CONSOLIDATED FINANCIAL STATEMENTS




For the years ended December 31, 2021 and 2020

FRONTERA ENERGY

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for preparing the consolidated financial statements and the notes hereto. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards using the best estimates and judgments of management, where appropriate.

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable information.

The Board of Directors (the "**Board**") is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted by the Audit Committee of the Board in exercising its responsibilities. At a minimum, the Audit Committee meets quarterly with management and the internal and external auditors to ensure that management's responsibilities are properly carried out and to discuss accounting and auditing matters. The Audit Committee reviews the consolidated financial statements and recommends approval of the consolidated financial statements to the Board.

The internal and external auditors have full and unrestricted access to the Audit Committee to discuss their audits and related findings as to the integrity of the financial reporting process.

"Orlando Cabrales Segovia" (signed)

Chief Executive Officer

"Alejandro Piñeros" (signed)

Chief Financial Officer

Calgary, Canada

March 2, 2022

Independent Auditor's Report

To the Shareholders of:

Frontera Energy Corporation

Opinion

We have audited the consolidated financial statements of **Frontera Energy Corporation** and its subsidiaries (the **"Company"**), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of income(loss), consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (**"IFRS"**).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent* of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter

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

Key audit matter

For the year ended December 31, 2021, an impairment reversal of $597.2 million and an impairment charge of $10.5 million were recorded with respect to the Colombian cash generating units ("CGU") and allocated to PP&E assets and an impairment charge of $26.0 million was recorded with respect to the Guyana CGU and Colombia CGU and allocated to E&E assets. As at December 31, 2021, the carrying value of PP&E and E&E assets were $1,532.8 million and $188.9 million. respectively. Refer to Note 3 of the consolidated financial statements for a description of the Company's impairment of non-financial assets accounting policy. Refer to Note 8 of the consolidated financial statements for the Company's impairment and impairment reversal disclosures. PP&E and E&E assets are tested for impairment only when circumstances indicate that the carrying value of a CGU may exceed the recoverable amount and for impairment reversal when there is any indication that previously recognized impairment losses may no longer exist or may have decreased. Impairment and impairment reversal is determined by estimating a CGU's respective recoverable amount. The recoverable amount of the Colombian CGUs were determined using the value-in-use method, whereby the net cash flows are estimated using current business models and budgets approved by management.

Auditing the Company's estimated recoverable amounts of the Colombian CGUs was complex due to the subjective nature of the various management inputs and assumptions and the significant effect changes in these may have on the recoverable amount.

The primary inputs noted in the value-in-use models were production, pricing, operating costs, capital costs, general and administrative expenses and discount rate.

How our audit addressed the key audit matter

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

•Involved our valuation specialists to assess the methodology applied, and the various inputs utilized in determining the discount rate by referencing current industry, economic, and comparable company information, as well as company and cash-flow specific risk premiums

•Assessed forecasted production by comparing it to historically realized production

•Assessed forecasted price differentials by comparing to historically realized differentials

•Assessed forecasted operating cost, capital cost data, and general and administrative expenses by comparing it to historical performance

•Assessed impairment available for reversal by testing the depletion impact of impairment charges from prior years

•Assessed the competence, capability and objectivity of the Company's external reserve engineer as well as obtained an understanding of the work they performed. The appropriateness of their work as audit evidence was evaluated by considering the relevance and reasonableness of the methods and inputs utilized

•With the assistance of our valuation specialists, assessed the market capital deficiency against control premiums observed in comparable market transactions and investigated any contrary information

•Evaluated the adequacy of the impairment note disclosure included in Note 8 of the consolidated financial statements in relation to this matter

Key audit matter	How our audit addressed the key audit matter
Recoverability of deferred tax assets The consolidated statement of financial position as at December 31, 2021 includes deferred tax assets amounting to $225.1 million. The deferred tax asset consists mainly of deductible temporary differences due to undepreciated capital expenditures related to oil and gas properties and non-capital losses. The recognition of deferred tax assets is based on management's judgement and estimates that it is probable that future taxable profits will be available, against which the underlying deductible temporary differences can be utilized. Refer to Note 3, of the consolidated financial statements for a description of the Company's tax accounting policy. The estimate of future taxable profit, and the recoverability of the deferred tax asset, is affected by estimates of future oil prices and quantities of proved and probable reserves, amongst other assumptions. We identified this matter as key in our audit due to the judgements associated to projecting future oil prices and specialized industry knowledge required to assess quantities of proved and probable reserves.	To test the Company's estimated recoverability of deferred tax assets, we performed the following procedures, among others: •Assessed forecasted price differentials by comparing to historically realized differentials •Assessed forecasted production, operating cost, capital cost data, and general and administrative expenses by comparing it to historical performance •Assessed the competence, capability and objectivity of the Company's external reserve engineer as well as obtained an understanding of the work they performed. The appropriateness of their work as audit evidence was evaluated by considering the relevance and reasonableness of the methods and inputs utilized •Involved our Canadian and Colombian income tax specialists who assisted in evaluating the application of relevant tax laws and regulations used in the determination of the deferred income tax asset •With the support of our tax specialists, tax pool balances were agreed to the most recent tax filings, and the tax rates used in determining the deferred tax balances were compared against the enacted or substantively enacted tax rates •Evaluated the adequacy of disclosure in Note 11 to the consolidated financial statements in respect of this matter

Other information

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

- Management's discussion and analysis

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

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

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ryan MacDonald.

Ernst + Young LLP

Chartered Professional Accountants

Calgary, Canada

March 2, 2022

Consolidated Statements of Income (Loss)

(In thousands of U.S.$, except per share information))	Notes	Year Ended December 31 2021	2020
Oil and gas sales and other revenue	6	$ 926,633	$ 658,194
Royalties		(32,572)	(9,686)
Revenue		894,061	648,508
Oil and gas operating costs	7	416,397	458,093
(Recovery) costs under terminated pipeline contracts	27	(4,386)	118,679
General and administrative		52,134	55,121
Share-based compensation		8,394	3,960
Depletion, depreciation and amortization		126,692	258,867
Impairment (reversal) expense, exploration expenses and other	8	(564,010)	141,389
Restructuring, severance and other costs	9	4,616	21,097
Income (loss) from operations		854,224	(408,698)
Share of income from associates	17	38,033	43,545
Foreign exchange loss		(35,510)	(7,742)
Finance income		5,362	19,529
Finance expense	19	(51,822)	(58,421)
(Loss) gain on risk management contracts	26	(41,906)	34,443
Other income (loss), net		1,435	(47,328)
Reclassification of currency translation adjustments	27,4	(103,599)	(23,956)
Debt extinguishment cost	19	(29,112)	—
Net income (loss) before income tax		637,105	(448,628)
Current income tax (expense) recovery		(26,568)	480
Deferred income tax recovery (expense)		25,529	(33,764)
Income tax expense	11	(1,039)	(33,284)
Net income (loss) for the year		636,066	$ (481,912)
Attributable to:			
Equity holders of the Company		628,133	(497,406)
Non-controlling interests		7,933	15,494
		$ 636,066	$ (481,912)
Earnings (loss) per share attributable to equity holders of the Company			
Basic	12	$ 6.50	$ (5.13)
Diluted	12	$ 6.29	$ (5.13)

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

On behalf of the Board of Directors:

"Gabriel de Alba" (signed)

Chairman of the Board of Directors

"W. Ellis Armstrong" (signed)

Director

Consolidated Statements of Comprehensive Income (Loss)

(In thousands of U.S.$)	Year Ended December 31 2021	2020
Net income (loss) for the year	$ 636,066	$ (481,912)
Other comprehensive loss (income) may be reclassified to net income (loss) in subsequent periods (nil tax effect)		
Foreign currency translation	(19,575)	(22,183)
Reclassification of currency translation adjustments	103,599	23,956
	84,024	1,773
Total comprehensive income (loss) for the year	$ 720,090	$ (480,139)
Attributable to:		
Equity holders of the Company	$ 716,852	$ (496,880)
Non-controlling interests	3,238	16,741
	$ 720,090	$ (480,139)

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

Consolidated Statements of Financial Position

(In thousands of U.S.$)	Notes	As at December 31 2021	2020
ASSETS			
Current			
Cash and cash equivalents		$ 257,504	$ 232,288
Restricted cash	26	32,900	89,379
Accounts receivable	26	115,515	141,227
Inventories	13	50,076	56,801
Income taxes receivable		41,917	21,234
Prepaid expenses and deposits		18,974	12,550
Assets held for sale	14	—	66,190
Risk management assets	26	274	437
Total current assets		517,160	620,106
Non-current			
Properties, plant and equipment	15	1,532,751	936,946
Exploration and evaluation assets	16	188,904	95,757
Investments in associates	17	87,199	106,839
Deferred tax assets	11	225,143	191,043
Restricted cash	26	30,421	79,555
Other assets	18	29,502	33,666
Total assets		$ 2,611,080	$ 2,063,912
LIABILITIES			
Current			
Accounts payable and accrued liabilities	26	$ 402,595	$ 501,625
Current portion of long-term debt	19	146,724	183,094
Risk management liabilities	26	4,116	12,503
Income taxes payable		11,362	6,227
Lease liabilities	20	4,241	14,381
Asset retirement obligations	21	27,007	14,009
Total current liabilities		596,045	731,839
Non-current			
Long-term debt	19	405,838	335,788
Other payables	26	2,665	3,343
Lease liabilities	20	3,332	4,981
Deferred tax liabilities		4,278	3,239
Risk management liabilities	26	2,697	7,656
Asset retirement obligations	21	147,334	212,234
Total liabilities		$ 1,162,189	$ 1,299,080
Commitments and contingencies	27		
EQUITY			
Share capital		$ 4,694,370	$ 4,711,620
Contributed surplus		122,489	124,978
Other reserves		(91,365)	(180,084)
Accumulated deficit		(3,324,528)	(3,952,661)
Equity attributable to equity holders of the Company		$ 1,400,966	$ 703,853
Non-controlling interests	22	47,925	60,979
Total equity		$ 1,448,891	$ 764,832
Total liabilities and equity		$ 2,611,080	$ 2,063,912

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

Consolidated Statements of Changes in Equity

	Attributable to Equity Holders of the Company								
(In thousands of U.S.$)	Number of Common Shares	Share Capital	Contributed Surplus	Cumulative Translation Adjustment	Fair Value Investment	Accumulated Deficit	Total	Non-Controlling Interests	Total Equity
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 year	—	—	—	—	—	(497,406)	(497,406)	15,494	(481,912)
Other comprehensive income	—	—	—	526	—	—	526	1,247	1,773
Total comprehensive income (loss)	—	—	—	526	—	(497,406)	(496,880)	16,741	(480,139)
Decrease in non-controlling interests (Note 22)	—	—	3,103	—	—	—	3,103	(3,103)	—
Dividends declared to equity holders of the Company (Note 23)	2,153,633	8,581	—	—	—	(13,897)	(5,316)	—	(5,316)
Repurchase of Common Shares (Note 23)	(1,392,314)	(10,075)	—	—	—	—	(10,075)	—	(10,075)
Share-based compensation	271,648	1,000	1,763	—	—	—	2,763	2,793	5,556
Dividends paid to non-controlling interest (Note 22)	—	—	—	—	—	—	—	(15,228)	(15,228)
As at December 31, 2020	97,466,224	$ 4,711,620	$ 124,978	$ (174,882)	$ (5,202)	$ (3,952,661)	$ 703,853	$ 60,979	$ 764,832
Net income for the year	—	—	—	—	—	628,133	628,133	7,933	636,066
Other comprehensive income (loss)	—	—	—	88,719	—	—	88,719	(4,695)	84,024
Total comprehensive income	—	—	—	88,719	—	628,133	716,852	3,238	720,090
Repurchase of Common Shares (Note 23)	(3,855,400)	(21,537)	—	—	—	—	(21,537)	—	(21,537)
Decrease in non-controlling interests (Note 22)	—	—	2,478	—	—	—	2,478	(2,478)	—
Share-based compensation	1,084,870	4,287	(4,967)	—	—	—	(680)	1,907	1,227
Dividends paid to non-controlling interest (Note 22)	—	—	—	—	—	—	—	(15,721)	(15,721)
As at December 31, 2021	94,695,694	$ 4,694,370	$ 122,489	$ (86,163)	$ (5,202)	$ (3,324,528)	$ 1,400,966	$ 47,925	$ 1,448,891

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

Consolidated Statements of Cash Flows

(In thousands of U.S.$)	Notes	Year Ended December 31 2021	2020
OPERATING ACTIVITIES			
Net income (loss) for the year		$ 636,066	$ (481,912)
Items not affecting cash:			
Depletion, depreciation and amortization		126,692	258,867
Impairment (reversal) expense	8	(559,188)	141,965
Recovery of asset retirement obligations	21	(6,335)	(4,452)
Unrealized (gain) loss on risk management contracts	26	(7,213)	6,481
Share-based compensation	10	6,695	3,960
Deferred income tax recovery (expense)		(25,526)	33,764
Unrealized foreign exchange loss (gain)		36,769	(4,495)
Share of income from associates	17	(38,033)	(43,545)
(Gain) loss on acquisition of subsidiaries	4	(12,847)	42,829
Reclassification of currency translation adjustments	27,4	103,599	23,956
Finance expense		51,822	58,421
Dividends from associates	17	35,490	38,682
Settlement of asset retirement obligations	21	(10,133)	(4,744)
Debt extinguishment cost	19	29,112	—
Other		483	(6,472)
Changes in non-cash working capital	24	(40,073)	163,476
Cash provided by operating activities		$ 327,380	$ 226,781
INVESTING ACTIVITIES			
Additions to oil and gas properties and plant and equipment, net		$ (224,277)	$ (77,448)
Additions to exploration and evaluation assets, net		(87,485)	(20,297)
Acquisition of subsidiaries, net of cash acquired	4	(8,531)	(2,810)
Return of capital contributions from investment in associates	17	3,954	—
Sale of subsidiaries, net of cash	27	(1,799)	—
Decrease (increase) in restricted cash and other		79,337	(22,501)
Changes in non-cash working capital	24	51,858	(55,474)
Cash used in investing activities		$ (186,943)	$ (178,530)
FINANCING ACTIVITIES			
Repayment of long-term debt		$ (40,000)	$ (20,000)
Lease payments		(11,681)	(24,541)
Repayment unsecured Senior Notes at a premium	19	(366,942)	—
Gross proceeds from unsecured Senior Notes issuance prior to transaction costs	19	397,360	—
Transaction cost of new unsecured Senior Notes	19	(6,364)	—
Dividends paid to equity holders of the Company		—	(20,510)
Repurchase of Common Shares		(21,537)	(10,075)
Interest and other charges		(43,496)	(42,174)
Dividends paid to non-controlling interests		(15,721)	(15,228)
Cash used in financing activities		$ (108,381)	$ (132,528)
Effect of exchange rate changes		(6,840)	(11,868)
Increase (decrease) in cash and cash equivalents during the year		25,216	(96,145)
Cash and cash equivalents, beginning of the year		232,288	328,433
Cash and cash equivalents, end of the year		$ 257,504	$ 232,288
Cash		218,425	200,471
Cash equivalents		39,079	31,817
Total cash and cash equivalents		$ 257,504	$ 232,288
Supplementary cash flow information			
Cash income tax paid		$ 5,392	$ 3,090
Cash interest paid		$ 44,013	$ 40,730
Cash interest received		$ 14,177	$ 6,071

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

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

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 Suite 1610, 222 3rd Avenue SW, Calgary, Alberta, Canada, T2P 0B4, and its registered office is 1500 Royal Centre, 1055, West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

These consolidated financial statements of the Company, comprising those of the Company and its subsidiaries, were approved and authorized for issuance by the Board of Directors on, March 2, 2022.

2. Basis of Preparation and Significant Accounting Policies

Statement of Compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”). The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments (risk management assets and liabilities) and investments that have been measured at fair value.

Functional and Presentation Currency

The consolidated financial statements are presented in United States (U.S.) dollars, which is the Company’s functional currency, and all values are rounded to the nearest thousand, except where otherwise indicated.

Principles of Consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has power over an investee, when the Company is exposed, or has rights to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases on the date when the Company loses control of the subsidiary. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between subsidiaries of the Company are eliminated in full upon consolidation. Where the Company’s interest in a subsidiary is less than 100%, the Company recognizes the net assets attributable to minority shareholders within a separate component of equity as non-controlling interests (“**NCI**”). Net income (loss) that is attributable to non-controlling interests is calculated based on the ownership of the minority shareholders in the subsidiary. A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction.

The following table summarizes the Company’s principal subsidiaries, the location of their registered offices, the country of principal business activity, the method of consolidation, and the Company’s percentage interest.

	Registered Office	Country of Principal Business Activity	Recognition Method	Percentage Interest as at December 31 2021	2020
Principal Subsidiaries					
Frontera Energy Colombia AG	Switzerland	Colombia / Ecuador	Consolidated	100.00 %	100.00 %
CGX Energy Inc. **“CGX”**	Canada	Guyana	Consolidated	76.98 %	73.85 %
Sociedad Portuaria Puerto Bahia S.A.	Colombia	Colombia	Consolidated	96.55 %	94.16 %
Petroleos Sud Americanos SA **“PetroSud”** [1]	Switzerland	Colombia	Consolidated	100.00 %	— %
Frontera Energy Off Shore Peru S.R.L.	Peru	Peru	Consolidated	100.00 %	100.00 %
Pipeline Investment Ltd. **“PIL”** [2]	Bermuda	Colombia	Consolidated	59.93 %	59.93 %
Frontera BIC Holding Ltd.	Bermuda	Colombia	Consolidated	100.00 %	100.00 %

[1] *On December 30, 2021, the Company acquired 100% of the issued and outstanding shares in PetroSud (Note 4).*

[2] *Formerly ODL JV Ltd.*

3. Significant Accounting Policies, Judgments, Estimates and Assumptions

a. Summary of Significant Accounting Policies

Revenue Recognition

Oil and gas revenues from contracts with customers are determined by reference to consideration specified in the contracts and recognized when control of the product is transferred to the customer.

For crude oil and natural gas sales, control of the product transfers when the customer obtains legal title to the product, which is when the Company satisfies its performance obligations. This transfer of control typically occurs at a point in time when the product is physically discharged at the point of unloading, which can be a shipping port or customer storage facility, unless an alternative transportation method is agreed upon. Revenue represents the Company's share of oil and gas sales after deducting royalties, sales taxes, excise duties and similar levies. The Company does not have contracts where the period between the transfer of the product to the customer and payment by the customer exceeds one year and, therefore, the Company does not adjust its revenue transactions for the time value of money.

Overlift, or settlement, corresponds to a short-term imbalance between the Company's production and sales volumes. In these instances, the Company lifts barrels from the pipeline system, resulting in more volumes sold than produced, which is considered "overlift." During overlift, the Company recognizes the sales and an equivalent cost with no margin, when the overlift is settled, this expense is reversed to recognize the gross margin earned on the related sale in the period of production.

Share-Based Compensation

The Company has a security based compensation plan (the "**Incentive Plan**"), which allows for the issuance of stock options, Restricted Stock Units ("**RSUs**") and Deferred Stock Units ("**DSUs**"). Under the Incentive Plan non-employee directors (only DSUs) and employees receive units in consideration for services provided to the Company. The Company grant stock options to officers and employees, which are accounted for using the fair-value method, estimated using the Black-Scholes option-pricing model.

DSUs represent a right to receive Common Shares (or the cash equivalent) at the time of the holder's retirement or death, or when the holder otherwise ceases to provide services to the Company, allowing the Company to pay compensation to holders of DSUs on a deferred basis. Each DSU awarded by the Company approximates the fair market value of a Common Share in U.S. dollars at the time the DSU is awarded, which is generally the grant date under IFRS. Settlement may be made, at the sole discretion of the Compensation and Human Resources Committee of the Board of Directors ("**CHRC**"), in Common Shares, cash or a combination thereof. Only directors are entitled to receive DSUs. On the grant date, the Company recognizes a share-based compensation expense for the DSU awards at fair value with a corresponding amount in contributed surplus.

The DSU awards are classified within equity as settlement is in the sole discretion of the Company and its intention is to settle these instruments in Common Shares.

RSUs awarded under the Incentive Plan vest in accordance with the conditions outlined in the award agreement, which can include certain time based, market and non-market performance conditions (termed the "**performance adjustment factor**"), over the term of the agreement, which is typically between one and three years. RSUs may be settled in cash, shares, or a combination of both, at the sole discretion of the CHRC, and in accordance with terms set out in the award agreement. The Company expect to settle the RSU awards in a combination of cash and equity, and recognizes share-based compensation expense for the RSU awards based on the fair value which is re-valued every reporting period with the corresponding amounts reflected as liabilities. The expense recognized includes an estimate of the number of units expected to vest based on the performance adjustment factor and forfeitures. Upon settlement, the associated amounts previously recorded as liabilities are reclassified to share capital if equity settled.

Foreign Currency Translation

Transactions denominated in a foreign currency are initially recorded at the rate of exchange on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at period-end closing exchange rates with translation gains and losses recorded in net income (loss). Non-monetary items are translated using the historical exchange rates as at the date of the initial transaction.

For a foreign operation whose functional currency is not the U.S. dollar, assets and liabilities are translated at period-end closing exchange rates, while revenue and expenses are translated using the rate as at the date of the transaction. All exchange differences resulting from the translation are recognized in other comprehensive income (loss). When a foreign operation is disposed, the cumulative currency translation adjustment is reclassified from other equity reserves to the income (loss) statement.

Earning (Loss) Per Share

Basic earnings (loss) per share is calculated using net income (loss) attributable to equity holders of the Company divided by the weighted average number of Common Shares outstanding. Diluted earnings (loss) per share is calculated by adjusting the weighted-average number of Common Shares outstanding for the impact of potential dilutive instruments such as DSUs and RSUs. The Company follows the treasury stock method in the calculation of diluted earnings per share whereby any proceeds received from in-the-money options would be used to buy Common Shares at the average market price for the period.

Interest in Joint Arrangements

Joint arrangements occur when two or more parties have joint control, which is the contractually agreed sharing of an arrangement. This exists when decisions about the relevant activities (being those that significantly affect the returns of the arrangements) require the unanimous consent of the parties sharing control. Joint arrangements can be classified as either a joint operation or a joint venture.

A joint operation is an arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The Company recognizes its proportionate share of assets, liabilities, revenues and expenses of the joint operation.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method of accounting whereby the purchase consideration is allocated to the identifiable assets, liabilities and non-controlling interests, if any, on the basis of their fair values at the date of acquisition. Any excess of the purchase consideration over the fair value of the net identifiable assets acquired is recognized as goodwill. If the purchase consideration is less than the fair value of the net identifiable assets acquired, the Company recognizes a bargain purchase, which is a gain in net income (loss) on the acquisition date.

Goodwill is not subject to amortization and is measured at cost less any accumulated impairment, if any. For impairment testing, goodwill is allocated to the Company's Cash Generating Units ("**CGUs**") or groups of CGUs that are expected to benefit from the acquisition.

Cash and Cash Equivalents

Cash and cash equivalents include cash, short-term investments and deposits with a maturity of three months or less.

Restricted Cash

Restricted cash includes mainly term deposits that have been escrowed to cover future commitments and future abandonment obligations that are not available for immediate disbursement.

Inventories

Oil and gas inventory is valued at the lower of cost and net realizable value and materials and supplies are valued at cost. Cost is determined on a weighted-average basis and includes all costs incurred to bring the inventory to its current condition and including materials, labour, direct overhead, and depletion, depreciation and amortization.

Non-Current Assets Held for Sale

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale or disposition rather than through continuing use. Such non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs of disposal ("**FVLCD**"), and are presented separately within the Consolidated Statements of Financial Position.

The criteria for held for sale classification is regarded as met only when the sale or disposition is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. The Company must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification. When the assets or disposal group are sold, the gains or losses on the sale are recognized in other income (loss) within the Consolidated Statements of Income (Loss).

Properties, Plant and Equipment, and Exploration and Evaluation Assets

Properties, plant and equipment

Oil and gas properties, plant and equipment, including land, are measured at cost less accumulated depletion, depreciation and impairment. The initial cost of an asset comprises its purchase price or construction cost, any cost directly attributable to bringing the asset into operation, the ongoing estimate of asset retirement obligations, and long-term debt costs for qualifying assets. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Development costs are capitalized within oil and gas properties and include expenditures on the construction, installation or completion of infrastructure facilities such as pipelines and the drilling of development wells, including unsuccessful development or delineation wells. The value of a right-of-use asset is also included within properties, plant and equipment. Expenditures on major maintenance or repairs that improve the productive capacity, replaces a component or extend the life of an asset are capitalized. All other maintenance costs are expensed as incurred.

Depletion, depreciation and amortization

Oil and gas properties are depleted using the unit-of-production method based on estimated proved and probable reserves using forward prices and costs. Costs subject to depletion include estimated future costs to be incurred in developing proved reserves.

Plant and equipment are generally depreciated on a straight-line basis over their estimated useful lives, which range from one to ten years. Major inspection costs are depreciated over three to five years, which represents the estimated period before the next planned major inspection. Plant and equipment held as right-of-use asset are depreciated over the shorter of the lease term and the estimated useful life of the leased asset. Land is not amortized.

Exploration and evaluation costs

Exploration and evaluation ("**E&E**") costs include expenditures to acquire licenses to explore, farming into or acquiring rights to working interest on exploration properties, appraisal costs of technical services and studies, seismic acquisition, exploratory drilling and testing. These costs are initially capitalized by well, field, unit of account or specific exploration unit, as appropriate, and are not subject to depreciation or depletion. Costs incurred prior to obtaining the legal rights to explore an area, geological and geophysical ("**G&G**") costs, including payroll, and payments made to fulfill the remaining balance of minimum exploration work commitment for certain blocks, are recognized in net income (loss) as exploration expenses. E&E assets are reclassified to oil and gas properties, after an impairment review, when commercial reserves have been discovered and technical feasibility and commercial viability are demonstrable. If technical feasibility and commercial viability cannot be demonstrated upon completion of the exploration phase, the carrying value of the E&E costs is expensed in the period this determination is made. The Company has certain E&E assets that have production and sales of crude oil resulting from test wells that are recognized as a reduction to capitalized E&E costs.

Investments in Associates

Associates are entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those decisions. Associates are accounted for using the equity method. Under the equity method, the investment is initially recorded at cost and the carrying value is subsequently adjusted to recognize the Company's share of earnings or losses of the investee and for impairment after the initial recognition date. Losses recognized using the equity method in excess of the Company's investment in ordinary shares are applied to the other components of the Company's interest in an associate. Other components may include preference shares and long-term receivables or loans, but do not include trade receivables, trade payables or any long-term receivables for which adequate collateral exists. Profit distributions from the investee, typically in the form of dividends, reduce the carrying value of the investment when declared.

At each reporting date, the Company assesses whether there are any indicators of impairment. When there are indicators that an investment is impaired, the carrying value of the investment is compared to its recoverable amount, being the higher of the present value of cash flows expected to be generated (value-in-use; "**VIU**") and the FVLCD that could be realized by selling the investment. If the recoverable amount of the investment is less than its carrying value, an impairment loss is recognized in the period in which they occur.

Impairment of Non-Financial Assets

At each reporting date, the Company assesses whether there are indicators that non-financial assets may be impaired. If an indication of impairment exists, the Company estimates the recoverable amount as the higher of VIU and FVLCD. Individual assets are grouped for impairment assessment purposes at the level of CGU, the lowest level for which there are identifiable cash inflows that are largely independent on the cash flows of other groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is written down to its recoverable amount. VIU is estimated as the present value of future cash flows expected to arise from the continuing use of the CGU and discounted at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. FVLCD is based on available market information, where applicable. In the absence of such information, FVLCD is determined using discounted future after-tax net cash flows of proved and probable reserves using forecasted prices and costs consistent with reserves reports produced by independent certified reserves evaluators.

An assessment is also made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or the carrying amount that would have been determined, net of depreciation, had no impairment been recognized in prior years.

Impairment losses and any reversals of impairment are recognized in net income (loss) in the period in which they occur.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and are initially measured at fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments classified as amortized cost are included in the carrying value of such instruments. Transaction costs directly attributable to the acquisition of financial instruments classified as fair value through profit or loss ("**FVTPL**") are expensed as incurred.

Financial assets

Financial assets are subsequently measured at either amortized cost using the effective interest method or fair value based on their classification. Financial assets are subsequently measured at amortized cost less impairment if they meet the following conditions:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- The asset was not acquired principally for the purpose of selling in the near term or management for short-term profit taking (i.e., held for trading).

All other financial assets, except equity investments as described below, are classified as FVTPL and subsequently measured at fair value with gains or losses arising from changes in fair value recorded in net income (loss).

On the day of acquisition of an equity instrument, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments at fair value through other comprehensive income ("**FVTOCI**"). Designation at FVTOCI is not permitted if the equity investment is held for trading. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income (loss). The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments. The Company has designated all investments in equity instruments as FVTOCI (Note 26).

Impairment of financial assets carried at amortized cost - Expected credit loss allowances

At each reporting date, the Company assesses whether a financial asset or group of financial assets is impaired under the expected credit loss ("**ECL**") model. For short-term trade receivables, the Company applies the simplified approach and has calculated ECLs based on lifetime ECLs. The Company has established a provision matrix that is based on historical normalized credit loss experience. The loss rate under the provision matrix is based on the payment profiles and aging of trade receivables and is adjusted to reflect current and forward-looking information on macroeconomic factors.

For long-term receivables, joint arrangement receivables and short-term loan assets, the ECL is based on the 12-month ECL and lifetime ECL approach. The 12-month ECL is the portion of lifetime ECLs that result from default events that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL, and if risk decrease lifetime can move back to 12 months.

The Company evaluates for credit risk increases based on a variety of indicators, including credit risk rating agency assessments, available counterparty internal and external information, letter of credits, deposits and macroeconomic factors. The Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past the contractual due date. The Company considers a financial asset in default when contractual payments are more than 90 days past the due date.

Impairments on financial assets carried at amortized cost can be reversed in subsequent periods if the asset is no longer credit-impaired and the improvement can be objectively related to an event occurring after the impairment was recognized.

Financial liabilities

Financial liabilities are classified as FVTPL if they are held for trading or designated as FVTPL on initial recognition. Financial liabilities at FVTPL are measured at fair value with gains and losses arising from changes in fair value recognized in net income (loss) and/or Other Comprehensive Income. Other financial liabilities are measured at amortized cost using the effective interest method.

Fair value hierarchy

The Company uses a three-level hierarchy to categorize the significance of the inputs used in measuring or disclosing the fair value of financial instruments. The three levels of the fair value hierarchy are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities. Active markets are those in which transactions occur in a frequency and volume sufficient to provide pricing information on an ongoing basis.
- Level 2 - Inputs other than quoted prices that are observable either directly or indirectly. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value, volatility factors and broker quotations that can be substantially observed or corroborated in the marketplace.
- Level 3 - Inputs that are based on unavailable or observable data. Level 3 instruments may include items based on pricing services or broker quotes where the Company is unable to verify the observability of inputs into their prices. Level 3 instruments include longer-term transactions, transactions in less active markets or transactions at locations for which pricing information is not available. In these instances, fair value is determined through internally developed methodologies, which primarily includes the extrapolation of observable future prices to similar locations, similar instruments or later time periods.

If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement.

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks and commodity price risks. Derivative financial instruments are classified at FVTPL and are measured at fair value. The resulting gain or loss is recognized immediately in net income (loss) unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company has not formally designated any derivatives as hedging instruments.

Borrowing Costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalized and added to the project cost during construction until such time as the assets are substantially ready for their intended use by management (i.e., when they are capable of commercial production). All other Borrowing Costs costs are recognized in net income (loss) using the effective interest rate method.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use ("**ROU**") assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and are adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of estimated useful life and the lease term. ROU assets are subject to impairment. Refer to the accounting policies in section Impairment of Non-Financial Assets.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities increases to reflect the accretion of interest and reduces for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment, mainly those considered low value. Lease payments on short-term leases and leases of low value assets are recognized as expenses on a straight-line basis over the lease term.

Asset Retirement Obligations

An asset retirement obligation is recognized when the Company has a present legal or constructive obligation and as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the obligation can be made. A corresponding amount equivalent to the asset retirement obligation is also recognized as part of the cost of the related oil and gas properties or E&E assets. The amount recognized is the estimated cost of decommissioning, discounted to its present value. Changes in the estimated timing or costs of decommissioning or in the discount rate are recognized prospectively by recording an adjustment to the asset retirement obligations and a corresponding adjustment to the related properties. When a decrease in the asset retirement obligations exceeds the carrying amount of the related asset, or there is an increase in the asset retirement obligations related to fully impaired or relinquished assets, the change is recognized in net income (loss) as a recovery or expense of asset retirement obligations. The unwinding of the discount on the decommissioning cost is included as a finance expense.

This accounting policy also applies to the costs the Company deems to be environmental liabilities, which include, but are not limited to, provision of the investment for the use of water sources (1% in Colombia), costs of reforestation in accordance with environmental licenses, and any compensation or other costs incurred in accordance with environmental licenses.

Taxes

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable regarding previous periods. Current income tax is recognized in the Consolidated Statements of Income (Loss), except when it relates to items recognized in other comprehensive income (loss) or directly in equity, in which case it is also recognized in other comprehensive income (loss) or equity.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits, and unused tax losses to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. Deferred income tax is not recognized on the initial recognition of goodwill, or assets and liabilities in a transaction that is not a business combination.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the Consolidated Statements of Financial Position and are recognized to the extent that it becomes probable that future taxable earnings will allow the deferred tax asset to be recovered.

Deferred income tax is recognized in the Consolidated Statements of Income (Loss), except when it relates to items recognized in other comprehensive income or directly in equity.

Deferred income tax assets and liabilities are offset if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

b. Changes in Accounting Policies and Disclosures, and Standards Issued but not yet Effective

Changes in Accounting Policies and Disclosures Effective January 1, 2021

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

*Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, International Accounting Standard ("**IAS**") 39, IFRS 7, IFRS 4 and IFRS 16*

The amendments provide temporary reliefs that address the financial reporting effects when an interbank offered rate (“**IBOR**”) is replaced with an alternative nearly risk-free interest rate (“**RFR**”). The amendments include the following practical expedients:

• A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.

• Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.

• Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the Consolidated Financial Statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

Standards Issued but not yet Effective

Amendments to standards that have been issued but are not yet effective up to the date of issuance of these consolidated financial statements, which are likely to have an impact on the Company, are listed below. The Company intends to adopt these amended standards and interpretations, if applicable, when they become effective.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued *Property, Plant and Equipment — Proceeds before Intended Use*, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location, and conditions necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022, and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. Currently, the Company is assessing the impact of this amendment.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations - Reference to the Conceptual Framework.* The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The IASB also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately.

At the same time, the IASB clarified existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 9 Financial Instruments – Fees in the "10 per cent" test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022, with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The Company is not expected to have impact on this amendment.

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

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 specifying the requirements for classifying liabilities as current or non-current. The amendments clarify:

• What is meant by a right to defer settlement

• That a right to defer must exist at the end of the reporting period

• That classification is unaffected by the likelihood that an entity will exercise its deferral right

• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on its consolidated financial statements.

c. Key Accounting Estimates and Judgments

COVID-19 Pandemic

In March 2020, the World Health Organization declared the coronavirus outbreak a pandemic. The spread of COVID-19 has resulted in a challenging economic environment, with more volatile commodity prices, foreign exchange rates, and long-term interest rates. It remains difficult to reliably estimate the length or severity of these developments and their financial impact. As there are many variables and uncertainties regarding the COVID-19 pandemic, as well as its impact on global demand in the oil and gas industry, it is not possible to precisely estimate the potential impact of the COVID-19 pandemic on the Company's financial condition and operations. This presents uncertainty and risk with respect to management's judgments, estimates and assumptions that affect the application of accounting policies, especially those listed below.

Critical Judgments in Applying Accounting Policies

The Company has made the following critical judgments in applying accounting policies that have the most significant impact on the amounts recognized in the consolidated financial statements.

CGU

The determination of a CGU requires the Company to apply judgments, and the CGUs may change over time to reflect changes in the Company's oil and gas assets. CGUs are identified as major areas within which there are groups of producing blocks that share similar characteristics, infrastructure and cash inflows that are largely independent of cash inflows of other groups of assets. Impairment assessment is generally carried out separately for each CGU based on cash flow forecasts calculated using oil and gas reserves and resources for each CGU.

The Company has identified and defined its CGUs in Colombia as follows: North and Central. The North CGU mainly includes VIM-1, La Creciente, VIM-22, Guama, CR-1 and San Jacinto blocks, and the Central CGU includes Quifa, Guatiquia, Cubiro, CPE-6 and other remaining blocks located in Colombia.

E&E assets are allocated to CGUs on the basis of several factors, including, but not limited to, proximity to existing CGUs, ability to share infrastructure and workforce, and management's grouping of these assets for decision-making and budget allocations. If the E&E property is not part of an existing operational CGU, it is assessed based on a geographically similar pool of E&E assets.

Impairment indicators

The Company monitors internal and external indicators of impairment relating to its properties, plant and equipment, investments in associates and E&E assets. External sources of information include changes in the economic and legal environment in which the CGUs operate. Internal sources include the economic performance of the CGUs and other asset specific indicators. In assessing impairment for E&E assets, the Company applies judgment in considering various factors that determine technical feasibility and commercial viability.

As at December 31, 2021, the Company identified certain indicators that impairment losses recorded in previous years may have decreased, mainly the net present value of the proved and probable reserves as indicated in the Company's certified reserve reports as of December 31, 2021, was higher than the carrying amount of the oil and gas assets. The Company applies judgment to various assumptions included in its impairment assessment as described in Note 8.

Estimation Uncertainty and Assumptions

Oil and gas reserves

Oil and gas reserves are estimates of the amount of hydrocarbons that can be economically and legally extracted from the Company's oil and gas properties. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs.

As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Company's reported financial position and results, which include:

- The carrying value of exploration and evaluation assets and property, plant and equipment may be affected due to changes in estimated future cash flows.
- Depletion, depreciation and amortization charges in the statement of profit or loss and other comprehensive income may change where such charges are determined using the unit-of-production method, or where the useful life of the related assets change.
- Provisions for decommissioning may require revision — where changes to reserves estimates affect expectations about when such activities will occur and the associated cost of these activities.
- The recognition and carrying value of deferred tax assets may change due to changes in the judgments regarding the existence of such assets and in estimates of the likely recovery of such assets.

Depletion of oil and gas properties

Oil and gas properties are depleted using the unit-of-production method. In applying the unit-of-production method, oil and gas properties are depleted over proved and probable reserves. The calculation of the unit-of-production rate of amortization could be impacted to the extent that actual production in the future is different from current forecasted production based on proved and probable reserves. This would generally result from significant changes in any of the following:

- Changes in reserves.
- The effect on reserves due to differences between actual commodity prices and commodity price assumptions.
- Unforeseen operational issues.

Recoverable amounts - oil and gas properties, and E&E assets

The recoverable amounts of CGUs and individual assets have been determined based on the higher of VIU calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. Estimates include, but are not limited to, estimates of the discounted future after-tax cash flows expected to be derived from the Company's oil and gas properties and the discount rate. Changes in oil price forecasts, reserves, estimated future costs of production, future capital costs, decommissioning costs and income taxes can result in changes in the recoverable amount of the CGUs. It is possible that the oil price assumption may change, which may then impact the estimated life of the field and require a material adjustment to the carrying value of properties, plant, equipment and E&E assets. The Company has recognized an impairment reversal on certain oil and gas properties in the year ended December 31, 2021, and an impairment expense on certain oil and gas properties and E&E assets in the year ended December 31, 2020 (Note 8).

Asset retirement obligations - environmental and decommissioning costs

The Company will incur environmental and decommissioning costs at the end of the operating life of certain facilities and properties. The ultimate environmental and decommissioning costs are uncertain and estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites, or environmental legislation. The expected timing and amount of expenditure can also change: for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the decommissioning asset retirement obligations and environmental liabilities that would affect future financial results (Note 21).

Deferred tax assets

Deferred tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the unused temporary differences can be utilized. Future projected income could be affected by oil prices and quantities of proved and probable reserves. If these factors or other circumstances change, the Company would reassess its ability to record any increase or decrease in its deferred income tax asset. To the extent that actual outcomes differ from management's estimates, taxation charges or credits may arise in future periods (Note 11).

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

4. Acquisition of Subsidiaries

Acquisition of Petroleos Sudamericanos S.A.

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

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

The total consideration paid and the preliminary estimate of fair value of the assets and liabilities acquired at the date of acquisition are outlined below. Due to the timing of the PetroSud acquisition, the identification and measurement of the assets and liabilities acquired, including deferred taxes and provisions, is preliminary and subject to adjustment as additional information is obtained. Differences between these preliminary amounts and the final accounting may occur:

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

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

Acquisition of Infrastructure Ventures Inc. ("IVI")

On August 6, 2020, the Company acquired control of IVI through the acquisition of an additional 32.35% of the outstanding shares through a stock purchase agreement with the International Finance Corporation and its associated entities. IVI is a company organized and existing under the laws of the British Virgin Islands, and at the time of acquisition, held 99.99% of Sociedad Portuaria Puerto Bahia S.A. ("**Puerto Bahia**"), which owns and operates a multifunctional port (the "**Port**") consisting of a hydrocarbon terminal and a dry cargo terminal located in Cartagena, Colombia. The Company's equity interest in IVI prior to the acquisition was 39.22% and was accounted for as an associate using the equity method. As a result of the share purchase, the Company's equity interest in IVI increased to 71.57%.

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

The cash consideration on the acquisition was $7.0 million, of which $3.0 million was paid on closing and the remaining $4.0 million payable on or before August 6, 2022. This transaction was accounted for as a business combination through a step acquisition in accordance with IFRS 3. As a result of the acquisition, pre-existing relationships between the Company and IVI were effectively settled, resulting in an adjustment to the purchase price for the fair value of loans and advances totaling $41.4 million. The Company recognized a non-cash loss of $42.8 million in other income (loss), net relating to the remeasurement of pre-existing relationships between the Company and IVI immediately prior to the acquisition. The Company elected to measure the non-controlling interest in IVI at fair value.

The Company also recognized a non-cash loss of $24.0 million on the reclassification of Cumulative Foreign Currency Translation Adjustments ("**CTA**") from other equity reserves. The CTA loss primarily relates to historical functional currency Colombian Peso ("**COP**") to U.S. dollar presentation currency translation differences on IVI, as an associate investment.

The total consideration paid and the final purchase price allocation over the fair value of assets and liabilities acquired at the date of acquisition are as follows:

Purchase price			
Fair value of previously held equity interest before acquisition		$	—
Fair value of pre-existing balances effectively settled on the acquisition			41,350
Cash to be paid (discounted promissory note)			3,189
Cash consideration			3,000
Total purchase price		$	47,539
Fair value of assets acquired and liabilities assumed			
Cash and cash equivalents		$	190
Restricted cash			23,512
Accounts receivable			10,929
Inventory			660
Income tax receivable			4,491
Prepaid expenses			575
Lands	144,553		
Port infrastructure	90,340		
Properties and equipment	728		
Total properties, plant & equipment			235,621
Other assets			300
Long-term debt			(203,094)
Lease liabilities			(67)
Risk management liabilities			(15,281)
Accounts payable and accrued liabilities			(8,877)
Deferred tax liabilities			(1,420)
Net assets			47,539
Non-controlling interest (at fair value)			—
Purchase consideration		$	47,539
Cash paid		$	(3,000)
Net cash acquired			190
Net consolidated cash outflow		$	(2,810)

These consolidated financial statements include the results of IVI for the period following the acquisition date of August 6, 2020. Since the date of acquisition, IVI has contributed revenues and a net income of $10.1 million and $22.9 million, respectively, to the financial results of the Company. If the acquisition of IVI occurred on January 1, 2020, the Company's results for the period ended December 31, 2020, would have included revenues of $23.7 million and a net loss of $32.5 million.

On December 30, 2020, the Company through its subsidiaries Frontera Bahia Holding Ltd. ("**Frontera Bahia**") and IVI, converted certain debt into preferred shares of Puerto Bahia. As a result, at the date of the transaction, the Company, through its wholly owned subsidiary Frontera Bahia, owns 79.54% of Puerto Bahia, with IVI owning 20.44% of Puerto Bahia, for a total amount of indirect control of approximately 94.16% of the issued and outstanding shares of Puerto Bahia.

Subsequently, on December 23, 2021, the Company through its subsidiaries Frontera Bahia, Frontera Energy Colombia AG and IVI, converted certain debt into preferred shares of Puerto Bahia. As a result, the Company through its wholly owned subsidiaries, increased its indirect participation from 94.16% to 96.55% of the issued and outstanding shares of Puerto Bahia.

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

5. Segmented Information

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

- Colombia: Includes all upstream business activities of exploration and production in Colombia.
- Peru: Includes certain business activities in Peru. The Company continues to sell oil inventory and complete remediation work in Block 192 as its petroleum license expired on February 5, 2021. Also, the Block Z1 is not in production since December 19, 2019.
- Ecuador and others: Includes all upstream business activities of exploration in Ecuador, the corporate office in Canada, and non-operating entities that have been aggregated as they do not generate revenue for the Company.
- Guyana: Includes all offshore upstream business activities of exploration in Guyana.
- Midstream: Includes the Company's investments in pipelines, storage, port, and other facilities relating to the distribution and exportation of crude oil products in Colombia.

For the year ended December 31, 2021, operating segmented information for the Consolidated Statements of Income (Loss) is as follows:

	Exploration and Production Onshore						Exploration Offshore							
	Colombia		Peru		Ecuador & Others		Guyana		Midstream [1]		Eliminations		Total	
Year Ended December 31	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Oil and gas sales and other revenue	$ 869,826	$ 621,782	$ 28,692	$ 26,279	$ —	$ —	$ —	$ —	$ 72,085	$ 28,056	$ (43,970)	$ (17,923)	$ 926,633	$ 658,194
Royalties	(32,572)	(9,643)	—	(43)	—	—	—	—	—	—	—	—	(32,572)	(9,686)
Revenue	837,254	612,139	28,692	26,236	—	—	—	—	72,085	28,056	(43,970)	(17,923)	894,061	648,508
Oil and gas operating costs	396,924	403,516	27,496	55,986	—	—	—	—	19,779	8,767	(27,802)	(10,176)	416,397	458,093
Costs under terminated pipeline contracts	(4,386)	118,679	—	—	—	—	—	—	—	—	—	—	(4,386)	118,679
General and administrative	32,843	38,494	1,576	2,973	5,684	7,562	5,535	2,783	6,537	3,328	(41)	(19)	52,134	55,121
Share-based compensation	4,632	(974)	338	(206)	2,465	2,347	959	2,793	—	—	—	—	8,394	3,960
Depletion, depreciation and amortization	134,739	260,869	68	563	653	954	24	9	4,924	2,187	(13,716)	(5,715)	126,692	258,867
Impairment, exploration expenses and other	(586,088)	138,302	1,147	1,763	733	1,324	20,053	—	145	—	—	—	(564,010)	141,389
Restructuring, severance and other costs	1,636	12,988	150	7,129	1,852	980	—	—	978	—	—	—	4,616	21,097
Income (loss) from operations	856,954	(359,735)	(2,083)	(41,972)	(11,387)	(13,167)	(26,571)	(5,585)	39,722	13,774	(2,411)	(2,013)	854,224	(408,698)
Share of income from associates	—	—	—	—	—	—	—	—	38,033	43,545	—	—	38,033	43,545
Segment income (loss)	$ 856,954	$(359,735)	$ (2,083)	$ (41,972)	$ (11,387)	$ (13,167)	$ (26,571)	$ (5,585)	$ 77,755	$ 57,319	$ (2,411)	$ (2,013)	$ 892,257	$(365,153)
Other non-operating expense items													(255,152)	(83,475)
Income tax expense													(1,039)	(33,284)
Net income (loss) for the year													$ 636,066	$(481,912)

[1] *Information for the year 2020 includes amounts from the consolidation of Puerto Bahia since the Company acquired control of IVI on August 6, 2020 (Note 4).*

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

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

	Year Ended December 31	
As at	**2021**	**2020**
Colombia	$ 1,896,374	$ 1,357,546
Guyana	188,566	82,950
Ecuador	8,689	2,403
Canada & Others	291	907
Total non-current assets	$ 2,093,920	$ 1,443,806

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

	Year Ended December 31	
	2021	**2020**
United States	$ 585,776	$ 472,383
Barbados	112,501	—
Colombia	105,327	56,964
Switzerland	94,337	102,561
Peru	22,382	7,960
Chile	6,310	18,326
Total oil and natural gas sales and other revenue	$ 926,633	$ 658,194

For the year ended December 31, 2021, the Company had four customers (2020: three customers) that individually accounted for more than 10% of revenue. Sales to these customers were $261.4 million, $197.6 million, $134.9 million and $94.8 million (2020: $237.8 million, $162.3 million and $63.5 million), which are included in the Colombia segment.

6. Revenue from Contracts with Customers

The following table provides the disaggregation of the Company's revenue from contracts with customers, including a reconciliation with the amounts disclosed in the segmented information (Note 5):

	Year Ended December 31	
	2021	**2020**
Colombia		
Crude oil sales	$ 862,526	$ 609,644
Gas sales	7,300	12,138
Colombia oil and gas sales	869,826	621,782
Peru crude oil sales	28,692	26,279
Oil and gas sales	898,518	648,061
Midstream sales to external customers	28,115	10,133
Inter-segment sales	43,970	17,923
Midstream sales [1]	72,085	28,056
Elimination of midstream inter-segment sales	(43,970)	(17,923)
Oil and gas sales and other revenue	$ 926,633	$ 658,194

[1] *Information for the year 2020 includes amounts from the consolidation of Puerto Bahia since the Company acquired control of IVI on August 6, 2020 (Note 4).*

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

7. Operating Costs

	Year Ended December 31	
	2021	2020
Production costs [1]	$ 158,252	$ 187,741
Transportation costs [1]	132,029	188,039
Cost of purchases [2]	82,725	2,712
Inventory valuation	12,499	37,776
Dilution costs [1]	8,773	30,088
Post-termination obligation [3]	4,980	—
(Settlement) overlift	(2,641)	2,970
Total oil and gas operating costs	396,617	449,326
Port operating costs [4]	19,780	8,767
Total operating costs	$ 416,397	$ 458,093

(1) Prior period figures are different compared with those previously reported as a result of a reclassification of $7.0 million from production cost to transportation cost and dilution cost.

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

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

(4) Information for the year 2020 includes amounts from the consolidation of Puerto Bahia since the Company acquired control of IVI on August 6, 2020 (Note 4).

8. Impairment (Reversal) Expense, Exploration Expenses and other

	Year Ended December 31	
	2021	2020
Impairment (reversal) expense of:		
Properties, plant and equipment	$ (586,659)	$ 34,735
Intangible assets	—	54,881
Exploration and evaluation assets	26,009	49,858
Other	1,462	2,491
Total impairment (reversal) expense	$ (559,188)	$ 141,965
Exploration expenses	1,513	3,876
Recovery of asset retirement obligations (Note 21)	(6,335)	(4,452)
Impairment, exploration expenses and other	$ (564,010)	$ 141,389

Property, plant and equipment

As of December 31, 2021, the Company identified indicators of impairment reversal for oil and gas properties in one of its two CGUs mainly due to the increase in forecasted crude oil and gas benchmark prices, and the increase in net present value of the proved plus probable reserves. The recoverable amount for each of the CGUs exceeded their carrying amounts which resulted in an total impairment reversal of $586.7 million recorded as of December 31, 2021 (2020: $34.7 million impairment expense) mainly in the Colombia Central and including an impairment recognition of $10.5 million in the Colombia North CGU. Impairment reversals are recognized to the extent that impairment had been previously recorded, but are limited to the net book value that would exist had the original impairment never been recorded, including estimates for depletion.

The recoverable amount for each CGU was based on its value in use method which was estimated using a discounted cash flow model of proved plus probable cash flows from an independent reserve report prepared as at December 31, 2021. The after-tax discount rate applied to the cash flows was 15.0% and 24.7% before tax (2020: 13.8% and 20.7% before tax). The discount rate was determined by reference to the market participants and an assessment of the Company's weighted average cost of capital in relation to its CGUs.

The recoverable amounts were calculated using long-term Brent oil prices of $75.3, $71.5, $69.6, $71.0, and $72.4 per barrel for 2022 to 2026 (2020: Brent oil prices of $48.00, $50.00, $54.62, $55.71, and $56.83 per barrel for 2021 to 2025), respectively, and inflated by an average of 2% per year thereafter. Forecasted oil prices were based on management's estimates using independently available market data as at December 31, 2021.

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

As at December 31, 2021, the recoverable amounts of CGUs are most sensitive to changes in the discount rate and future oil prices. A 1% change in the discount rate would impact the recoverable amount by approximately $63.3 million (2020: $36.9 million) and a $1 change in the forecasted oil prices would impact the recoverable amount by approximately $58.5 million (2020: $77.7 million). The results of the impairment reversal tests are sensitive to changes in other estimates such as revisions in reserves, expected production, local price differentials, future operating costs and development capital expenditures, long-term inflation and foreign exchange rates which could impact the calculation of recoverable amounts for CGUs and any impairment charges or reversals would affect net income (loss).

As of December 31, 2020, due to the decline in crude oil prices during the year the Company recognized impairment charges in properties, plant and equipment of $34.7 million, including $26.5 million in Central CGU, $7.5 million in South CGU and $0.7 million in Peru. The Company also fully impaired $54.9 million of intangible assets in Colombia.

Exploration and Evaluation Assets

During the year ended December 31, 2021 the Company recorded an impairment charge of $26.0 million (2020: $49.9 million) related to exploration and evaluation assets. $20.1 million was recorded in Guyana due to the Company is prioritizing its work plans on Corentyne block, and $5.9 million was recorded in Colombia as a consequence of negative exploratory test results and further work to abandon.

9. Restructuring, Severance and Other Costs

During the year ended December 31, 2021, the Company incurred:

- $2.4 million (2020: $10.6 million), in severance costs related to personnel reductions as a result of the implementation of an organizational restructuring plan.
- $2.3 million (2020: $10.5 million), in costs regarding transformation activities to deliver process improvements, operational efficiencies and other projects.

10. Employee Salaries and Benefit Expenses

	Year Ended December 31	
	2021	**2020**
Salaries, bonuses and other short term benefits	$ 49,781	$ 54,224
Share-based compensation [1]	8,394	3,960
Total	$ 58,175	$ 58,184

[1] *Includes cash settlement of $1.7 million (2020: $Nil).*

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

11. Income Taxes

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

	Year Ended December 31	
	2021	**2020**
Net income (loss) before income tax	$ 637,105	$ (448,628)
Colombian statutory income tax rate	31%	32%
Income tax expense (recovery) at statutory rate	197,503	(143,561)
Increase (decrease) in income tax provision resulting from:		
Non-deductible/taxable expense/income and other differences	26,470	23,689
Share-based compensation	2,113	1,221
Differences in tax rates	(28,622)	(13,256)
Minimum income tax (1)	—	3,248
Change in deferred income tax	(196,425)	161,943
Income tax expense	1,039	33,284
Current income tax expense (recovery)	26,568	(480)
Deferred income tax (recovery) expense:		
Relating to origination and reversal of temporary differences	(25,529)	33,764
Income tax expense	$ 1,039	$ 33,284
Effective tax rate	0.16%	-7.42%

(1) *Presumptive income tax.*

During the year ended December 31, 2021, the Company recognized a current income tax expense of $26.6 million, which includes $18.3 million of changes in prior year tax assessments, $4.2 million of income tax on dividends from investment in associates and $4.1 million of current income tax of the year, (2020: $0.5 million).

In addition, December 31, 2021, the Company reassessed its deferred tax assets ("**DTA**") which resulted in a new DTA of $225.1 million for year end. The increase for the year is $52.2 million, that amount is partially offset by $18.1 million of DTA utilization and $1.6 million increase in the deferred tax liability. The $52.2 million also includes a DTA of $7.0 million coming from the acquisition of Petrosud. All of these items resulted in $25.5 million effect in the income statement.

The deferred tax asset relates to unused tax losses and deductible temporary differences in Colombia. The recognition of the additional deferred tax assets also reflects the impact of the increase in the income tax rate according to the new legislation as described below.

Movement in Deferred Tax Assets	**2021**	**2020**
As at January 1	$ 191,043	$ 222,988
Recognized as deferred income tax expense	(18,144)	(167,979)
Recognized as deferred income tax asset	52,244	136,034
As at December 31	$ 225,143	$ 191,043

As at December 31, 2021, deferred tax assets of $402.1 million (2020: $874.8 million Canada, Colombia, Guyana and Peru) relating to non-capital losses and other items in Canada and Peru were not recognized as it is probable the Company will not be able to use these balances in the future.

The following table summarizes the Company's tax attributes and expiry dates by jurisdiction as at December 31, 2021:

Expiry Years of Tax Attributes	2022	2023	2024	2025 and Beyond	Indefinitely	Total
Depreciable Capital Costs						
Colombia	$ —	$ —	$ —	$ —	$ 1,327,789	$ 1,327,789
Peru	—	—	—	—	140,296	140,296
Non-Capital Losses						
Canada	—	—	—	1,105,774	—	1,105,774
Colombia	—	—	—	201,681	189,902	391,583
Peru	55,923	58,071	100,265	115,394	—	329,653
Capital Losses						
Canada	—	—	—	—	182,475	182,475
Total	**$ 55,923**	**$ 58,071**	**$ 100,265**	**$ 1,422,849**	**$ 1,840,462**	**$ 3,477,570**

Tax Legislation Changes

On September 14, 2021, the Colombian Government/Congress enacted a tax bill which includes an increase of the corporate income tax rate, from 30% to 35% for the year 2022 and onwards, and keeps the 50% of the municipal tax ("**ICA**", by its acronym in Spanish) as tax credit, but eliminates its increase up to 100% from 2022. Also, the new legislation is granting taxpayers options to settle tax disputes.

12. Earnings (Loss) per Share

	Year Ended December 31	
(In thousands of U.S.$, except share and per share amounts)	**2021**	**2020**
Net income (loss) attributable to equity holders of the Company	$ 628,133	$ (497,406)
Basic weighted average number of shares outstanding	96,691,579	96,945,679
Effect of dilution from dilutive instruments	3,217,281	—
Diluted weighted average number of shares outstanding	99,908,860	96,945,679
Earnings (loss) per share attributable to equity holders of the Company		
Basic	$ 6.50	$ (5.13)
Diluted	$ 6.29	$ (5.13)

13. Inventories

	As at December 31	
	2021	**2020**
Crude oil and diluents	$ 31,846	$ 37,563
Materials and supplies	18,230	19,238
Total	$ 50,076	$ 56,801

As at December 31, 2021, crude oil and gas inventory includes $15.9 million in Peru and $15.9 million in Colombia (2020: $32.8 million in Peru and $4.8 million in Colombia).

As at December 31, 2021, materials and supplies inventory was net of impairment of $1.1 million (2020: $2.5 million).

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

14. Assets Held for Sale

On November 16, 2020, as part of the Conciliation Agreement between the Company, Cenit Transporte y Logística de Hidrocarburos S.A.S. ("**Cenit**") and Oleoducto Bicentenario de Colombia S.A.S. ("**Bicentenario**"), the Company agreed to transfer its 43.03% interest in Bicentenario to Cenit. As result, the investment in Bicentenario balance of $66.2 million (Note 17) was reclassified as assets held for sale.

On November 11, 2021, the Conciliation Agreement was approved by the Administrative Tribunal of Cundinamarca (the "**Court**") and confirmed that the final formalities of the settlement arrangement had been concluded (Note 27). As a result, the transfer of Bicentenario's participation to Cenit was completed. The investment in associates balance at the time of the settlement of the agreement was $60.0 million.

15. Properties, Plant and Equipment

Cost	Oil & Gas Properties	Port Infrastructure [(1)]	Plant & Equipment	Total
As at January 1, 2020	$ 7,902,864	$ 7,121	$ 250,784	$ 8,160,769
Additions	70,821	2,031	418	$ 73,270
Acquisition of IVI (Note 4) [(2)]	—	234,893	728	235,621
Change in asset retirement obligations (Note 21)	(58,304)	—	—	(58,304)
Derecognition of ROU assets [(3)]	(41,147)	—	—	(41,147)
Disposal	(12,620)	—	(139,180)	(151,800)
Transfer to crude oil inventory	(4,494)	—	—	(4,494)
Currency translation adjustment	(4,302)	26,093	777	22,568
As at December 31, 2020	$ 7,852,818	$ 270,138	$ 113,527	$ 8,236,483
Additions	139,642	8,054	188	147,884
Transfer from exploration and evaluation assets (Note 16)	43,479	—	—	43,479
Acquisition of PetroSud (Note 4)	32,325	—	378	32,703
Change in asset retirement obligations (Note 21)	(46,397)	—	—	(46,397)
Disposal	(23,756)	(260)	(2,151)	(26,167)
Currency translation adjustment	(13,050)	(35,460)	(485)	(48,995)
As at December 31, 2021	$ 7,985,061	$ 242,472	$ 111,457	$ 8,338,990

[(1)] *Includes $14.6 million of Guyana Port project which is under construction and is not depreciated.*

[(2)] *Includes $135.8 million of Puerto Bahia lands.*

[(2)] *As part of the acquisition of IVI, the Company has derecognized the ROU assets corresponding to the port storage facilities.*

Accumulated Depletion, Depreciation and Impairment	Oil & Gas Properties	Port Infrastructure	Plant & Equipment	Amount
As at January 1, 2020	$ 6,971,676	$ —	$ 212,472	$ 7,184,148
Charge for the year	234,604	2,071	2,393	239,068
Impairment (Note 8)	21,416	—	13,319	34,735
Derecognition of ROU assets	(21,717)	—	—	(21,717)
Disposal	(9,678)	—	(129,386)	(139,064)
Currency translation adjustment	(3,436)	5,097	706	2,367
As at December 31, 2020	$ 7,192,865	$ 7,168	$ 99,504	$ 7,299,537
Charge for the year	122,896	4,916	2,969	130,781
Impairment reversal (Note 8)	(586,608)	—	(51)	(586,659)
Disposal	(20,778)	(4)	(2,189)	(22,971)
Currency translation adjustment	(11,283)	(2,841)	(325)	(14,449)
As at December 31, 2021	$ 6,697,092	$ 9,239	$ 99,908	$ 6,806,239

Net Book Value	Oil & Gas Properties	Port Infrastructure	Plant & Equipment	Amount
As at December 31, 2020	$ 659,953	$ 262,970	$ 14,023	$ 936,946
As at December 31, 2021	$ 1,287,969	$ 233,233	$ 11,549	$ 1,532,751

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

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

		Oil & Gas Properties		Port Infrastructure		Plant & Equipment		Amount
Properties, plant and equipment - owned	$	651,408	$	262,970	$	8,781	$	923,159
ROU assets - leased		8,545		—		5,242		13,787
As at December 31, 2020		659,953		262,970		14,023		936,946
Properties, plant and equipment - owned		1,282,639		233,233		7,969		1,523,841
ROU assets - leased		5,330		—		3,580		8,910
As at December 31, 2021	$	1,287,969	$	233,233	$	11,549	$	1,532,751

Details 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		—		(1,775)		(578)		(2,353)
Derecognition of ROU assets		(19,430)		—		—		(19,430)
Termination of lease contracts		—		(1,578)		(7,744)		(9,322)
Depreciation		(8,001)		(5,146)		(3,299)		(16,446)
As at December 31, 2020	$	—	$	8,545	$	5,242	$	13,787
Additions		—		—		408		408
Depreciation		—		(3,215)		(2,070)		(5,285)
As at December 31, 2021	$	—	$	5,330	$	3,580	$	8,910

16. Exploration and Evaluation Assets

		2021		2020
As at January 1	$	95,757		114,155
Additions, net of income from long-term testing [(1)]		164,310		30,102
Transfer to oil and gas properties [(2)]		(43,479)		—
Impairment of exploration and evaluation assets		(26,009)		(49,858)
Change in asset retirement obligations		(1,141)		1,873
Disposals		(534)		(515)
As at December 31	$	188,904	$	95,757

[(1)] *Mainly, includes additions in Guyana related to Corentyne block by $116 million (2020: $4.1 million), and Colombia related to VIM 1 by $27 million (2020: $7 million).*

[(2)] *VIM-1 block was transferred to Oil & Gas properties (Note 15) after completing the evaluation phase.*

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

17. Investments in Associates

	ODL	Bicentenario	IVI [1]	Total
As at January 1, 2020	$ 115,855	$ 81,106	$ —	$ 196,961
Share of income (loss) from associates	42,214	19,354	(18,023)	43,545
Dividends	(42,034)	(17,013)	—	(59,047)
Loss allocated against net investment in IVI	—	—	18,023	18,023
Currency translation adjustment	(9,196)	(17,257)	—	(26,453)
Transferred to assets held for sale (Note 14)	—	(66,190)	—	(66,190)
As at December 31, 2020	106,839	—	—	106,839
Share of income from associates	38,033	—	—	38,033
Dividends	(41,605)	—	—	(41,605)
Return of capital contributions	(4,194)	—	—	(4,194)
Currency translation adjustment	(11,874)	—	—	(11,874)
As at December 31, 2021	$ 87,199	$ —	$ —	$ 87,199
Company's interest as at December 31, 2021	35.00 %	— %	— %	

[1] The Company accounted for IVI as an investment in associate until it acquired control on August 6, 2020 (Note 4). Before the acquisition, the Company recorded its share of losses as a reduction to other long-term interests (long-term account receivables) that formed part of its net investment in IVI.

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

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

ODL is a Panamanian company with a Colombian branch that operates an oil pipeline for the transportation of heavy crude oil produced from the Rubiales and Quifa blocks. The Company has a gross participation interest of 35% (20.98% after NCI) through PIL with the remaining 65% interest owned by Cenit. ODL's functional currency is COP and CTA are recorded in other comprehensive income (loss).

During the year ended December 31, 2021, the Company recognized gross dividends of $41.6 million (2020: $42.0 million) and received cash dividends of $35.5 million (2020: $38.7 million). As at December 31, 2021 and 2020, the carrying value of dividends receivable after withholding taxes was $Nil.

In addition, during the year ended December 31, 2021, the Company recognized a return of capital of $4.2 million (2020: $Nil) and received in cash $4.0 million, (2020: $Nil).

Bicentenario

Bicentenario is a Colombian corporation, which owns the Bicentenario oil pipeline in Colombia ("**BIC Pipeline**") that connects from the Araguaney station in the Casanare department to the Banadia station in the Arauca department. Bicentenario's functional currency is COP and CTA are recorded in other comprehensive income (loss).

During the year ended December 31, 2020, the Company recognized gross dividends of $17.0 million and the carrying value of dividends receivable after withholding taxes was $62.0 million.

On November 16, 2020, the Company signed a Conciliation Agreement with Bicentenario and Cenit, and as result, the investment in Bicentenario balance of $66.2 million was reclassified to assets held for sale (Note 14). On November 11, 2021, the Conciliation Agreement was approved by the Administrative Tribunal of Cundinamarca and confirmed that the final formalities of the arrangement had been concluded (Note 27).

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

Financial Position	ODL		Bicentenario
As at December 31	2021	2020	2020
Assets	$ 360,199	$ 426,891	$ —
Liabilities	111,059	121,636	—
Equity	249,140	305,255	—
Company's interest in associate	35 %	35%	— %
Carrying amount of the investment	$ 87,199	$ 106,839	$ —

Income Statement			
As at December 31	2021	2020	2020
Revenue	$ 243,250	$ 269,993	$ 170,792
Expenses	$ (134,585)	$ (149,381)	$ (125,814)
Net income	108,665	120,612	44,978
Company's share of the income for the year	$ 38,033	$ 42,214	$ 19,354

18. Other Assets

	As at December 31	
	2021	2020
Long-term withholding tax	$ 27,167	$ 32,002
Long-term recoverable VAT	1,168	386
Investments	1,167	1,278
Total	$ 29,502	$ 33,666

19. Long-Term Debt

				As at December 31	
	Maturity	Principal	Interest Rate	2021	2020
2028 Unsecured Notes	June 2028	400,000	7.875%	$ 391,498	$ —
2025 Puerto Bahia Debt	June 2025	370,000	LIBOR 6M + 5%	143,094	183,094
PetroSud credit loans	December 2023	24,800	LIBOR 3M + 4.95%	17,970	—
2023 Unsecured Notes	June 2023	350,000	9.700%	—	335,788
Total				$ 552,562	$ 518,882

	As at December 31	
	2021	2020
Current portion	$ 146,724	$ 183,094
Non-current portion	405,838	335,788
Total	$ 552,562	$ 518,882

2028 Unsecured notes

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

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

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

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

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

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

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

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

As at December 31, 2021, the Company is in compliance with such covenants.

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

On August 6, 2020, the Company acquired a controlling interest in IVI, which at the time of acquisition held 99.9% of Puerto Bahia (Note 4). Puerto Bahia entered into a credit agreement with a syndicate of lenders in October 2013 for a $370 million debt facility, which matures in June 2025, for the construction and development of a multipurpose port in the Cartagena Bay (**"2025 Puerto Bahia Debt"**). The 2025 Puerto Bahia Debt bears interest at 6-month LIBOR plus 5% which is payable semi–annually, and which is secured by substantially all the assets and shares of Puerto Bahia.

As at December 31, 2021, the lenders have given notices stating that Puerto Bahia is in breach of various loan covenants but have not accelerated the loan. As a result, the total amount outstanding under the 2025 Puerto Bahia Debt is presented as a current liability in accordance with IAS 1. The 2025 Puerto Bahia Debt is non-recourse to the Company (other than as provided for by the ECA described below) and it has no impact on the Company's financial covenant calculations under its 2028 Unsecured Notes as IVI is considered an unrestricted subsidiary for purposes of such calculation.

As part of the agreement on closing of the 2025 Puerto Bahia Debt, the Company entered into an equity contribution agreement ("**ECA**"). Under the ECA, the Company and IVI agreed to jointly and severally cause equity contributions (via debt or equity) to Puerto Bahia up to the aggregate amount of $130.0 million (the "**ECA Loans**"). Amounts advanced under the ECA are used for the repayment of principal and interest from debt obligations of Puerto Bahia. The ECA Loans bear interest at 14% and are subordinated to the 2025 Puerto Bahia Debt. As of December 31, 2021, the Company has advanced a total of $109.7 million under the ECA, of which $68.3 million, were converted into preferred shares of Puerto Bahia (Note 4).

PetroSud Loans

On December 30, 2021, the Company completed the acquisition of 100% common shares of PetroSud (Note 4). On March 15, 2019 and December 20, 2021, PetroSud entered into two credit agreements with Banco Davivienda S.A. for $22.0 million and $2.8 million, respectively, (the "**PetroSud Debt**"), and both loans mature in December 2023. PetroSud Debt bears interest at 3-month LIBOR plus 4.95% which are payable quarterly. The PetroSud Debt is secured by a trust agreement that receives 100% of PetroSud's sales, and contemplates a debt service account for an amount equal to 100% of the next scheduled debt service, and a debt reserve account for an amount of $1.1 million. PetroSud Debt is subject to covenants that require PetroSud to maintain finance debt over EBITDA ratio less than or equal to 3.50:1.0 and operating free cash flow plus the debt reserve account over debt service ratio greater than or equal to 1.20:1.0. In the event that these financial ratios are not met Banco Davivienda S.A. is entitled to accelerate the PetroSud Debt. As at December 31, 2021, PetroSud is in compliance with such covenants.

Letters of Credit

The Company has various uncommitted bilateral letter of credit lines (the "**Uncommitted LCs**"). As of December 31, 2021, the Company had $49.0 million (2020: $52.9 million) of issued and outstanding Uncommitted LCs for exploratory commitments and abandonment funds in Colombia and Ecuador. The lenders under the Uncommitted LCs receive an average fee equal to 2.1% (2020: 3.0%) per annum.

In addition to the Uncommitted LCs, as at December 31, 2021, the Company has outstanding letters of credit of $33.8 million (2020: $4.0 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.

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

Finance Expense

The following table summarizes the main components of finance expense:

	Year Ended December 31	
	2021	2020
Interest on long-term debt	$ 42,007	$ 38,896
Accretion of asset retirement obligations	3,471	4,047
Deferred financing fees amortization	2,543	4,670
Letters of credit fees and other bank charges	1,949	2,647
Lease financing costs	1,306	4,438
Accretion expense of other assets	546	3,723
Total	$ 51,822	$ 58,421

20. Leases Obligations

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

The Company's lease liabilities have an average discount rate of 9.95% (2020: 10.97%), and the maturity analysis by contractual undiscounted cash flows is as follows:

	As at December 31	
	2021	2020
Within 1 year	$ 5,229	$ 12,234
Year 2	2,922	5,936
Year 3	92	3,250
Year 4	57	68
Year 5	—	56
Total undiscounted lease liabilities	$ 8,300	$ 21,544
Less amounts representing finance costs	(727)	(2,182)
Present value of lease liabilities	$ 7,573	$ 19,362
Current	$ 4,241	$ 14,381
Non-current	3,332	4,981
Total	$ 7,573	$ 19,362

Amounts Recognized in the Consolidated Statements of Income (Loss)

	Year Ended December 31	
	2021	2020
Interest on lease liabilities	$ (1,307)	$ (4,438)
Variable lease payments not included in the measurement of lease liabilities	(7,504)	(9,033)
Income from sub-leasing ROU assets	40	2,049
Expenses relating to short-term leases	(837)	(1,243)
Expenses relating to leases of low-value assets	(5,885)	(2,180)
Write-off asset related to termination of lease contract	—	(3,462)

Amounts Recognized in the Consolidated Statements of Cash Flows

	Year Ended December 31	
	2021	2020
Total cash outflow for leases (1)	$ 12,263	$ 38,279

(1) Includes principal payments of lease liabilities and interest of $11.7 millions (2020: $24.5 millions), which are recognized in the Consolidated Statements of Cash Flow as Financing activities.

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

21. Asset Retirement Obligations

	2021	2020
As at January 1	$ 226,243	$ 288,982
Accretion expense	3,469	4,047
Additions	2,617	1,310
Acquisition of PetroSud (Note 4)	3,049	—
Changes in estimates	(44,194)	(58,620)
Liabilities settled	(10,133)	(4,744)
Recovery of asset retirement obligation (Note 8)	(6,335)	(4,452)
Currency translation adjustment	(375)	(280)
As at December 31	$ 174,341	$ 226,243

	As at December 31	
	2021	2020
Current portion	$ 27,007	$ 14,009
Non-current portion	147,334	212,234
Total	$ 174,341	$ 226,243

Asset retirement obligations ("**ARO**") represents the present value of decommissioning and environmental liability costs relating to oil and gas properties and E&E assets. The total undiscounted ARO is $245.4 million (2020: $280.9 million), which is expected to be executed between 2021 and 2042, of which $213.4 million (2020: $245.0 million) will be incurred in Colombia and $31.9 million (2020: $35.9 million) in Peru.

During the year ended December 31, 2021, the Company recognized a decrease in the ARO from changes in estimates of $44.2 million, which includes a decrease of $32.0 million relating to updating the risk-free and inflation rates, a reduction of $25.3 million due to the impact of foreign exchange rates and an increase of $13.1 million relating to updated cost estimates to abandon and reclaim wells and well sites, including environmental liabilities. A total of $46.4 million relating to changes in estimates was recognized within Properties, Plant and Equipment (Note 15).

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

- A risk-free rate between 6.3% and 8.6% and an inflation rate between 3.0% and 3.9% for cash flows expected to be settled in COP (2020: risk-free rate between 3.1% and 7.1% with inflation rate between 3.0% and 4.8%);
- A risk-free rate between 2.1% and 2.6% and an inflation rate between 2.2% and 2.6% for cash flows expected to be settled in U.S. dollars (2020: risk-free rate between 1.4% and 1.4% with inflation rate between 2.2% and 2.8%).

22. Non-Controlling Interest

	PIL	CGX	Puerto Bahia	Amount
As at January 1, 2020	$ 45,559	$ 14,217	$ —	$ 59,776
Net income (loss) attributable to NCI	10,923	(1,437)	6,008	15,494
Share-based compensation	—	2,793	—	2,793
Other comprehensive income attributable to NCI	2,259	—	(1,012)	1,247
Change in ownership interests	—	(809)	(2,294)	(3,103)
Dividends and distributions declared	(15,228)	—	—	(15,228)
As at December 31, 2020	$ 43,513	$ 14,764	$ 2,702	$ 60,979
Net income (loss) attributable to NCI	12,822	(2,997)	(1,892)	7,933
Share-based compensation	—	1,907	—	1,907
Change in ownership interests	—	(1,928)	(550)	(2,478)
Other comprehensive income attributable to NCI	(5,215)	—	520	(4,695)
Dividends and distributions declared	(15,721)	—	—	(15,721)
As at December 31, 2021	$ 35,399	$ 11,746	$ 780	$ 47,925

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

	PIL		CGX [1]		Puerto Bahia [2]	
	As at December 31		As at December 31		As at December 31	
	2021	2020	2021	2020	2021	2020
Current assets	$ 1,146	$ 1,797	$ 28,556	$ 12,193	$ 45,361	$ 33,132
Non-current assets	87,199	106,849	23,801	6,315	239,728	309,785
Total assets	88,345	108,646	52,357	18,508	285,089	342,917
Current liabilities	5	50	60,762	14,581	149,791	198,812
Non-current liabilities	—	—	—	—	112,161	71,785
Total liabilities	5	50	60,762	14,581	261,952	270,597
Equity	88,340	108,596	(8,405)	3,927	23,137	72,320
Total liabilities and equity	$ 88,345	$ 108,646	$ 52,357	$ 18,508	$ 285,089	$ 342,917

	PIL		CGX		Puerto Bahia	
	Year ended December 31		Year ended December 31		Year ended December 31	
	2021	2020	2021	2020	2021	2020
Revenue	$ —	$ 274	$ —	$ —	$ 66,714	$ 26,243
Other income (expenses), net	32,000	26,986	(12,332)	(5,496)	(95,572)	(3,315)
Net income (expenses)	$ 32,000	$ 27,260	$ (12,332)	$ (5,496)	$ (28,858)	$ 22,928

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

[2] On December 31, 2020, the Company had direct control of Puerto Bahia changing the non-controlling interest from 28.43% to 5.84%. Additional, during the year 2021 the non-controlling interest has fluctuated between 5.82% and 3.45%.

23. Share Capital and Share-Based Arrangements

The Company is authorized to issue an unlimited number of Common Shares with no par value.

Dividends

During the year ended December 31, 2021, the Company did not declare or pay any dividends (2020: Declared C$0.205, Canadian dollar per share, for $13.9 million and paid dividends of $29.1 million). The Company's Dividend Reinvestment Plan ("**DRIP**") allows shareholders resident in Canada with the option to have the cash dividends declared on their Common Shares automatically reinvested back into additional Common Shares, without the payment of brokerage commissions or service charges. During the year ended December 31, 2021, the Company did not issued any Common Shares under the DRIP (2020: 2,153,633 Common Shares).

Normal Course Issuer Bid

On March 15, 2021, the TSX approved the Company's notice to initiate a normal course issuer bid ("**NCIB**"). Pursuant to the NCIB, the Company can purchase for cancellation up to 5,197,612 of its common shares during the twelve-month period commencing March 17, 2021 and ending March 16, 2022. As at December 31, 2021, the Company had repurchased 3,855,400 common shares under its NCIB.

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

	As at December 31	
(In thousands of U.S.$, except share and per share amounts)	2021	2020
Number of Common Shares repurchased	3,855,400	1,392,314
Total amount of Common Shares repurchased	$ 21,537	$ 10,075
Weighted-average price per share	$ 5.59	$ 7.24

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

Share-Based Compensation

Restricted Share Units

The Company's RSUs vest between the course of one or three years after the grant date and are settled in cash, Common Shares or a combination thereof, at the election of the Company. For performance based RSUs, the number of RSUs that will ultimately vest is determined by internal business performance measures and a performance adjustment factor ranging from 0% to 150% depending on the Company's total shareholder return relative to a peer group of companies during the three-year performance period. Time-based RSUs vest on an annual basis, based on a grantee's continued employment with the Company. During the vesting period, dividend equivalents in the form of additional RSUs are issued to reflect dividends paid on the Company's Common Shares. The Company recognized $5.7 million of share-based compensation expense relating to RSUs for the year ended December 31, 2021 (2020: $0.2 million). Previously the RSUs were classified within equity as the Company had the intention to settle the RSUs in common shares, however, during 2021, the Company settled certain RSUs in a combination of cash and equity, and has the intention to settle during 2022 additional RSUs at the same via. As consequence as of December 31, 2021 $7.1 million RSUs are recorded as liabilities. The following table provides a summary of the activity related to RSUs during the year:

	Year Ended December 31	
	2021	**2020**
Outstanding, beginning of year	2,876,614	1,802,222
Granted [(1)]	1,010,709	1,840,956
Forfeited	(552,868)	(468,601)
Settled [(2)]	(1,353,917)	(297,963)
Outstanding, end of year	1,980,538	2,876,614
Vested, end of year	—	—

[(1)] *The weighted average fair value of the RSUs granted was $4.28 (2020: $2.98).*

[(2)] *Includes the issuance of 1,007,066 Common Shares (2020: 271,648 common shares).*

Deferred Share Units

The Company has a DSU plan for its Board of Directors, whereby directors can elect to receive their annual compensation, or a portion thereof, in DSUs. DSUs vest immediately and are settled in cash, Common Shares or a combination thereof, at the election of the Company, when the recipient ceases to be a director. Until settled, dividend equivalents in the form of additional DSUs are issued to reflect dividends paid on the Company's Common Shares. The Company recognized $1.2 million of share-based compensation expense relating to DSUs for the year ended December 31, 2021 (2020: $1.0 million). The following table provides a summary of the activity related to DSUs during the year:

	Year Ended December 31	
	2021	**2020**
Outstanding, beginning of year	595,359	246,351
Granted [(1)]	220,250	349,008
Settled [(2)]	(77,804)	—
Outstanding, end of year	737,805	595,359
Vested, end of year	737,805	595,359

[(1)] *The weighted average fair value of the DSUs granted was $5.52 (2020:$2.88).*

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

Stock Options

The Company has not issued any stock options; however, certain subsidiaries of the Company may incur stock-based compensation pursuant to their respective long-term incentive plan arrangements. For the year ended December 31, 2021, stock-based compensation expense relating to stock options granted directly by the Company's subsidiaries was $1.0 million (2020: $2.8 million).

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

24. Supplemental Disclosure on Cash Flows

Changes in non-cash working capital are as follows:

	Year Ended December 31	
	2021	**2020**
Increase in accounts payable and accrued liabilities	$ 43,889	$ 2,955
(Increase) decrease in accounts receivable	(19,538)	75,629
Increase (decrease) in income taxes payable	4,933	(21,436)
Decrease in inventories	8,834	35,809
Increase in prepaid expenses and deposits	(2,842)	(5,983)
(Increase) decrease in income taxes receivable	(23,491)	21,028
Changes in non-cash working capital	$ 11,785	$ 108,002
Attributable to		
Operating activities	$ (40,073)	$ 163,476
Investing activities	51,858	(55,474)
Changes in non-cash working capital	$ 11,785	$ 108,002

25. Related-Party Transactions

The following tables provide the total balances outstanding (before impairments), commitments and transactional amounts with related parties for the year ended December 31, 2021, and 2020:

As at December 31		Accounts Receivable	Accounts Payable	Commitments	Cash Advance
ODL	2021	$ —	$ 112	$ 56,716	$ —
	2020	465	7,821	7,888	—
Bicentenario [1]	2021	—	—	—	—
	2020	$ 70,761	$ —	$ —	$ 87,278

Year Ended December 31		Purchases / Services	Interest Income[2]
ODL	2021	$ 27,523	$ —
	2020	35,903	—
Bicentenario	2021	—	—
	2020	1,427	—
IVI [2]	2021	—	—
	2020	$ 22,479	$ 10,558

[1] Services related to ship-or-pay contracts the Company previously had with Bicentenario for the transportation of crude oil in Colombia through the Bicentenario Pipeline. The Company also had advances with Bicentenario as a prepayment of transportation tariffs, which were to be amortized against future barrels transported. On November 16, 2020, the Company signed the Conciliation Agreement with Bicentenario. On November 11, 2021, the Conciliation Agreement was implemented, resolving all disputes between Bicentenario and the Company (Note 27). The accounts receivable and cash advance were fully impaired and not impact were recognized.

[2] Transactions before the Company acquired control of IVI on August 6, 2020.

The Company is related to the entities noted above as a result of its equity ownership in the associates.

The following sets out the details of the related-party transactions as summarized in the tables above:

- ODL - Services related to ship-or-pay new contract (Note 27) for the transportation of crude oil in Colombia for a total commitment of $56.7 million until 2025.

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

Key Management Compensation

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

	As at December 31	
	2021	2020
Short-term employee benefits	$ 3,358	$ 5,574
Termination benefits	1,430	555
Share-based payments	2,444	1,986
Total	$ 7,232	$ 8,115

26. 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.

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

	As at December 31	
As at	2021	2020
Trade receivables	$ 83,087	$ 44,317
Other receivables [(1)]	31,326	75,522
Receivables from joint arrangements	15,652	34,866
Withholding tax and others	14,486	19,043
Allowance for expected credit losses [(2)]	(29,036)	(32,521)
Accounts receivable	$ 115,515	$ 141,227
Withholding tax and others - not considered for credit risk	(14,486)	(19,043)
Total financial assets carried at amortized cost	$ 101,029	$ 122,184

[(1)] *2020 included $62.0 million of dividends receivable from Bicentenario that were part of the Conciliation Agreement settlement (Note 27).*
[(2)] *Includes ECLs of $15.7 million for trade receivables (2020: $15.7 million).*

Reconciliation of ECLs

The following table shows a continuity of ECLs:

	2021	2020
As at January 1	$ 32,521	$ 104,451
Provision for ECLs	567	—
Reduction due to the acquisition of IVI	—	(71,930)
Reduction due to the Conciliation Agreement (Note 27)	(4,052)	—
As at December 31	29,036	32,521

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.

(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 December 31, 2021:

Financial Liability Due In	2022	2023	2024	2025	2026	Subsequent to 2027	Total
Accounts payable and accrued liabilities [1]	$ 405,260	$ —	$ —	$ —	$ —	$ —	$ 405,260
Long-term debt [2]	146,723	14,341	—	—	—	400,000	$ 561,064
Interest on Long-term debt	39,492	32,153	31,500	31,500	31,500	47,250	213,395
Lease liabilities	5,229	2,922	92	57	—	—	8,300
Total	$ 596,704	$ 49,416	$ 31,592	$ 31,557	$ 31,500	$ 447,250	$ 1,188,019

[1] Includes provisions of $120.3 million, which do not have a definitive repayment period and are therefore classified as current liabilities. These provisions are not expected to be settled within the next 12 months.

[2] The 2025 Puerto Bahia Debt of $143.1 million (Note 19) is presented as a current liability as the lenders have given notices stating that Puerto Bahia is in breach of various loan covenants. However, the maturity of this loan is not expected to be within the next 12 months as the Company continues to service the loan in accordance with the repayment schedule and no amounts have been accelerated. Amounts currently due within the next 12 months total $40.0 million.

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

	As at December 31	
As at	**2021**	**2020**
Trade and other payables	$ 151,704	$ 117,534
Accrued liabilities	68,341	56,873
Supplier holdbacks and advances	26,822	37,720
Provisions and withholding tax	7,756	5,430
Share-based payment liability	7,079	—
	261,702	217,557
Provision for contingencies and others	143,558	288,068
Total undiscounted payable and accrual liabilities	405,260	505,625
Discount amount at present value	—	(657)
Total payable and accrual liabilities	$ 405,260	$ 504,968

The Company has various guarantees in place in the normal course of business, supported by issued letters of credit (Note 27). As at December 31, 2021, the Company had issued letters of credit for a total of $82.8 million (2020: $56.9 million).

Restricted Cash

As at December 31, 2021, the Company has total restricted cash of $63.6 million (2020: $168.9 million) in trust accounts primarily to cover future abandonment obligations, exploration commitments, insurance collateral for certain contingencies and other matters. The decrease from December 31, 2020, was primarily due as a reduction of the restricted cash used as collateral of the letter of credits. In addition, $28.0 million was transferred as part of the Conciliation Agreement implementation (Note 27).

iii) Market and Interest Risk

Market and interest risk is the risk associated with fluctuations in oil prices, foreign exchange rates and interest rates. To manage this risk, the Company uses derivative commodity instruments to manage exposure to price volatility by hedging a portion of its oil production, foreign exchange hedging instruments to manage foreign currency fluctuations, and interest rate swaps to hedge its interest relating to the long-term debt.

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

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 $/bbl		Carrying Amount Assets		Carrying Amount Liabilities
Zero-cost collars	January 2022	Brent	55,000	60.0/102.0	$	1	$	—
Put	January to April 2022	Brent	970,000	60.00		273		—
Put	January to March 2022	Brent	550,000	60.00		—		279
Total as at December 31, 2021					$	274	$	279
3-ways	January to June 2021	Brent	2,230,000	25.6/35.6/51.3		—		7,608
Put Spread	January to June 2021	Brent	1,600,800	26.5/36.5		437		—
Total as at December 31, 2020					$	437	$	7,608
Total as at December 31, 2021						274		279
Total as at December 31, 2020					$	437	$	7,608

Risk Management Contracts - Foreign Exchange

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

As at December 31, 2020, the Company did not have foreign exchange hedging instruments.

Risk Management Contracts - Interest swaps

The Company consolidated a financial derivative used to manage exposure to risks due to the fluctuation of the interest rate expressed in LIBOR in the 2025 Puerto Bahia Debt. Puerto Bahia monitors and manages its exposure through the swaps.

As at December 31, 2021, the Company has a swap contract from July 2022 to June 2025:

Type of Instrument	Term	Benchmark		Notional Amount	Avg. Strike Prices Floating rate		Carrying Amount Assets		Carrying Amount Liabilities
Swap	January 2022 to June 2025	LIBOR + 180	$	121,100	3.9 %	$	—	$	6,258
Total as at December 31, 2021						$	—	$	6,258
Swap	January 2021 to June 2025	LIBOR + 180	$	135,100	3.9 %	$	—	$	12,551
Total as at December 31, 2020						$	—	$	12,551
Total as at December 31, 2021							—		6,258
Total as at December 31, 2020						$	—	$	12,551

		Assets		Liabilities
Current portion	$	274	$	4,116
Non-current portion	$	—	$	2,697
Total Risk Management Contracts as at December 31, 2021	$	274	$	6,813
Total Risk Management Contracts as at December 31, 2020	$	437	$	20,159

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

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

	Year Ended December 31	
	2021	**2020**
Realized (loss) gain on risk management contracts	$ (49,119)	$ 40,924
Unrealized gain (loss) on risk management contracts	7,213	(6,481)
Total	$ (41,906)	$ 34,443

b. Fair Value of Financial Instruments

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

The following table summarizes the Company's remaining financial instruments that are carried or disclosed at fair value in accordance with the classification under the fair value hierarchy as at December 31, 2021 and December 31, 2020:

			Fair Value		
	Year	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets Measured at Fair Value through Profit & Loss					
Risk management assets	2021	$ 274	$ —	$ 274	$ —
	2020	437	—	437	—
Financial Assets Measured at Fair Value through Other Comprehensive Income					
Investments in equity instruments	2021	$ 1,167	$ —	$ —	$ 1,167
	2020	1,278	—	—	1,278
Financial Liabilities Measured at Fair Value through Profit & Loss					
Risk management liabilities	2021	$ (6,813)	$ —	$ (6,813)	$ —
	2020	(20,159)	—	(20,159)	—
Financial Liabilities Measured at Amortized Cost					
Unsecured notes [(1)]	2021	$ (391,498)	$ —	$ (375,688)	$ —
	2020	(335,788)	—	(332,808)	—
2025 Puerto Bahia and PetroSud debts (Note 19)	2021	$ (161,064)	$ —	$ (161,064)	$ —
	2020	(183,094)	—	(183,094)	—

[(1)] The information included as of December 31, 2021 corresponds to the 2028 Unsecured Notes, and as of December 31, 2020 corresponds to the 2023 Unsecured Notes (Note 19).

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

c. Capital Management

When managing capital, the Company's objectives are to maintain a capital structure that optimizes the cost of capital to support operating activities and sustain the development of 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 the Unsecured Note 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.

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

The Company's capital consists of debt and total equity (less non-controlling interests) net of working capital. The following table summarizes the Company's capital structure balances:

	As at December 31	
As at	2021	2020
Equity attributable to equity holders of the Company	$ 1,400,966	$ 703,853
Long-term debt	405,838	335,788
Working capital deficit (1)	78,885	111,733
Total	$ 1,885,689	$ 1,151,374

(1) Working capital deficit represents the net of total current assets after deducting total current liabilities, including the current portion of long-term debt.

27. Commitments and Contingencies

Commitments

The Company's commitments as at December 31, 2021, undiscounted and by calendar year, are presented below:

As at December 31, 2021	2022	2023	2024	2025	2026	Subsequent to 2027	Total
Transportation commitments							
Ocensa P-135 ship-or-pay agreement	$ 70,117	$ 70,117	$ 70,117	$ 35,016	$ —	$ —	$ 245,367
ODL agreements	15,842	14,855	14,855	11,164	—	—	56,716
Other transportation and processing commitments	12,204	11,785	11,785	11,785	11,785	4,923	64,267
Exploration and evaluation commitments							
Minimum work commitments (1)	69,545	89,832	28,759	19,285	—	—	207,421
Other commitments							
Operating purchases, community obligations and others.	35,415	9,476	8,473	7,946	249	1,322	62,881
Total	$ 203,123	$ 196,065	$ 133,989	$ 85,196	$ 12,034	$ 6,245	$ 636,652

(1) Includes minimum work commitments relating to exploration and evaluation activities in Colombia and Ecuador until the contractual phase when the Company should decide whether to continue or relinquish the exploration areas. The Company, through its interests in CGX, has other exploration work commitments in Guyana (not included in the table), as described below.

Guyana Exploration

As of December 31, 2021, the Company, through its 76.98% interest in CGX and directly through its 33,33% working interest in the Corentyne and Demerara Blocks, has exploration work commitments under Petroleum Prospecting Licenses ("**PPL**") for certain Guyana blocks, as follows:

- In accordance with the Corentyne PPL, which is currently in phase two of the second renewal period, one exploration well must be drilled by November 26, 2022.
- On February 14, 2022, CGX and Frontera, the majority shareholder of CGX and joint venture partner of CGX in the PPL for the Demerara block, announced that as a result of the initial positive results at the Kawa-1 exploration well on the Corentyne block, the joint venture will focus on the significant exploration opportunities in the Corentyne block and will not engage in drilling activities on the Demerara block in 2022.
- On February 4, 2022, the Company, through ON Energy Inc., notified the Ministry of Natural Resources that, given the focus on rapidly developing the Corentyne Block, operational considerations and investment priorities, ON Energy Inc. is unable to drill an exploration well on the Berbice Block in 2022, proposed that seismic acquisition on the block be shifted to commence in January 2023 and sought the Minister's urgent guidance on this matter. The Minister of Natural resources has informed On Energy Inc. that he expects the Company to drill one exploration well on the Berbice block and acquire seismic on the block prior to the expiry of the Berbice PPL and associated Petroleum Agreement. The Company will seek further dialogue with the Ministry of Natural resources regarding this guidance.

The CGX (operator) and Frontera joint venture, has entered into agreements for activities to complete requirements under the Corentyne and Demerara contracts. Also, CGX, has entered into agreements for the Guyana Port Project. As at December 31, 2021, aggregate minimum future obligation still outstanding under these agreements is $32.1 million expected to be paid in 2022. On April 22, 2021, the Company and CGX jointly announced that CGX, operator of the Corentyne block, entered into an agreement with Maersk Drilling Holdings Singapore Pte. Ltd. ("Maersk") for the provision of a semi-submersible drilling unit owned by Maersk (the "Maersk Discoverer") and associated services to drill the joint venture's Kawa-1 well. In relation to that agreement, Frontera entered into a deed of guarantee with Maersk for certain obligations, up to a maximum of $25.0 million, and the option to drill a second well. On January 31, 2022, the Company and CGX announced that CGX had exercised its option with Maersk to drill a second well using the Maersk Discoverer.

Oleoducto Central S.A. "Ocensa" P-135 Ship-or-Pay Agreement

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 has been amended and extended until April 30, 2022. 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 certain credit conditions set forth in the ship-or-pay agreement.

Acquisition of 35% Interest in El Dificil Block

The Company through its acquisition of PetroSud (Note 4), acquired a 65% working interest in the El Dificil block. On December 30, 2021, the Company entered into an agreement to acquire the remaining 35% working interest in the El Dificil block held by PCR Investments S.A., for total aggregate cash consideration of approximately $13.0 million. The transaction is expected to close during the second half of 2022 and is subject to customary closing conditions, including and the prior approval of the assignment by the Agencia Nacional de Hidrocarburos ("**ANH**"). Upon completion of the transaction, the Company will hold a 100% working interest in the El Dificil block.

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

On October 22, 2021, the Company executed and closed a sale and settlement agreement, transferring to Etablissement Maurel & Prom ("**EMP**") 49.999% of all issued and outstanding shares of M&P which holds 100% interests in the COR-15 and Muisca blocks in Colombia. The Company's cash consideration was $1.8 million, including $1.6 million to cover outstanding Muisca cash calls, and $0.2 million of operating cash of M&P. Additionally, the Company will fund $6.0 million related to outstanding commitments at COR-15 during the first half of 2022. EMP and the Company settled all mutual obligations and granted certain indemnities to M&P. This transaction, decreased an estimated $17.2 million of the Company's minimum work commitments. The Company recorded $3.6 million loss in relation to the sale of M&P, in the Statement of Income (Loss) as other income (loss), net.

Other Guarantees and Pledges

As part of the Company's acquisition of Repsol Colombia Oil & Gas Ltd. ("**RCOG**") 50% working interest in the CPE-6 block, the Company granted a pledge to RCOG over the production from the CPE-6 block to guarantee the variable payments under farm-out agreement, up to a maximum of $48.0 million, which are calculated and contingent on production from this block. As at December 31, 2021, the Company has paid a total of $5.1 million of such amounts under the agreement.

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.

Termination of Transportation Agreement Dispute

Conciliation Agreement

On November 16, 2020, the Company, Cenit and Bicentenario reached an agreement for the joint filing of a petition for approval of the Conciliation Agreement to resolve all the disputes among them related to the Bicentenario pipeline ("**BIC Pipeline**") and the Caño Limón pipeline ("**CLC Pipeline**"), and to terminate all arbitration proceedings related to such disputes.

The Conciliation Agreement included a full and final mutual release upon closing of all present and future amounts claimed by all parties in respect of the terminated transportation agreements and ancillary agreements, related to the BIC Pipeline and the CLC Pipeline, which amounts included the liabilities that are recorded by the Company as Cost Under Terminated Pipeline Contracts in the Company's financial statements.

The transaction did not include any cash payments between the parties, except for the Company's release of its interests in a trust fund (restricted cash), including interest, created as a collateral for one of the claims. The claims released by the Company included recovery of the letters of credit drawn by Bicentenario in 2018 and all other claims that had been asserted by the Company against Bicentenario.

The arrangement was conditional upon approval of the Conciliation Agreement under Colombian law, which required an opinion to be issued by the Office of the Attorney General of Colombia (Procuraduría General de la Nación) and approval of the the Administrative Tribunal of Cundinamarca (the "**Court**"), the final appeals court with competence regarding conciliation arrangements to which state-owned companies are a party. On November 17, 2020, the Conciliation Agreement was filed with the Office of the Attorney General of Colombia.

On November 11, 2021, the Court approved the Conciliation Agreement and the final formalities of the settlement arrangement were concluded. This represented the final step in resolving all disputes between the parties related to the BIC Pipeline and the CLC Pipeline and terminated all pending arbitration proceedings related to such disputes.

The impacts on the Consolidated Financial Statements as at result of the completion of the Conciliation Agreement include the following:

- Transfer of the Company's 43.03% interest in Bicentenario, recorded as Assets Held for Sale (Note 14).
- Transfer of the outstanding Bicentenario receivable dividends, recorded as Accounts Receivable (Note 26a).
- Release of the Company's interest to $28.9 million in a trust fund, recorded as Restricted Cash.
- Transfer of Bicentenario pipeline line fill, which was fully impaired, recorded within Property plant, and equipment.
- Settlement of $146.2 million provision related to the Conciliation Agreement, recorded as Accounts payable and accrued liabilities.

As part of the conciliation, the Company recognized (i) $3.6 million prepaid transportation services, (ii) $4.4 million recovery of costs under terminated pipeline contracts, and (iii) $103.6 million non-cash loss related to currency translation differences reclassified from Other Reserves to the Statement of Income (Loss).

During the year ended December 31, 2020, as result of the Conciliation Agreement, the Company recognized $118.7 million as cost under terminated pipeline contracts in the Consolidated Statement of Income (Loss), which represented the fair value of the assets to be transferred or release, offset by previous contingent liabilities related with the claim in respect of the terminated transportation contracts.

New Transportation Agreements

In connection with the closing of the settlement, the Company also entered into new transportation contracts with CENIT, and Bicentenario and a new transportation contract with ODL, as follows:

- The new transportation contracts with CENIT and Bicentenario for use of the CLC Pipeline and BIC Pipeline (and certain related facilities) will be for approximately 2,770 bbls/day and become effective within a six-month period following the Conciliation Agreement's approval.
- The new ODL transportation contract provides for a ship or pay commitment of 10,000 bbls/day for approximately 3.8 years.

Quifa Late Delivery Volumes Claim

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

In March 2021, the Company received notification that the Court had decided in favour of Ecopetrol and awarded $8.5 million adjusted by the Consumer Price Index. The Company has filed an appeal against the first instance ruling on March 16, 2021. The Company recorded a provision of $9.3 million included within Other income (loss), net.

Agencia Nacional de Hidrocarburos Discussion

Since May 8, 2020, the Company has been discussing with the ANH the termination of certain exploratory contracts due to environmental, social and security restrictions in the contracted areas, not allowing the Company to execute exploratory commitments for $26.2 million.

On December 12, 2021, the Company informed the ANH that the outstanding commitments under the LLA-7 and LLA-55 of $26.2 million were going to be executed by means of drilling exploration wells in other blocks, as provided under the recent regulation issued by the ANH (Acuerdo 10 of 2021). When the Company completes the proposed activities obligations will no longer be outstanding.

High-Price Clause

The Company has certain exploration and production contracts acquired through business combinations where outstanding disagreements with the ANH existed relating to the interpretation of PAP clauses. These contracts require high-price participation payments be made to the ANH for each designated exploitation area within a block under contract, which has cumulatively produced five million or more barrels of oil. The disagreement involves whether the cumulative production amounts in an exploitation area should be calculated individually (as each exploitation area represents independent reservoirs) or combined with other exploration areas within the same block for the purpose of determining the five million barrel threshold. The ANH has interpreted that PAP should be calculated on a combined basis as opposed to the Company's interpretation that the calculation should be provided on an individual basis. Upon acquisition of these contracts and in accordance with IFRS 3 *Business Combinations*, provisions for contingent liabilities were recognized regarding these disagreements with the ANH.

The Company and the ANH continue to review differences in interpretations for the remaining exploitation areas. The Company does not disclose the recorded provision amounts, as required by IAS 37, Provisions, Contingent Liabilities and Contingent Assets, on the grounds that this would be prejudicial to the outcome of potential future disputes with the ANH.

Ecopetrol - Rubiales Field Disagreement

The Company has been involved in negotiations with Ecopetrol with respect to disagreements on wind-down costs and expenses, as well as inventory, in connection with the expiration of the Rubiales and Piriri exploration and production contracts in June 2016. On November 22, 2018, the Company filed a lawsuit against Ecopetrol before the Court claiming it is owed $25.3 million. The Company has not yet been served such claim and negotiations continue; therefore, the Company cannot anticipate what the outcome of this proceeding will be or whether the final settled net amount will be significant.

Tax reviews

The Company operates in various jurisdictions and is subject to assessments by tax authorities in each of those jurisdictions, which can be complex and based on interpretations. The Company is currently in discussions with tax authorities for various assessments with respect to certain income tax deductions relating to exportation expenditures, transportation costs, VAT credits, municipal taxes, and other expenses. As at December 31, 2021, the Company has assessed a possible tax exposure (worst case scenario) of $101.4 million, (2020 $253.1 million) relating to these assessments for taxes, interest and penalties.

28. Subsequent Events

VIM 46 Block

On December 16, 2021, Frontera was awarded the VIM 46 block pursuant to the 2021 Colombia Bid Round. VIM 46 block is located in close proximity to a number of existing Frontera assets including the La Creciente block, the VIM 22 block, the VIM 1 block and the newly acquired El Dificil block. The new E&P agreement with ANH was signed on January 18, 2022 and includes minimum work commitments of $5.1 million.