	(9,156)	(43)	(220)	—	—	(6,900)	(9,376)
Revenue	210,702	373,259	26,236	4,268	—	—	236,938	377,527
Oil and gas operating costs	139,496	135,392	53,341	8,437	—	—	192,837	143,829
Costs of oil and gas for trading	—	70,758	—	—	—	—	—	70,758
General and administrative	10,765	12,372	1,367	1,189	2,883	2,931	15,015	16,492
Share-based compensation	(95)	369	(106)	99	1,418	104	1,217	572
Depletion, depreciation and amortization	87,440	92,370	253	529	327	247	88,020	93,146
Impairment, exploration expenses and other	142,846	—	4,413	—	1,308	—	148,567	—
Restructuring, severance and other costs	5,259	823	61	76	1,088	541	6,408	1,440
(Loss) income from operations	$ (175,009)	$ 61,175	$ (33,093)	$ (6,062)	$ (7,024)	$ (3,823)	$ (215,126)	$ 51,290
Non-operating (loss) income items							2,054	19,969
Income tax expense							(173,074)	(21,686)
Net (loss) income for the period							$ (386,146)	$ 49,573

4. Revenue from Contracts with Customers

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

	Three Months Ended March 31	
	2020	2019
Colombia		
Crude oil sales	$ 213,631	$ 304,479
Gas sales	3,928	4,492
Colombia oil and gas sales	217,559	308,971
Peru total - crude oil sales	26,279	4,488
Oil and gas sales	$ 243,838	$ 313,459
Colombia - sales of oil and gas for trading	$ —	$ 73,444

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

5. Oil and Gas Operating Costs

	Three Months Ended March 31	
	2020	2019
Production costs	$ 72,210	$ 69,758
Transportation costs	68,891	71,906
Diluent costs	8,471	9,217
Overlift	150	20
Inventory valuation	43,115	(7,072)
Total	$ 192,837	$ 143,829

For the quarter ended March 31, 2020, inventory valuation includes a charge of $19.8 million relating to the write-down of oil inventory to its net realizable value (2019: $Nil).

6. Impairment and Exploration Expenses

	Three Months Ended March 31	
	2020	2019
Impairment of:		
Properties, plant and equipment (Note 10)	$ 77,864	$ —
Intangible assets	54,881	—
Exploration and evaluation assets	17,124	—
Other	888	—
Total impairment	$ 150,757	$ —
Exploration expenses	433	—
Recovery of asset retirement obligations (Note 12)	(2,623)	—
Impairment, exploration expenses and other	$ 148,567	$ —

As a result of a significant decline in the forecast for crude oil and gas benchmark prices compared to December 31, 2019, the Company performed an impairment test on its CGUs at March 31, 2020. The recoverable amount of each CGU was calculated using a value-in-use approach based on the Company's updated projections of future cash flows generated from proved and probable reserves and discounted using an after-tax rate of 12.0%. The discount rate was determined by reference to the Company's weighted average cost of capital taking into account market assessments of risks specific to its CGUs.

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

As a result of the impairment test performed by the Company, the carrying amounts of certain assets exceeded their recoverable amounts resulting in an impairment charge of $149.2 million in the Colombia CGU including $77.2 million relating to properties, plant and equipment, $54.9 million to intangible assets and $17.1 million to exploration and evaluation assets. In addition, the Company recognized an impairment charge of $0.7 million in properties, plant and equipment relating to the Peru CGU.

The recoverable amounts of CGUs are most sensitive to the discount rate and future oil prices. A 1% increase in the discount rate would increase the impairment charge by approximately $40.4 million and a $1 decrease in the forecasted oil prices would increase the impairment charge by approximately $68.1 million. The results of the impairment test are also sensitive to changes in other estimates such as revisions in reserves, expected production, local price differentials, future operating costs and development capital expenditures, long-term inflation and foreign exchange rates which could impact the calculation of recoverable amounts for CGUs.

7. Restructuring, Severance and Other Costs

During the three months ended March 31, 2020, the Company incurred $6.4 million (2019: $0.7 million) in severance costs related to personnel reductions as a result of the implementation of an organizational restructuring plan, and $Nil million (2019: $0.7 million) in costs regarding transformation activities to deliver process improvements and operational efficiencies.

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

8. Income Taxes

The following is a reconciliation of income tax expense calculated at the Colombian corporate tax rate with the reported income tax expense for March 31, 2020 and 2019.

	Three Months Ended March 31	
	2020	2019
Net (loss) income before income tax	$ (213,072)	$ 71,259
Colombian statutory income tax rate	32%	33%
Income tax (recovery) expense at statutory rate	(68,183)	23,515
Other non-deductible expenses (non-taxable income)	14,042	(185)
Share-based compensation	302	170
Differences in tax rates	(9,130)	(4,299)
Losses for which no tax benefit is recognized	13,078	(2,063)
Minimum income tax (presumptive income tax)	681	2,570
Changes in deferred income tax	222,019	1,978
Change in prior period assessments	265	—
Income tax expense	173,074	21,686
Current income tax expense	5,095	3,533
Deferred income tax expense:		
Relating to origination and reversal of temporary differences	167,979	18,153
Income tax expense	$ 173,074	$ 21,686

During the quarter ended March 31, 2020, the Company reduced its deferred tax asset by $168.0 million to $55.0 million due to a revision in its forecast of future taxable profits primarily resulting from the decline in global oil prices. The remaining balance is the expected benefit to be realized in future years. Projections of taxable profits are subject to, amongst other items, estimates of future oil prices and quantities of proved and probable reserves. If these factors or other circumstances change, the Company would reassess its ability to record any increase or decrease in its deferred income tax asset. A reconciliation of the Company's deferred income tax asset is follows:

Movement in Deferred Tax Balances	
As at January 1, 2020	$ 222,988
Recognized as deferred income tax expense	(167,979)
As at March 31, 2020	$ 55,009

9. (Loss) Earnings per Share

	Three Months Ended March 31	
	2020	2019
Net (loss) income attributable to equity holders of the Company	$ (387,809)	$ 46,187
Basic weighted average number of shares outstanding	96,036,776	98,420,522
Effect of dilution from dilutive instruments	—	768,226
Diluted weighted average number of shares outstanding	96,036,776	99,188,748
Basic (loss) earnings per share attributable to equity holders of the Company	$ (4.04)	$ 0.47
Diluted (loss) earnings per share attributable to equity holders of the Company	$ (4.04)	$ 0.47

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

10. Properties, Plant and Equipment

Cost	Oil & Gas Properties	Plant & Equipment	Total
As at January 1, 2020	7,902,864	272,629	8,175,493
Additions	46,036	885	46,921
Change in asset retirement obligations (Note 12)	(108,727)	—	(108,727)
Disposals	(4,188)	(317)	(4,505)
Currency translation adjustment	(18,307)	(74)	(18,381)
As at March 31, 2020	$ 7,817,678	$ 273,123	$ 8,090,801

Accumulated Depletion, Depreciation and Impairment	Oil & Gas Properties	Plant & Equipment	Total
As at January 1, 2020	$ 6,966,486	$ 232,386	$ 7,198,872
Charge for the period	74,691	2,430	77,121
Impairment (Note 6)	64,794	13,070	77,864
Disposals	(3,080)	—	(3,080)
Currency translation adjustment	(16,068)	(42)	(16,110)
As at March 31, 2020	$ 7,086,823	$ 247,844	$ 7,334,667

Net Book Value	Oil & Gas Properties	Plant & Equipment	Total
As at January 1, 2020	$ 936,378	$ 40,243	$ 976,621
As at March 31, 2020	$ 730,855	$ 25,279	$ 756,134

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

	Oil & Gas Properties	Plant & Equipment	Total
Properties, plant and equipment owned	$ 692,972	$ 9,193	$ 702,165
ROU assets-Leases	37,883	16,086	53,969
As at March 31, 2020	$ 730,855	$ 25,279	$ 756,134

Details of ROU assets are as follows:

	Storage Facility	Power Generation	Plant & Equipment	Total
As at January 1, 2020	$ 27,431	$ 17,044	$ 16,863	$ 61,338
Changes in estimates	—	—	$ 572	572
Lease contract terminated	—	(1,578)	—	(1,578)
Depreciation	(3,429)	(1,585)	(1,349)	(6,363)
As at March 31, 2020	$ 24,002	$ 13,881	$ 16,086	$ 53,969

11. Investments in Associates

	ODL	Bicentenario	IVI	Total
As at January 1, 2020	$ 115,855	$ 81,106	$ —	$ 196,961
Share of income (loss) from associates	12,161	4,512	(25,079)	(8,406)
Dividends	(24,489)	(17,013)	—	(41,502)
Loss allocated against net investment in IVI [(1)]	—	—	25,079	25,079
Currency translation adjustment	(23,905)	(31,758)	—	(55,663)
As at March 31, 2020	$ 79,622	$ 36,847	$ —	$ 116,469
Company's interest as at March 31, 2020	35.00%	43.03%	39.22%	

[(1)] *The Company has recorded its share of losses as a reduction to other long-term interests (long-term account receivables) that form part of its net investment in Infrastructure Ventures Inc ("IVI").*

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

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

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

During the three months ended March 31, 2020, the Company recognized gross dividends of $24.5 million (2019: $Nil) and received cash dividends of $Nil (2019: $9.4 million) from ODL. As at March 31, 2020, the carrying value of dividends receivable after withholding taxes from ODL was $22.0 million (2019: $Nil).

Oleoducto Bicentenario de Colombia S.A.S. ("Bicentenario")

During the three months ended March 31, 2020, the Company recognized gross dividends of $17.0 million (2019: $17.5 million) from Bicentenario. As at March 31, 2020, the carrying value of dividends receivable after withholding taxes from Bicentenario was $44.6 million (2019: $39.1 million) and is included within Other Assets. Dividends are expected to be collected during the next two years.

12. Asset Retirement Obligations

As at January 1, 2020	$	288,982
Accretion expense		1,278
Additions		1,226
Changes in estimates		(116,281)
Liabilities settled		(2,298)
Recovery of asset retirement obligations (Note 6)		(2,623)
Currency translation adjustment		(1,233)
As at March 31, 2020	$	169,051

Current portion	$	14,092
Non-current portion		154,959
Total	$	169,051

Asset retirement obligations ("**ARO**") represent the present value of decommissioning and environmental liability costs relating to oil and gas properties. The total undiscounted ARO is $248.7 million (2019: $382.7 million) which is expected to be executed between 2020 and 2042, of which $212.7 million (2019: $346.6 million) will be incurred in Colombia and $36.0 million (2019: $36.1 million) in Peru.

During the three months ended March 31, 2020, the Company recognized a decrease in the ARO from changes in estimates of $116.3 million which includes $37.0 million relating to updating of the risk-free and inflation rates, $31.5 million relating to updated cost estimates to abandon and reclaim wells and well sites, including environmental liabilities, and $47.8 million due to the impact of foreign exchange rates. A total of $108.7 million of the changes in estimated were recognized in Oil & Gas Properties (Note 10).

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

- A risk-free rate between 4.06% and 11.00% and an inflation rate between 2.3% and 3.9% for cash flows expected to be settled in COP (2019: risk-free rate between 4.11% and 7.27% with inflation between 2.7% and 3.9%);
- A risk-free rate between 2.6% and 2.67% and an inflation rate between 2.7% and 2.9% for cash flows expected to be settled in U.S. dollar (2019: risk-free rate between 2.39% and 3.1% with inflation rate between 2.2% and 3%).

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

13. Related-Party Transactions

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

As at March 31, 2020, and December 31, 2019		Accounts Receivable	Accounts Payable and Lease Obligation	Commitments (Note 16)	Cash Advance [1] [2]	Long-term Receivable [1] [2]	Interest Receivable [1] [2]
ODL	2020	$ 22,040	$ 260	$ 17,549	$ —	$ —	$ —
	2019	—	4,181	30,125	—	—	—
Bicentenario	2020	7,577	102	—	87,278	52,333	—
	2019	9,677	—	36,539	87,278	45,732	—
IVI	2020	—	28,792	47,356	17,741	149,004	56,778
	2019	—	31,193	52,238	17,741	151,452	52,267

Three Months Ended March 31		Sales	Purchases / Services	Interest Income[2]
ODL	2020	$ —	$ 11,963	$ —
	2019	—	12,682	—
Bicentenario	2020	—	1,229	—
	2019	—	1,857	—
IVI	2020	—	9,818	4,511
	2019	—	8,151	3,403

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

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

14. Financial Instruments and Risk Management

a. Risks Associated with Financial Assets and Liabilities

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

i) Credit Risk

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

ii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company mitigates its liquidity risk by managing its capital expenditures, operational cash flows, and by maintaining adequate lines of credit and cash and cash equivalent balances on hand. During the first quarter of 2020, due to the ongoing fall in crude oil prices, the Company's credit ratings were downgraded by Standard & Poor's Financial Services to B+ (from BB-) with a negative outlook and by Fitch Ratings Inc ("**Fitch**") to B- (from B+) with a negative outlook (see also Note 16). Changes in credit ratings could, amongst other things, increase the cost of borrowing under new debt or credit facilities, and require the posting of additional collateral under operational agreements, risk management contracts and guarantees.

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

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

Financial Liability Due In	2020	2021	2022	2023	Total
Accounts payable and accrued liabilities	$ 456,889	$ —	$ —	$ —	$ 456,889
Long-term debt	—	—	—	350,000	350,000
Interest payments on debt	33,950	33,950	33,950	16,975	118,825
Lease liabilities	23,417	28,663	7,261	6,445	65,786
Total	$ 514,256	$ 62,613	$ 41,211	$ 373,420	$ 991,500

The Company has various guarantees in place in the normal course of business, supported by issued letters of credit (Note 16). As at March 31, 2020, the Company had issued letters of credit and guarantees for exploration and operational commitments for a total of $25 million.

Restricted Cash

As at March 31, 2020, the Company has total restricted cash of $96.2 million (2019: $127.4 million) in trust accounts primarily to cover future abandonment obligations, insurance collateral for certain contingencies and other matters. The decrease in restricted cash from December 31, 2019 was primarily due to the impact of the USD appreciation on balances denominated in COP.

iii) Market Risk

Market risk is the risk associated with fluctuations in oil prices and foreign exchange rates. To manage this risk, the Company uses derivative commodity instruments to manage exposure to price volatility by hedging a portion of its oil production and foreign exchange hedging instruments to manage foreign currency fluctuations. See "Risk Management Contracts" below.

Risk Management Contracts

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

Risk Management Contracts - Crude Oil

Type of Instrument	Term	Benchmark	Notional Amount / Volume (bbl)	Avg Strike Prices Put / Call; Call Spreads	Carrying Amount Assets	Carrying Amount Liabilities
Put options	April 2020	Brent	685,000	40.26	$ 9,441	$ —
3-ways	April to September 2020	Brent	3,567,000	48.60/58.60/74.50	32,938	—
Put Spread	Arpil to December 2020	Brent	1,170,000	48.50/58.50	10,842	—
Total as at March 31, 2020					$ 53,221	$ —
Total as at December 31, 2019					$ 7,341	$ 36

Risk Management Contracts - Foreign Exchange

Type of Instrument	Term	Benchmark	Notional Amount / Volume (Thousands of U.S.$)	Avg Put / Call; Par forward (COP$)	Carrying Amount Assets	Carrying Amount Liabilities
Zero cost collars	April 2020 to September 2020	COP / USD	$ 129,000	3,300 / 3,683	$ —	$ 12,740
Total as at March 31, 2020					$ —	$ 12,740
Total as at December 31, 2019					$ 2,768	$ —

	Assets	Liabilities
Total risk management contracts as at March 31, 2020	$ 53,221	$ 12,740
Total risk management contracts as at December 31, 2019	$ 10,109	$ 36

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

	Three Months Ended March 31 2020	2019
Realized gain (loss) on risk management contracts	$ 15,490	$ (1,593)
Unrealized gain (loss) on risk management contracts	29,140	(6,187)
Total	$ 44,630	$ (7,780)

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

b. Fair Value of Financial Instruments

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

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

			Fair Value		
	Year	Carrying Value	Level 1	Level 2	Level 3
Financial Assets Measured at Fair Value through Profit & Loss					
Risk management assets	2020	$ 53,221	$ —	$ 53,221	$ —
	2019	10,109	—	10,109	—
Financial Assets Measured at Fair Value through Other Comprehensive Income					
Investments in equity instruments	2020	$ 1,245	$ —	$ —	$ 1,245
	2019	1,298	—	—	1,298
Financial Assets Measured at Amortized Cost					
Long-term receivables	2020	$ 119,382	$ —	$ —	$ 119,382
	2019	126,060	—	—	126,060
Financial Liabilities Measured at Fair Value through Profit & Loss					
Risk management liabilities	2020	$ (12,740)	$ —	$ (12,740)	$ —
	2019	(36)	—	(36)	—
Financial Liabilities Measured at Amortized Cost					
Long-term debt	2020	$ (332,080)	$ —	$ (224,046)	$ —
	2019	(331,118)	—	(369,278)	—

Level 3 financial assets measured at amortized cost

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

d. Capital Management

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

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

The Company's capital consists of debt and total equity (less non-controlling interests) net of working capital.

The following table summarizes the Company's capital structure balances:

	As at March 31 2020	As at December 31 2019
Equity attributable to equity holders of the Company	$ 757,821	$ 1,210,258
Long-term debt	332,080	331,118
Working capital surplus [1]	(67,715)	(71,356)
Total	$ 1,022,186	$ 1,470,020

[1] *Working capital surplus represents the excess of Total Current Assets after deducting Total Current Liabilities.*

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

15. Supplemental Disclosure on Cash Flows

Changes in non-cash working capital are as follows:

	Three Months Ended March 31	
	2020	**2019**
Increase in accounts receivable	$ (13,667)	$ (47,496)
Decrease in inventories	43,462	1,970
Increase in income taxes receivable	(4,999)	(8,696)
Decrease in prepaid expenses and deposits	2,101	1,329
Decrease in accounts payable, accruals and other liabilities	(27,918)	(66,136)
Decrease in income taxes payable	(6,262)	(45)
Changes in non-cash working capital	$ (7,283)	$ (119,074)
Attributable to		
Operating activities	$ 1,822	$ (65,971)
Investing activities	(9,105)	(53,103)
Changes in non-cash working capital	$ (7,283)	$ (119,074)

16. Commitments and Contingencies

Commitments

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

As at March 31, 2020	2020	2021	2022	2023	2024	2025 and Beyond	Total
Transportation and storage commitments							
Ocensa P-135 ship-or-pay agreement	$ 68,551	$ 68,551	$ 68,551	$ 68,551	$ 68,551	$ 17,358	$ 360,113
Puerto Bahia take-or-pay agreement	26,934	20,422	—	—	—	—	47,356
ODL ship-or-pay agreement	17,258	291	—	—	—	—	17,549
Other transportation agreements	17,554	3,476	3,176	2,570	2,570	10	29,356
Exploration commitments							
Minimum work commitments	129,240	120,547	70,438	20,843	—	—	341,068
Other commitments							
Operating purchases, leases and community obligations	12,801	6,119	6,100	6,424	4,677	7,034	43,155
Total	$ 272,338	$ 219,406	$ 148,265	$ 98,388	$ 75,798	$ 24,402	$ 838,597

Termination of Transportation Agreements

On July 12, 2018, the Company exercised contractual rights to terminate (a) three transportation contracts (the "**BIC Transportation Agreements**") with Bicentenario to ship oil through the BIC Pipeline which operates between Araguaney and Banadia where it connects to the Caño Limón pipeline ("**CLC Pipeline**") because service had not been provided for more than six consecutive months, and (b) three related transportation agreements (the "**CLC Transportation Agreements**") with CENIT to ship oil through the CLC Pipeline because service had not been provided for more than 180 consecutive calendar days. The Company has received notice that CENIT and Bicentenario dispute the validity of those contract terminations, and that on December 3, 2018, CENIT, and on January 28, 2019, Bicentenario, commenced separate arbitration proceedings against the Company before the Centre for Arbitration and Conciliation of the Bogota Chamber of Commerce (the "**Bogota Arbitration Centre**") concerning the contract terminations.

The Company believes it was fully entitled to terminate both the BIC Transportation Agreements and the CLC Transportation Agreements and intends to vigorously defend the arbitration proceedings commenced by Bicentenario and CENIT and recover damages. For further information on these claims, see "Note 28 - Commitments and Contingencies" of the 2019 Annual Financial Statements.

As of March 31, 2020, the amount of tariffs claimed by CENIT under the CLC Transportation Agreements would be $86.6 million plus interest, and would be approximately $70.3 million per annum, subject to tariff adjustments from time to time, until 2028. As of March 31, 2020, the aggregate amount of monthly service payments claimed by Bicentenario under the BIC Transportation

Agreements would be $81.6 million (net of credits note and SBLCs) plus interest, and would be approximately $130.6 million per annum, subject to tariff adjustments from time to time, until 2024.

On December 3, 2019 the Company and certain of its affiliates commenced arbitration proceedings before the Bogota Arbitration Centre seeking, among other things, relief from Bicentenario and CENIT that those contracts were validly terminated and for the termination of (a) three transportation ancillary contracts (the "**BIC Ancillary Agreements**") with Bicentenario for the use of ancillary facilities related to the BIC Pipeline, and (b) seven transportation ancillary contracts (the "**CLC Ancillary Agreements**") with CENIT related to the CLC Pipeline and the BIC Pipeline for offloading and maritime facilities (which were the subject of termination), and the Monterrey-Araguaney Pipeline.

During the first quarter of 2020, the Company asserted rights to stop making payments under the BIC Ancillary Agreements and the CLC Ancillary Agreements. The Company's position is that there are no further payment commitments under the agreements, and as a result, the Company has excluded $262.4 million of total commitments from the table above. As of March 31, 2020, the Company has rejected invoices for $2.8 million relating to these ancillary agreements and intends to reject all invoices hereinafter. Both Bicentenario and CENIT dispute the grounds for the termination of these contracts and the cessation of payment, but they have not filed any formal claim yet over this specific dispute.

Ocensa P-135 Ship-or-Pay Agreement

As part of the Ocensa P-135 ship-or-pay agreement, the Company is required to maintain a minimum credit rating of BB- (Fitch) and Ba3 (Moody's) or to provide evidence of compliance with the net assets and working capital test included in such agreement. The Company does not comply with the minimum credit rating criteria or capital ratio tests which could give Ocensa early termination and prepayment rights under the contract if letters of credit are not provided by the Company.

On April 29, 2020, Ocensa and the Company entered into a pledge agreement pursuant to which the Company guaranteed payment to Ocensa through a pledge of the crude oil transported in the Ocensa Pipeline. The term of the pledge agreement is initially for a period of four months and can be extended by both parties in the event the minimum credit rating criteria or capital ratio tests are not satisfied at the time of expiration. During the term of the pledge agreement, Ocensa has agreed not to exercise its early termination and prepayment rights. The pledge agreement will automatically terminate if the Company subsequently meets any of the minimum credit requirements as set forth in the ship-or-pay agreement.

Exploration commitments

The Company has minimum work commitments related to some exploration activities in Colombia, Peru, Ecuador, and Guyana. Given the current socio-economic environment due to the recent and rapid development of the COVID-19 pandemic and the decrease in oil prices, the Company has been reviewing its exploration commitments and alternatives with regulatory agencies, including deferring commitments and permitting alternate security arrangements to limit the amount of restricted cash required to secure commitments.

Letter of Credit Facility

On May 17, 2018, the Company entered into a $100 million unsecured letter of credit facility with a maturity date of May 17, 2020 (the "**Unsecured LC Facility**"). In November 2018, the Unsecured LC Facility was reduced to $60.0 million. As at March 31, 2020, the Company had $52.4 million of issued and outstanding letters of credit under the Unsecured LC Facility for exploratory, transportation and operational commitments (2019: $43.7 million). The Company is actively working with regulatory agencies to reduce the guarantee requirements to be covered by letters of credit. The Company is also in the process of replacing the Unsecured LC Facility prior to its expiry date with various uncommitted bilateral lines of credit.

Other Guarantees

The Company has various guarantees in place in the normal course of business. As at March 31, 2020, in addition to letters of credit issued under the Unsecured LC Facility, the Company has $25.9 million of outstanding letters of credit to guarantee exploration and abandonment commitments (2019: $31.8 million).

Included within the $25.9 million of issued and outstanding letters of credit is $14.2 million under a master agreement with Banco BTG Pactual S.A. ("**BTG**"). Under the terms of this agreement, BTG has the right to demand the return and cancellation of the letters of credit, or require the Company to deposit an equivalent amount if it breaches certain covenants, including receiving a credit rating downgrade two notches or more by any rating agency. The Fitch downgrade of the Company's credit rating on March 20, 2020 by two notches resulted in a breach of this covenant. As of May 5, 2020, the Company has not received a demand from BTG to arrange the return and cancellation of the letters of credit, and is working closely with BTG to review alternatives.

Contingencies

The Company is involved in various claims and litigation arising in the normal course of business. Since the outcomes of these matters are uncertain, there can be no assurance that such matters will be resolved in the Company's favour. The outcome of adverse decisions in any pending or threatened proceedings related to these and other matters could have a material impact on the Company's financial position, results of operations or cash flows. Other than as disclosed above, no material changes have occurred regarding the matters disclosed in "Note 28 - Commitments and Contingencies" of the 2019 Annual Financial Statements.