

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

*For the three months ended
March 31, 2019 and 2018*



Interim Condensed Consolidated Statements of Income

(Unaudited; in thousands of U.S.\$, except per share information)	Notes	Three Months Ended March 31	
		2019	2018
Oil and gas sales and other revenue	5	\$ 313,459	\$ 289,534
Sales of oil and gas for trading	5	73,444	2,327
Royalties		(9,376)	(8,194)
Revenue		377,527	283,667
Oil and gas operating costs	6	143,829	131,490
Costs of oil and gas for trading		70,758	1,743
Fees paid on suspended pipeline capacity		—	35,904
General and administrative		16,492	22,053
Share-based compensation		572	1,054
Depletion, depreciation and amortization		93,146	72,673
Impairment		—	20,341
Restructuring, severance and other costs		1,440	2,838
Income (loss) from operations		51,290	(4,429)
Share of income from associates	11	23,498	35,759
Foreign exchange gain		602	19,005
Finance income		6,030	5,563
Finance expense		(13,675)	(9,810)
Loss on risk management contracts	16	(7,780)	(25,080)
Other income (loss), net		11,294	(604)
Net income before income tax		71,259	20,404
Current income tax expense		(3,533)	(10,329)
Deferred income tax expense		(18,153)	(417)
Income tax expense	7	(21,686)	(10,746)
Net income for the period		\$ 49,573	\$ 9,658
Attributable to:			
Equity holders of the Company		46,187	(3,121)
Non-controlling interests		3,386	12,779
		\$ 49,573	\$ 9,658
Basic earnings (loss) per share attributable to equity holders of the Company	8	\$ 0.47	\$ (0.03)
Diluted earnings (loss) per share attributable to equity holders of the Company	8	\$ 0.47	\$ (0.03)

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

Interim Condensed Consolidated Statements of Comprehensive Income

<i>(Unaudited; in thousands of U.S.\$)</i>	Three Months Ended March 31	
	2019	2018
Net income for the period	\$ 49,573	\$ 9,658
Other comprehensive income to be reclassified to net income in subsequent periods (nil tax effect)		
Foreign currency translation	3,703	31,398
Total comprehensive income for the period	\$ 53,276	\$ 41,056
Attributable to:		
Equity holders of the Company	48,334	20,096
Non-controlling interests	4,942	20,960
	\$ 53,276	\$ 41,056

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

Interim Condensed Consolidated Statements of Financial Position

As at (Unaudited; in thousands of U.S.\$)	Notes	March 31 2019	December 31 2018
ASSETS			
Current			
Cash and cash equivalents		\$ 340,671	\$ 446,132
Restricted cash		41,092	39,541
Accounts receivable	16	219,062	205,518
Inventories		106,037	108,015
Income taxes receivable		16,325	7,071
Prepaid expenses and deposits		3,980	5,309
Risk management assets	16	2,095	9,380
Total current assets		729,262	820,966
Non-current			
Properties, plant and equipment	9	1,020,358	972,035
Exploration and evaluation assets	10	82,421	15,100
Investments in associates	11	200,980	191,111
Deferred tax asset	7	14,463	32,616
Restricted cash		105,425	102,764
Other assets		174,917	156,686
Total assets		\$ 2,327,826	\$ 2,291,278
LIABILITIES			
Current			
Accounts payable and accrued liabilities		\$ 524,044	\$ 575,166
Risk management liabilities	16	483	4,318
Income taxes payable		3,256	3,124
Lease liabilities	12	25,893	7,151
Asset retirement obligations		15,509	15,509
Total current liabilities		569,185	605,268
Non-current			
Long-term debt		327,761	326,784
Lease liabilities	12	64,097	20,428
Asset retirement obligations		243,972	231,610
Total liabilities		1,205,015	1,184,090
Commitments and contingencies	17		
EQUITY			
Share capital		4,724,852	4,727,598
Contributed surplus		117,793	116,725
Other reserves		(182,083)	(184,230)
Retained deficit		(3,604,406)	(3,637,766)
Equity attributable to equity holders of the Company		1,056,156	1,022,327
Non-controlling interests		66,655	84,861
Total equity		1,122,811	1,107,188
Total liabilities and equity		\$ 2,327,826	\$ 2,291,278

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

Interim Condensed Consolidated Statements of Changes in Equity

(Unaudited; in thousands of U.S.\$)	Attributable to Equity Holders of the Company							Non-Controlling Interests	Total Equity
	Number of Common Shares	Share Capital	Contributed Surplus	Cumulative Translation Adjustment	Fair Value Investment	Retained Deficit	Total		
As at January 1, 2019	98,421,079	\$ 4,727,598	\$ 116,725	\$ (179,028)	\$ (5,202)	\$ (3,637,766)	\$ 1,022,327	\$ 84,861	\$ 1,107,188
Net income for the period	—	—	—	—	—	46,187	46,187	3,386	49,573
Other comprehensive income	—	—	—	2,147	—	—	2,147	1,556	3,703
Total comprehensive income	—	—	—	2,147	—	46,187	48,334	4,942	53,276
Acquisition of CGX Energy Inc. (Note 3)	—	—	—	—	—	—	—	14,598	14,598
Dividends declared to equity holders of the Company ⁽¹⁾	625,923	5,824	—	—	—	(12,827)	(7,003)	—	(7,003)
Repurchase of shares ⁽²⁾	(942,520)	(8,570)	—	—	—	—	(8,570)	—	(8,570)
Share-based compensation	—	—	1,068	—	—	—	1,068	—	1,068
Dividends paid to non-controlling interest (Note 13)	—	—	—	—	—	—	—	(37,746)	(37,746)
As at March 31, 2019	98,104,482	\$ 4,724,852	\$ 117,793	\$ (176,881)	\$ (5,202)	\$ (3,604,406)	\$ 1,056,156	\$ 66,655	\$ 1,122,811

(Unaudited; in thousands of U.S.\$)	Attributable to Equity Holders of the Company							Non-Controlling Interests	Total Equity
	Number of Common Shares	Share Capital	Contributed Surplus	Cumulative Translation Adjustment	Fair Value Investment	Retained Deficit	Total		
As at January 1, 2018	100,011,664	\$ 4,745,440	\$ 127,351	\$ (226,906)	\$ (5,202)	\$ (3,354,933)	\$ 1,285,750	\$ 110,631	\$ 1,396,381
Net (loss) income for the period	—	—	—	—	—	(3,121)	(3,121)	12,779	9,658
Other comprehensive income	—	—	—	23,217	—	—	23,217	8,181	31,398
Total comprehensive income (loss)	—	—	—	23,217	—	(3,121)	20,096	20,960	41,056
Share-based compensation	—	—	1,118	—	—	—	1,118	—	1,118
As at March 31, 2018	100,011,664	\$ 4,745,440	\$ 128,469	\$ (203,689)	\$ (5,202)	\$ (3,358,054)	\$ 1,306,964	\$ 131,591	\$ 1,438,555

⁽¹⁾ On December 6, 2018, the Company declared an initial dividend of C\$0.33 per common share, to shareholders of record at the close of business on January 3, 2019. The dividend was paid on January 17, 2019, with \$18.7 million of dividends paid in cash, and \$5.8 million reinvested under the Dividend Reinvestment Plan ("DRIP") through the issuance of 625,923 common shares of the Company. On March 13, 2019, the Company declared a dividend of C\$0.165 per common share, payable on April 16, 2019, to shareholders of record at the close of business on April 2, 2019. Accordingly, dividends payable of \$12.1 million was recognized as at March 31, 2019 (December 31, 2018: \$23.8 million). On April 16, 2019, \$12.1 million of dividends was paid in cash with 0.2% reinvested under the DRIP through the issuance of 2,393 common shares.

⁽²⁾ The Company repurchased \$8.6 million of common shares during the three months ended March 31, 2019 (2018: \$Nil), for an average repurchase cost per common share, excluding transaction costs, of \$9.09.

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

Interim Condensed Consolidated Statements of Cash Flows

		Three Months Ended March 31	
(Unaudited; in thousands of U.S.\$)	Notes	2019	2018
OPERATING ACTIVITIES			
Net income for the period		\$ 49,573	\$ 9,658
Items not affecting cash:			
Depletion, depreciation and amortization		93,146	72,673
Impairment		—	20,341
Accretion expense		2,012	1,971
Unrealized gain (loss) on risk management contracts	16	7,780	(17,313)
Share-based compensation		958	1,054
Deferred income tax expense	7	18,153	417
Unrealized foreign exchange gain		(4,988)	(21,674)
Share of income from associates	11	(23,498)	(35,759)
Other		(10,995)	54
Dividends from associates		9,408	—
Settlement of asset retirement obligations		(1,909)	(50)
Changes in non-cash working capital	14	(67,565)	(3,027)
Cash provided by operating activities		72,075	28,345
INVESTING ACTIVITIES			
Additions to properties, plant and equipment		(56,608)	(64,555)
Additions to exploration and evaluation assets, net		(11,824)	(13,492)
Acquisition of CGX Energy Inc.	3	4,296	—
Additions to other assets, net		1,337	—
Proceeds from sale of power transmission line assets		—	20,000
Increase in restricted cash		(1,024)	(44,527)
Proceeds from the sale of assets held for sale and others		—	6,434
Proceeds from the sale of interests in Papua New Guinea		—	57,000
Changes in non-cash working capital	14	(44,732)	1,920
Cash used in investing activities		(108,555)	(37,220)
FINANCING ACTIVITIES			
Principal payments of lease liabilities		(5,915)	(1,672)
Dividends paid to equity holders of the Company		(18,706)	—
Repurchase of common shares		(8,570)	—
Dividends paid to non-controlling interests	13	(37,746)	—
Cash used in financing activities		(70,937)	(1,672)
Effect of exchange rate changes on cash and cash equivalents		1,956	14,673
(Decrease) increase in cash and cash equivalents during the period		(105,461)	4,126
Cash and cash equivalents, beginning of the period		446,132	511,685
Cash and cash equivalents, end of the period		\$ 340,671	\$ 515,811
Cash		202,036	182,697
Cash equivalents		138,635	333,114
Total cash and cash equivalents		\$ 340,671	\$ 515,811
Supplementary cash flow information			
Cash income tax paid		1,154	4,562
Cash interest paid		—	6,250
Cash interest received		\$ 3,632	\$ 4,935

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

Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited; 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 333 Bay Street, Suite 1100, Toronto, Ontario, Canada, M5H 2R2, and its registered office is 1188 West Georgia Street, Suite 650, Vancouver, British Columbia, Canada, V6E 4A2.

These interim condensed consolidated financial statements of the Company, which comprise those of the Company and its subsidiaries, were approved and authorized for issuance by the Audit Committee of the Board of Directors on May 8, 2019.

2. Basis of Preparation and Significant Accounting Policies

a. Statement of Compliance

These interim condensed consolidated financial statements for the three months ended March 31, 2019 and 2018 (the “**Interim Financial Statements**”), have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (“**IASB**”). The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended December 31, 2018 (the “**2018 Annual Financial Statements**”). Certain amounts in the comparative interim condensed consolidated financial statements have been reclassified from the amounts previously presented to conform to the presentation of the current consolidated financial statements. Additional details of these reclassifications are disclosed in “Note 2 - Basis of Preparation and Significant Accounting Policies” of the 2018 Annual Financial Statements.

b. Significant Accounting Policies

The accounting policies used in preparation of the Interim Condensed Consolidated Financial Statements are consistent with those disclosed in the 2018 Annual Financial Statements, except as outlined below. The Company has not early adopted any standard, interpretation, or amendment that has been issued but is not yet effective.

Changes in Accounting Policies and Disclosures

The Company applied certain new standards, amendments and interpretations effective from January 1, 2019, for the first time.

Adoption of IFRS 16 Leases (“**IFRS 16**”)

IFRS 16 requires lessees to account for all leases, with certain exceptions, under a single on-balance sheet model, similar to finance leases under the previous effective standards IAS 17 *Leases* (“**IAS 17**”) and IFRIC 4 *Determining Whether an Arrangement Contains a Lease* (“**IFRIC 4**”). Under the previous guidance, lessees were required to determine if a lease was a finance or operating lease, based on specified criteria. Lease liabilities were recognized on the Statements of Financial Position while operating leases were recognized in the Statement of Income (loss) when the expense was incurred. Under IFRS 16, lessees must recognize a lease liability and a right-of-use (“**ROU**”) asset for both finance and operating lease contracts.

The Company adopted the standard effective January 1, 2019, applying the modified retrospective transition approach and therefore the comparative period information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of those accounting policies are described in “Note 3 - Significant Accounting Policies, Judgments, Estimates and Assumptions” of the 2018 Annual Financial Statements.

As a result of adopting the standard on January 1, 2019, the Company recognized a significant increase of \$64.1 million to both properties, plant and equipment, and lease liabilities on the Consolidated Statements of Financial Position. The net income in the Consolidated Statements of Income for the three months ended March 31, 2019 was \$0.7 million lower, due to an increase in depletion, depreciation and amortization (due to the ROU asset), an increase in lease finance expense (due to accretion of the lease liabilities), partially offset by corresponding decreases in oil and gas operating costs and general and administrative costs.

The Company applied the following optional expedients on the date of transition:

- ROU assets and liabilities for short-term leases (ending within 12 months) and leases of low value assets identified were not recognized on the Consolidated Statements of Financial Position.
- In the initial measurement upon transition, a single discount rate was applied to a portfolio of leases with similar characteristics.
- For certain leases, initial direct costs were excluded from the measurement of the ROU asset.
- Elected to retain the classification of contracts previously identified as leases under IAS 17 and IFRIC 4, and to use hindsight in determining the lease term.

Notes to the Interim Condensed Consolidated Financial Statements

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

- Relied upon any prior analysis of onerous contracts as an alternative to an impairment assessment for ROU assets under IAS 36 *Impairment of Assets*.

At the date of transition, the Company recognized ROU assets and lease liabilities primarily relating to take-or-pay arrangements in Colombia for power generators, storage facilities and, corporate office leases. These leases were previously classified as operating leases under IAS 17.

Reconciliation of condensed consolidated statement of financial position as at January 1, 2019

Below is the effect of transition to IFRS 16 on our condensed consolidated statement of financial position as at January 1, 2019.

	Reported as at December 31, 2018	Effect of IFRS 16 Transition	Subsequent to Transition as at January 1, 2019
Assets			
Properties, plant and equipment	\$ 972,035	\$ 64,111	\$ 1,036,146
Liabilities			
Current portion of lease liabilities	7,151	12,623	19,774
Non-current portion of lease liabilities	20,428	51,488	71,916
Total lease liabilities	\$ 27,579	\$ 64,111	\$ 91,690

The ROU assets recognized on adoption were measured at an amount equal to the related lease liabilities. The lease liabilities were measured at the present value of remaining lease payments, discounted at the incremental borrowing rate at January 1, 2019 of 10.0%. The incremental borrowing rate was determined based on the Company's own borrowings and bond yield data available at the date of transition.

The lease liabilities recognized on adoption of IFRS 16 as at January 1, 2019, are reconciled to the operating lease commitments as at December 31, 2018, as follows:

Operating lease commitments as at December 31, 2018	\$ 81,377
Less:	
Commitments relating to short-term leases	(6,783)
Commitments relating to leases of low-value assets	(3,692)
Gross lease liabilities	70,902
Weighted average incremental borrowing rate as at January 1, 2019	10.0%
Discounted operating lease liabilities as at January 1, 2019	64,111
Add:	
Obligations relating to leases previously classified as finance leases	27,579
Total lease liabilities as at January 1, 2019	\$ 91,690

IFRS 16 Summary of Accounting Policies

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 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 its estimated useful life and the lease term. ROU assets are subject to impairment.

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 expense 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

Notes to the Interim Condensed Consolidated Financial Statements

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

is increased to reflect the accretion of interest and reduced 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.

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

In June 2017, the IASB issued IFRIC 23 to clarify accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning January 1, 2019, and the adoption of IFRIC 23 did not result in significant changes in the estimates and judgments applied with respect to uncertainty over income tax treatments, and no adjustments were recognized upon transition in the Interim Financial Statements.

IAS 28 Investments in Associates and Joint Ventures ("IAS 28") amendments

In October 2017, the IASB issued amendments to IAS 28 to clarify that a company applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. Adoption of the amendments on January 1, 2019 did not have an impact in the Interim Financial Statements.

c. Significant Accounting Judgments, Estimates and Assumptions

In preparing the Interim Financial Statements, the significant judgments, estimates and assumptions in applying the Company's accounting policies and the key sources of estimation uncertainty were consistent with those disclosed in the 2018 Annual Financial Statements, except as described below for the adoption of IFRS 16.

- *Lease vs. non-lease components:* determining whether a contract includes both a lease (ROU asset) or a service component can be complex, particularly when stand-alone prices are not readily available. Significant judgment was required in the assessment of the ROU asset and lease liability relating to storage facilities where the contract included an "all-in" tariff. The Company's determination included separating amounts for the use of the storage tanks, other facility equipment and infrastructure (which may not be for the exclusive use of the Company), and services.
- *Incremental borrowing rate:* the incremental borrowing rates are based on judgments including the Company's own credit risk, economic environment, term, currency and risks specific to the underlying assets. The carrying balance of the right-of-use assets, lease liabilities, and the resulting depletion, depreciation and amortization and finance expenses, may differ due to changes in the market conditions and lease term.

3. Acquisition of CGX Energy Inc.

On March 13, 2019, the Company acquired control of CGX Energy Inc. ("**CGX**") through its participation in an equity rights offering. The Company's equity interest in CGX prior to the acquisition was 48.2% and was accounted for as an associate using the equity method. On March 13, 2019, the Company acquired 101,316,916 common shares of CGX, for cash consideration of \$19.0 million, under the rights offering. As a result of the share purchase, the Company's equity interest increased to 67.8%. CGX is a company listed on the TSX Venture Exchange and is involved in the exploration and development of petroleum and natural gas in Guyana.

This transaction was accounted for as a business combination through a step acquisition in accordance with IFRS 3. As a result, the Company recognized a gain of \$10.9 million in Other Income (loss) relating to the remeasurement of its previously held 48.2% equity interest to fair value immediately prior to the acquisition. As a result of the acquisition, pre-existing relationships between the Company and CGX were effectively settled, which resulted in an adjustment to the purchase price for the fair value of loans and advances totaling \$19.6 million. The Company elected to measure the non-controlling interest in CGX at fair value.

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 CGX acquisition, the identification and measurement of the assets and liabilities acquired, including any potential deferred taxes, is preliminary and subject to adjustment as additional information is obtained. Differences between these preliminary amounts and the final accounting may occur.

Notes to the Interim Condensed Consolidated Financial Statements

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

	CGX
Purchase price	
Fair value of previously held equity interest before acquisition	\$ 10,939
Fair value of pre-existing balances effectively settled on the acquisition	19,588
Cash consideration	19,007
Total purchase price	\$ 49,534
Fair value of assets acquired and liabilities acquired	
Cash and cash equivalents	\$ 23,303
Accounts receivable	453
Accounts payable and accrued liabilities	(20,818)
Exploration and evaluation assets	54,040
Properties, plant and equipment	7,154
Net assets	64,132
Non-controlling interest (at fair value)	(14,598)
Purchase consideration	\$ 49,534
Cash paid	\$ (19,007)
Net cash acquired	23,303
Net consolidated cash inflow	\$ 4,296

These Interim Financial Statements include the results of CGX for the period following the acquisition date of March 13, 2019. Since the date of acquisition, CGX contributed revenues and a net loss of \$Nil and \$0.3 million, respectively, to the financial results of the Company. If the acquisition of CGX occurred on January 1, 2019, the Company's results for the first quarter of 2019 would have included revenues of \$Nil and a net loss of \$1.6 million, respectively.

4. Segmented Information

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

The following table provides the total balances as at March 31, 2019 and December 31, 2018:

	Colombia		Peru		Canada & Other ⁽¹⁾		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Non-current assets	\$ 1,514,308	\$ 1,448,530	\$ 19,970	\$ 19,668	\$ 64,286	\$ 2,114	\$ 1,598,564	\$ 1,470,312

⁽¹⁾ Included in Canada & Other, is \$62.0 million (2018: \$Nil) of non-current assets in Guyana related to acquisition of CGX (Note 3).

Notes to the Interim Condensed Consolidated Financial Statements

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

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

	Colombia		Peru		Canada & Other		Total	
For the Three Months Ended March 31	2019	2018	2019	2018	2019	2018	2019	2018
Oil and gas sales and other revenue	\$ 308,971	\$ 248,428	\$ 4,488	\$ 41,106	\$ —	\$ —	\$ 313,459	\$ 289,534
Sales of oil and gas for trading	73,444	2,327	—	—	—	—	73,444	2,327
Royalties	(9,156)	(7,943)	(220)	(251)	—	—	(9,376)	(8,194)
Revenue	373,259	242,812	4,268	40,855	—	—	377,527	283,667
Oil and gas operating costs	135,392	105,818	8,437	25,672	—	—	143,829	131,490
Costs of oil and gas for trading	70,758	1,743	—	—	—	—	70,758	1,743
Fees paid on suspended pipeline capacity	—	35,904	—	—	—	—	—	35,904
General and administrative	12,372	16,876	1,189	1,421	2,931	3,756	16,492	22,053
Share-based compensation	369	824	99	—	104	230	572	1,054
Depletion, depreciation and amortization	92,370	72,404	529	79	247	190	93,146	72,673
Impairment	—	20,341	—	—	—	—	—	20,341
Restructuring, severance and other costs	823	1,344	76	—	541	1,494	1,440	2,838
Income (loss) from operations	\$ 61,175	\$ (12,442)	\$ (6,062)	\$ 13,683	\$ (3,823)	\$ (5,670)	\$ 51,290	\$ (4,429)
Non-operating income items							19,969	24,833
Income tax expense							(21,686)	(10,746)
Net income for the period							\$ 49,573	\$ 9,658

5. Revenue from Contracts with Customers

The following table provides the disaggregation of the Company's revenue from contracts with customers, including reconciliation with the amounts disclosed in the segment information (Note 4):

	Three Months Ended March 31	
	2019	2018
Colombia		
Colombia crude oil sales	\$ 303,710	\$ 230,880
Gas sales	4,492	10,032
Colombia oil and gas sales	308,202	240,912
Power transmission and other revenues ⁽¹⁾	769	7,516
Colombia total	308,971	248,428
Peru total - Crude oil sales	4,488	41,106
Oil and gas sales and other revenue	\$ 313,459	\$ 289,534
Colombia - Sales of oil and gas for trading	\$ 73,444	\$ 2,327

⁽¹⁾ Power transmission revenue recognized until April 19, 2018, when the assets were sold.

6. Oil and Gas Operating Costs

	Three Months Ended March 31	
	2019	2018
Transportation costs	\$ 71,906	\$ 75,578
Production costs	69,758	73,879
Diluent costs	9,217	8,865
Overlift (settlement)	20	(17,019)
Inventory valuation	(7,072)	(9,813)
Total oil and gas operating costs	\$ 143,829	\$ 131,490

Notes to the Interim Condensed Consolidated Financial Statements

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

7. Income Taxes

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

	Three Months Ended March 31	
	2019	2018
Net income before income tax	\$ 71,259	\$ 20,404
Colombian statutory income tax rate	33%	37%
Income tax expense at statutory rate	23,515	7,549
Other non-taxable income	(185)	(3,230)
Share-based compensation	170	61
Differences in tax rates	(4,299)	(7,520)
Losses for which no tax benefit is recognized	(2,063)	(1,676)
Minimum income tax (presumptive income tax)	2,570	7,615
Changes in deferred income tax not recognized	1,978	7,947
Income tax expense	21,686	10,746
Current income tax expense	3,533	10,329
Deferred income tax expense		
Relating to origination and reversal of temporary differences	18,153	417
Income tax expense	\$ 21,686	\$ 10,746

The Colombian statutory income tax rate was 33.0% as at March 31, 2019 (2018: 37.0%). The Peruvian statutory income tax rate was 29.5% as at March 31, 2019 (2018: 29.5%). The Canadian statutory combined income tax rate was 26.5% as at March 31, 2019 (2018: 26.5%). The Peruvian income tax rate for Block Z-1 was 22.0% as at March 31, 2019 (2018: 22.0%).

Movement in Deferred Tax Balances	Amount
As at January 1, 2019	\$ 32,616
Recognized as deferred income tax expense	(18,153)
As at March 31, 2019	\$ 14,463

8. Earnings (Loss) per Share

	Three Months Ended March 31	
	2019	2018
Net income (loss) attributable to equity holders of the Company	\$ 46,187	\$ (3,121)
Basic weighted average number of shares outstanding	98,420,522	100,007,826
Effect of dilution from dilutive instruments	768,226	—
Diluted weighted average number of shares outstanding	99,188,748	100,007,826
Basic earning (loss) per share attributable to equity holders of the Company	\$ 0.47	\$ (0.03)
Diluted earning (loss) per share attributable to equity holders of the Company	\$ 0.47	\$ (0.03)

Notes to the Interim Condensed Consolidated Financial Statements

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

9. Properties, Plant and Equipment

Cost	Oil & Gas Properties	Plant & Equipment	Amount
As at December 31, 2018	\$ 7,580,183	\$ 251,597	\$ 7,831,780
Effect of IFRS 16 transition	44,759	19,352	64,111
As at January 1, 2019	\$ 7,624,942	\$ 270,949	\$ 7,895,891
Additions	57,759	2,309	60,068
Acquisitions of CGX (Note 3)	—	7,154	7,154
Change in asset retirement obligations	10,122	—	10,122
Disposals	(2,555)	(359)	(2,914)
Currency translation adjustment	2,162	9	2,171
As at March 31, 2019	\$ 7,692,430	\$ 280,062	\$ 7,972,492

Accumulated Depletion, Depreciation and Impairment	Oil & Gas Properties	Plant & Equipment	Amount
As at January 1, 2019	\$ 6,629,426	\$ 230,319	\$ 6,859,745
Charge for the period	91,393	1,743	93,136
Disposals	(2,363)	(359)	(2,722)
Currency translation adjustment	1,971	4	1,975
As at March 31, 2019	\$ 6,720,427	\$ 231,707	\$ 6,952,134

Net Book Value	Amount
As at December 31, 2018	\$ 950,757
As at March 31, 2019	\$ 972,003

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

	Oil & Gas Properties	Plant & Equipment	Amount
Properties, plant and equipment owned	\$ 913,270	\$ 28,484	\$ 941,754
ROU assets	58,733	19,871	78,604
As at March 31, 2019	\$ 972,003	\$ 48,355	\$ 1,020,358

Details of ROU assets are as follows:

	Storage Facility	Power Generation	Property	Vehicles and Others	Total
As at December 31, 2018	\$ —	\$ 16,851	\$ —	\$ —	\$ 16,851
Effect of IFRS 16 transition	41,147	3,057	19,352	555	64,111
As at January 1, 2019	41,147	19,908	19,352	555	80,962
Additions	—	1,685	—	1,665	3,350
Depreciation charge for the period	(3,429)	(1,041)	(1,087)	(151)	(5,708)
As at March 31, 2019	\$ 37,718	\$ 20,552	\$ 18,265	\$ 2,069	\$ 78,604

10. Exploration and Evaluation Assets

	Amount
As at January 1, 2019	\$ 15,100
Additions, net of income from long-term testing	11,824
Acquisition of CGX (Note 3)	54,040
Change in asset retirement obligations	1,457
As at March 31, 2019	\$ 82,421

Notes to the Interim Condensed Consolidated Financial Statements

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

11. Investments in Associates

	ODL	Bicentenario	IVI ⁽¹⁾	CGX	Total
As at January 1, 2019	\$ 117,368	\$ 73,743	\$ —	\$ —	\$ 191,111
Share of income from associates	13,585	9,913	—	—	23,498
Dividends	—	(17,468)	—	—	(17,468)
Gain of revaluation of investment in CGX	—	—	—	10,939	10,939
Acquisition of CGX (Note 3)	—	—	—	(10,939)	(10,939)
Currency translation adjustment	2,611	1,228	—	—	3,839
As at March 31, 2019	\$ 133,564	\$ 67,416	\$ —	\$ —	\$ 200,980
Company's interest as at March 31, 2019	35.00%	43.03%	39.22%	—%	

⁽¹⁾ Formerly Pacific Infrastructure Ventures Inc. "PIV".

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

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

During the three months ended March 31, 2019, the Company recognized gross dividends of \$Nil (2018: \$19.9 million) and received cash dividends of \$9.4 million from ODL.

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

During the three months ended March 31, 2019, the Company recognized gross dividends of \$17.5 million (2018: \$28.6 million) from Bicentenario. As at March 31, 2019, the Company had dividends receivable of \$30.6 million, after withholding tax, included in Other Assets.

The International Finance Corporation ("IFC") and Infrastructure Ventures Inc. ("IVI") Put Option

Pursuant to a put option agreement, the IFC have an option, exercisable at the discretion of the IFC, to require the Company to purchase their interest in IVI in the event that: (i) the Company violates certain representations and covenants (relating principally to criminal offenses, sanctionable practices, environmental compliance, insurance and the furnishing of information) under the transaction documents related to the IFC investment in IVI, or (ii) IVI has not conducted an initial public offering by December 1, 2019. If exercised as a result of (i) above, the put price is set at the amount that would give the IFC the greater of the market value of their shares or 15% annual return on their investment. If exercised as a result of (ii) above, the put price would be the current market price of IVI's common shares at the time of the exercise of the put option.

	ODL		Bicentenario	
As at March 31, 2019, and December 31, 2018	2019	2018	2019	2018
Assets	\$ 596,099	\$ 572,518	\$ 866,662	\$ 854,067
Liabilities	214,486	237,181	709,991	682,691
Equity	\$ 381,613	\$ 335,337	\$ 156,671	\$ 171,376
Company's interest in associate	35.00%	35.00%	43.03%	43.03%
Carrying amount of the investment	\$ 133,564	\$ 117,368	\$ 67,416	\$ 73,743
For the Three Months Ended March 31	2019	2018	2019	2018
Revenue	\$ 91,836	\$ 79,443	\$ 71,166	\$ 99,252
Expenses	(53,021)	(50,554)	(48,129)	(59,229)
Net income	\$ 38,815	\$ 28,889	\$ 23,037	\$ 40,023
Company's share of the income for the period	\$ 13,585	\$ 10,111	\$ 9,913	\$ 17,222

12. Leases

The Company leases various properties, power generation supply, port storage facilities, vehicles and other assets. These lease liabilities have an average discount rate of 10.36% (2018: 14.39%), and the maturity analysis (contractual undiscounted cash flows) is as follows:

Notes to the Interim Condensed Consolidated Financial Statements

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

As at	March 31, 2019	December 31, 2018
Within 1 year	\$ 33,952	\$ 10,100
Year 2	33,605	10,119
Year 3	24,686	7,836
Year 4	8,677	3,322
Year 5	5,693	2,485
Total undiscounted lease liabilities	\$ 106,613	\$ 33,862
Less amounts representing finance costs	(16,623)	(6,283)
Present value of lease liabilities	\$ 89,990	\$ 27,579
Current	\$ 25,893	\$ 7,151
Non-current	64,097	20,428
Total lease liabilities	\$ 89,990	\$ 27,579

Amounts recognized in the Interim Condensed Consolidated Statements of Income

For the Three Months Ended March 31	2019
Interest on lease liabilities	\$ (2,378)
Variable lease payments not included in the measurement of lease liabilities	(1,844)
Income from sub-leasing ROU assets	946
Expenses relating to short-term leases	(2,212)
Expenses relating to leases of low-value assets	\$ (122)

Amounts recognized in the Interim Condensed Consolidated Statements of Cash Flows

For the Three Months Ended March 31	2019
Total cash outflow for leases	\$ (12,471)

13. Non-Controlling Interest

Pacific Midstream Ltd. ("PML") Bicentenario Put Option

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

On September 11, 2018, the IFC, on behalf of PML, provided notice to the Company exercising the Bicentenario Put Option, as conditions triggering the put option were met. On March 22, 2019 PML's interest in Bicentenario was transferred to the Company for total consideration of \$84.8 million. The net cash cost of the acquisition was approximately \$34.0 million after the proceeds of the transaction were distributed by PML to its shareholders.

Dividends paid to non-controlling interest

During the three months ended March 31, 2019, PML paid dividends to shareholders with \$37.7 million distributed to the IFC (2018:\$Nil), including the proceeds from the Bicentenario Put Option.

Notes to the Interim Condensed Consolidated Financial Statements

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

14. Supplemental Disclosure on Cash Flows

Changes in non-cash working capital are as follows:

	Three Months Ended March 31	
	2019	2018
Increase in accounts receivable	\$ (49,090)	\$ (8,895)
(Increase) decrease in income taxes receivable	(8,696)	1,517
Decrease (increase) in prepaid expenses and deposits	1,329	(2,190)
Decrease (increase) in inventories	1,970	(6,842)
(Decrease) increase in accounts payable, accruals and other liabilities	(57,765)	14,259
(Decrease) increase in income taxes payable	(45)	1,044
Changes in non-cash working capital	\$ (112,297)	\$ (1,107)
Operating activities	\$ (67,565)	\$ (3,027)
Investing activities	(44,732)	1,920
Changes in non-cash working capital	\$ (112,297)	\$ (1,107)

15. Related-Party Transactions

The following tables provide the total balances outstanding (before impairments), commitments and transactional amounts with related parties as at March 31, 2019, and December 31, 2018, and for the three months ended March 31, 2019, and 2018:

As at March 31, 2019, and December 31, 2018	Accounts Receivable ⁽¹⁾	Accounts Payable	Commitments	Cash Advance ⁽¹⁾	Loans / Debentures Receivable ⁽¹⁾	Interest Receivable ⁽¹⁾
ODL	2019 \$ —	\$ 1,489	\$ 69,693	\$ —	\$ —	\$ —
	2018 9,116	1,481	82,073	—	—	—
Bicentenario	2019 35,971	—	43,678	87,278	—	—
	2018 20,177	—	43,200	87,278	—	—
IVI	2019 10,002	1,158	71,594	17,741	114,134	40,562
	2018 8,902	1,104	123,330	17,741	114,134	37,158
CGX ⁽²⁾	2018 \$ —	\$ —	\$ —	\$ —	\$ 25,945	\$ 2,186

Three Months Ended March 31	Sales	Purchases / Services	Interest Income ⁽¹⁾
ODL	2019 \$ —	\$ 12,682	\$ —
	2018 1,009	11,962	—
Bicentenario	2019 —	1,857	—
	2018 —	28,098	—
IVI	2019 —	9,380	3,403
	2018 —	6,333	2,053
CGX ⁽²⁾	2019 —	—	363
	2018 \$ 151	\$ —	332

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

⁽²⁾ Balances shown reflect transactions before the Company acquired control of CGX on March 13, 2019 (Note 3).

16. Financial Instruments

a. Risks Associated with Financial Assets and Liabilities

The Company explores, develops, and produces oil and gas and enters into contracts to sell its oil and gas production. The Company also enters into supply agreements and purchases goods and services denominated in non-functional currencies, such as Colombian pesos for its Colombian-based activities. These activities expose the Company to market risk from changes in commodity prices, foreign exchange rates, interest rates and credit and liquidity risks that affect the Company's net income (loss) and the value of financial instruments it holds.

Notes to the Interim Condensed Consolidated Financial Statements

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

i) Credit Risk

Credit risk arises from the potential that the Company may incur a loss if a counterparty to a non-derivative financial asset fails to meet its obligations. Credit risk arising on risk management assets is not significant given the counterparties are large financial institutions, with strong credit ratings.

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, to mitigate losses from non-collection of trade receivables.

The following table shows the maximum credit risk exposure of financial assets carried at amortized cost, presented at the gross carrying amounts, prior to expected credit loss ("ECL") allowances and other impairments:

As at	March 31, 2019	December 31, 2018
Trade receivables	\$ 95,653	\$ 64,364
Other receivables	58,920	66,540
Receivables from joint arrangements	52,842	58,733
Withholding tax and others	44,279	36,093
Short-term loan receivables ⁽¹⁾	—	24,994
Allowance for doubtful trade receivables	(15,676)	(15,676)
Allowance for short term loan receivables ⁽¹⁾	—	(12,685)
Allowance for receivables from joint arrangements	(7,707)	(7,613)
Allowance for short-term other receivables	(9,249)	(9,232)
Accounts receivable	\$ 219,062	\$ 205,518
Long-term receivables, before loss allowances	154,227	134,842
Allowance for long-term receivables	(35,302)	(35,302)
Long-term receivables ⁽²⁾	\$ 118,925	\$ 99,540
Withholding tax and others- not considered for credit risk	(44,279)	(36,093)
Total financial assets carried at amortized cost	\$ 293,708	\$ 268,965

⁽¹⁾ Corresponds to pre-existing loans and advances with CGX before its acquisition (Note 3).

⁽²⁾ Included as part of Other assets.

Reconciliation of ECL's allowance

The following table shows the continuity of ECL allowances:

Lifetime ECLs					
	Not Credit Impaired Stage 2	Receivables Credit Impaired Stage 3	Loan Assets Credit Impaired Stage 3 ⁽¹⁾	Receivables Simplified Approach	Total
As at January 1, 2019	\$ 12,657	\$ 4,188	\$ 47,987	\$ 15,676	\$ 80,508
Change in ECL allowance	17	94	(12,685)	—	(12,574)
As at March 31, 2019	\$ 12,674	\$ 4,282	\$ 35,302	\$ 15,676	\$ 67,934

⁽¹⁾ Corresponds to pre-existing loans and advances with CGX before its acquisition (Note 3).

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 following are the maturities of non-derivative financial liabilities (based on calendar year and undiscounted) as at March 31, 2019:

Financial liability due in	2019	2020	2021	2022	2023	Total
Accounts payable and accrued liabilities	\$ 524,044	\$ —	\$ —	\$ —	\$ —	\$ 524,044
Long-term debt	—	—	—	—	350,000	350,000
Interest payments	33,950	33,950	33,950	33,950	16,975	152,775
Lease liabilities	33,952	33,605	24,686	8,677	5,693	106,613
Total	\$ 591,946	\$ 67,555	\$ 58,636	\$ 42,627	\$ 372,668	\$ 1,133,432

The Company has various guarantees in place in the normal course of business, supported by issued letters of credit. As at March 31, 2019, the Company had issued letters of credit and guarantees for exploration and operational commitments for a total of \$35.5 million (December 31, 2018: \$33.5 million).

Notes to the Interim Condensed Consolidated Financial Statements

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

The Company is also in compliance with financial covenants under the Company's unsecured notes due 2023.

b. Risk Management Contracts

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

Risk Management Contracts - Crude Oil

Type of Instrument	Term	Benchmark	Notional Amount / Volume (bbl)	Strike Prices Put / Call; Call Spreads	Carrying Amount	
					Assets	Liabilities
Put options	April 2019 to September 2019	Brent	4,130,960	55.00	\$ 2,009	\$ —
Zero cost collars	October 2019 to December 2019	Brent	236,000	57.00-75.60	86	—
Total as at March 31, 2019					\$ 2,095	\$ —
Put options	January 2019 to September 2019	Brent	2,220,000	55.00	9,380	—
Total as at December 31, 2018					\$ 9,380	\$ —

Risk Management Contracts - Foreign Exchange

Type of Instrument	Term	Benchmark	Notional Amount / Volume (U.S.\$)	Put/ Call; Par forward (COP\$)	Carrying Amount	
					Assets	Liabilities
Zero cost collars	April 2019 to September 2019	COP\$ / U.S.\$	\$ 195,000	3,000 / 3,370	\$ —	\$ (483)
Total as at March 31, 2019					\$ —	\$ (483)
Zero cost collars	January 2019 to June 2019	COP\$ / U.S.\$	\$ 172,500	3,000 / 3,440	—	(3,299)
Forward	January 2019 to March 2019	COP\$ / U.S.\$	\$ 22,500	3,109	—	(1,019)
Total as at December 31, 2018					\$ —	\$ (4,318)
					Assets	Liabilities
Total risk management contracts as at March 31, 2019					\$ 2,095	\$ (483)
Total risk management contracts as at December 31, 2018					\$ 9,380	\$ (4,318)

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

	Three Months Ended March 31	
	2019	2018
Realized loss on risk management contracts	\$ (1,593)	\$ (42,393)
Unrealized (loss) gain on risk management contracts	(6,187)	17,313
Total loss on risk management contracts	\$ (7,780)	\$ (25,080)

c. Fair Value of Financial Instruments

A detailed description of the Company's financial assets and financial liabilities and its associated risk management in respect thereof is provided in "Note 25 - Financial Instruments" of the 2018 Annual Financial Statements. There have been no significant changes in the business and economic circumstances and the related financial risks that affect the Company's valuation of financial assets and financial liabilities since December 31, 2018.

The fair value of the Company's cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities are approximated by the carrying value.

Notes to the Interim Condensed Consolidated Financial Statements

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

The following table summarizes the Company's remaining financial instruments that are carried or disclosed at fair value in accordance with the classification under the fair value hierarchy as at March 31, 2019 and December 31, 2018:

			Fair Value				
	Period	Carrying Value	Level 1	Level 2	Level 3	Total	
Financial Assets Measured at Fair Value through Profit & Loss							
Risk management assets	2019	\$ 2,095	\$ —	\$ 2,095	\$ —	2,095	
	2018	9,380	—	9,380	—	9,380	
Financial Assets Measured at Fair Value through Other Comprehensive Income							
Investments in equity instruments	2019	\$ 1,017	\$ —	\$ —	1,017	1,017	
	2018	1,130	—	—	1,130	1,130	
Financial Assets Measured at Amortized Cost							
Long-term receivables	2019	\$ 118,925	\$ —	\$ —	118,925	118,925	
	2018	99,540	—	—	99,540	99,540	
Financial Liabilities Measured at Fair Value through Profit & Loss							
Risk management liabilities	2019	\$ (483)	\$ —	\$ (483)	\$ —	(483)	
	2018	(4,318)	—	(4,318)	—	(4,318)	
Financial Liabilities Measured at Amortized Cost							
Long-term debt	2019	\$ (327,761)	\$ —	\$ (368,732)	\$ —	(368,732)	
	2018	(326,784)	—	(280,803)	—	(280,803)	

Level 3 financial assets measured at amortized cost

The Company uses level 3 inputs to measure the long-term loan receivable balances recognized, under Other Assets, with IVI and Puerto Bahia. The fair value of these balances, which approximates the carrying value, was measured using a discounted cash flow methodology based on a projection of the future cash flows expected to be realized from the loan discounted at the contractual interest rates included in the loans. The significant unobservable inputs relate to the expected timing of repayment of principal and the expected interest cash flows under the loans.

17. Commitments and Contingencies

Commitments

The Company's commitments as at March 31, 2019, undiscounted and by calendar year, are presented below:

As at March 31, 2019	2019	2020	2021	2022	2023	2024 and beyond	Total
Transportation and Storage Commitments							
Ocensa P-135 ship-or-pay agreement	\$ 47,363	\$ 64,481	\$ 66,141	\$ 67,842	\$ 69,588	\$ 107,001	\$ 422,416
Puerto Bahia take-or-pay agreement ⁽¹⁾	18,758	26,365	26,471	—	—	—	71,594
ODL ship-or-pay agreement	37,648	30,890	1,155	—	—	—	69,693
Bicentenario take-or-pay storage agreements	5,933	7,910	7,910	7,910	7,910	6,105	43,678
Other transportation agreements	77,439	31,696	31,146	31,074	30,232	134,526	336,113
Exploration Commitments							
Minimum work commitments	65,569	119,253	26,886	—	—	—	211,708
Other Commitments							
Operating purchases and leases ⁽²⁾	24,891	8,266	8,033	7,639	7,235	12,021	68,085
Community obligations	7,708	310	—	—	—	—	8,018
Total	\$ 285,309	\$ 289,171	\$ 167,742	\$ 114,465	\$ 114,965	\$ 259,653	\$ 1,231,305

(1) Excludes the lease component for ROU assets which were recognized as lease liabilities upon the adoption of IFRS 16 (Note 2).

(2) Excludes lease liabilities recognized on the Statement of Financial Position upon the adoption of IFRS 16 (Note 2). Operating purchases and leases represent contractual commitment for service contracts and other short-term and low-value leases.

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

Notes to the Interim Condensed Consolidated Financial Statements

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the Company's financial position, results of operations or cash flows. No material changes have occurred with respect to the matters disclosed in "Note 26 - Commitments and Contingencies" of the 2018 Annual Financial Statements.

18. Subsequent Events

Transporte Incorporado S.A.S. - Assignment Agreement

On November 28, 2018, Transporte Incorporado S.A.S ("Transporte Incorporado") informed the Company of its intention to exercise the unilateral right to terminate the assignment agreement with the Company. Effective April 1, 2019, as a result of the exercise, Transporte Incorporado's transportation capacity rights related to the Oleoducto Central S.A. pipeline was transferred back to the Company. The Company paid Transporte Incorporado \$48.5 million (included in other transportation commitments), after netting receivables owing of \$20.1 million.

With the termination of the assignment agreement, the Company is no longer required to pay the set monthly premium from April 1, 2019 through March 31, 2024, to Transporte Incorporado. The effect of this termination has reduced other transportation commitments made by the Company in the aggregate amount of \$90.0 million. The Company will record an intangible asset of \$68.6 million for the transportation rights at the effective date.