

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

*For the three and six months ended
June 30, 2019 and 2018*



Interim Condensed Consolidated Statements of Income (Loss)

(Unaudited; in thousands of U.S.\$, except per share information)	Notes	Three Months Ended June 30		Six Months Ended June 30	
		2019	2018	2019	2018
Oil and gas sales and other revenue	5	\$ 391,049	\$ 418,560	\$ 704,508	\$ 708,094
Sales of oil and gas for trading	5	737	166	74,181	2,493
Royalties		(14,439)	(13,528)	(23,815)	(21,722)
Revenue		377,347	405,198	754,874	688,865
Oil and gas operating costs	6	175,513	185,587	319,342	317,077
Costs of oil and gas for trading		482	163	71,240	1,906
Fees paid on suspended pipeline capacity		—	40,835	—	76,739
General and administrative		18,207	26,168	34,699	48,221
Share-based compensation		1,145	1,780	1,717	2,834
Depletion, depreciation and amortization		99,092	85,576	192,238	158,249
Impairment, exploration expenses and other	7	16,863	109,936	16,863	130,277
Restructuring, severance and other costs		2,048	1,554	3,488	4,392
Income (loss) from operations		63,997	(46,401)	115,287	(50,830)
Share of income from associates	13	19,753	19,651	43,251	55,410
Foreign exchange gain (loss)		1,681	(8,199)	2,283	10,806
Finance income		5,469	5,120	11,502	10,684
Finance expense		(14,644)	(14,619)	(28,322)	(24,430)
Gain (loss) on risk management contracts	19	4,474	(71,811)	(3,306)	(96,891)
Other (loss) income, net		(497)	(699)	10,797	(1,303)
Reclassification of currency translation adjustments		—	(50,847)	—	(50,847)
Loss on extinguishment of debt		—	(25,628)	—	(25,628)
Net income (loss) before income tax		80,233	(193,433)	151,492	(173,029)
Current income tax expense		(5,394)	(5,454)	(8,927)	(15,783)
Deferred income tax recovery (expense)		162,166	(6,271)	144,013	(6,688)
Income tax recovery (expense)	8	156,772	(11,725)	135,086	(22,471)
Net income (loss) for the period		\$ 237,005	\$ (205,158)	\$ 286,578	\$ (195,500)
Attributable to:					
Equity holders of the Company		227,809	(184,436)	273,996	(187,557)
Non-controlling interests		9,196	(20,722)	12,582	(7,943)
		\$ 237,005	\$ (205,158)	\$ 286,578	\$ (195,500)
Earnings (loss) per share attributable to equity holders of the Company					
Basic	9	\$ 2.32	\$ (1.84)	\$ 2.79	\$ (1.88)
Diluted	9	\$ 2.29	\$ (1.84)	\$ 2.75	\$ (1.88)

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

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

<i>(Unaudited; in thousands of U.S.\$)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2019	2018	2019	2018
Net income (loss) for the period	\$ 237,005	\$ (205,158)	\$ 286,578	\$ (195,500)
Other comprehensive income (loss) to be reclassified to net income (loss) in subsequent periods (nil tax effect)				
Foreign currency translation	(2,909)	(18,205)	794	13,193
Reclassification of currency translation adjustments	—	50,847	—	50,847
	(2,909)	32,642	794	64,040
Total comprehensive income (loss) for the period	\$ 234,096	\$ (172,516)	\$ 287,372	\$ (131,460)
Attributable to:				
Equity holders of the Company	225,549	(145,093)	273,883	(124,997)
Non-controlling interests	8,547	(27,423)	13,489	(6,463)
	\$ 234,096	\$ (172,516)	\$ 287,372	\$ (131,460)

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

Interim Condensed Consolidated Statements of Financial Position

As at (Unaudited; in thousands of U.S.\$)	Notes	June 30 2019	December 31 2018
ASSETS			
Current			
Cash and cash equivalents		\$ 353,911	\$ 446,132
Restricted cash		38,395	39,541
Accounts receivable	19	187,041	205,518
Inventories		84,460	108,015
Income taxes receivable		22,478	7,071
Prepaid expenses and deposits		4,561	5,309
Risk management assets	19	10,914	9,380
Total current assets		701,760	820,966
Non-current			
Properties, plant and equipment	10	1,008,129	972,035
Exploration and evaluation assets	11	82,621	15,100
Intangible assets	12	64,931	—
Investments in associates	13	196,612	191,111
Deferred tax asset	8	176,629	32,616
Restricted cash		93,328	102,764
Other assets		185,896	156,686
Total assets		\$ 2,509,906	\$ 2,291,278
LIABILITIES			
Current			
Accounts payable and accrued liabilities		\$ 479,580	\$ 575,166
Risk management liabilities	19	9	4,318
Income taxes payable		2,739	3,124
Lease liabilities	14	26,251	7,151
Asset retirement obligations		17,149	15,509
Total current liabilities		525,728	605,268
Non-current			
Long-term debt		328,906	326,784
Lease liabilities	14	57,001	20,428
Asset retirement obligations		265,469	231,610
Total liabilities		\$ 1,177,104	\$ 1,184,090
Commitments and contingencies	20		
EQUITY			
Share capital		\$ 4,723,544	\$ 4,727,598
Contributed surplus		118,828	116,725
Other reserves		(184,343)	(184,230)
Retained deficit		(3,391,683)	(3,637,766)
Equity attributable to equity holders of the Company		\$ 1,266,346	\$ 1,022,327
Non-controlling interests		66,456	84,861
Total equity		\$ 1,332,802	\$ 1,107,188
Total liabilities and equity		\$ 2,509,906	\$ 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

Attributable to Equity Holders of the Company									
(Unaudited; in thousands of U.S.\$)	Number of Common Shares	Share Capital	Contributed Surplus	Cumulative Translation Adjustment	Fair Value Investment	Retained Deficit	Total	Non-Controlling Interests	Total Equity
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	—	—	—	—	—	273,996	273,996	12,582	286,578
Other comprehensive (loss) income	—	—	—	(113)	—	—	(113)	907	794
Total comprehensive (loss) income	—	—	—	(113)	—	273,996	273,883	13,489	287,372
Acquisition of CGX Energy Inc. (Note 3)	—	—	—	—	—	—	—	14,598	14,598
Dividends declared to equity holders of the Company (Note 16)	628,315	5,845	—	—	—	(27,913)	(22,068)	—	(22,068)
Repurchase of common shares ⁽¹⁾	(1,094,020)	(9,899)	—	—	—	—	(9,899)	—	(9,899)
Share-based compensation	—	—	2,103	—	—	—	2,103	—	2,103
Dividends paid to non-controlling interests (Note 15)	—	—	—	—	—	—	—	(46,492)	(46,492)
As at June 30, 2019	97,955,374	\$ 4,723,544	\$ 118,828	\$ (179,141)	\$ (5,202)	\$ (3,391,683)	\$ 1,266,346	\$ 66,456	\$ 1,332,802

Attributable to Equity Holders of the Company									
(Unaudited; in thousands of U.S.\$)	Number of Common Shares	Share Capital	Contributed Surplus	Cumulative Translation Adjustment	Fair Value Investment	Retained Deficit	Total	Non-Controlling Interests	Total Equity
As at January 1, 2018	100,011,664	\$ 4,745,440	\$ 127,351	\$ (226,906)	\$ (5,202)	\$ (3,354,933)	\$ 1,285,750	\$ 110,631	\$ 1,396,381
Net loss for the period	—	—	—	—	—	(187,557)	(187,557)	(7,943)	(195,500)
Other comprehensive income	—	—	—	62,560	—	—	62,560	1,480	64,040
Total comprehensive income (loss)	—	—	—	62,560	—	(187,557)	(124,997)	(6,463)	(131,460)
Share-based compensation	—	—	1,838	—	—	—	1,838	—	1,838
Dividends paid to non-controlling interests (Note 15)	—	—	—	—	—	—	—	(17,818)	(17,818)
As at June 30, 2018	100,011,664	\$ 4,745,440	\$ 129,189	\$ (164,346)	\$ (5,202)	\$ (3,542,490)	\$ 1,162,591	\$ 86,350	\$ 1,248,941

⁽¹⁾ The Company repurchased \$9.9 million of common shares during the six months ended June 30, 2019 (2018: \$Nil), for an average repurchase cost per common share, excluding transaction costs, of \$9.05

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

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited; in thousands of U.S.\$)	Notes	Three Months Ended June 30		Six Months Ended June 30	
		2019	2018	2019	2018
OPERATING ACTIVITIES					
Net income (loss) for the period		\$ 237,005	\$ (205,158)	\$ 286,578	\$ (195,500)
Items not affecting cash:					
Depletion, depreciation and amortization		99,092	85,576	192,238	158,249
Impairment	7	13,822	109,936	13,822	130,277
Change in asset retirement obligations	7	1,547	—	1,547	—
Accretion expense		2,293	5,696	4,305	7,667
Unrealized (gain) loss gain on risk management contracts	19	(6,460)	3,198	(273)	(14,115)
Share-based compensation		1,021	655	1,979	1,709
Deferred income tax (recovery) expense	8	(162,166)	6,271	(144,013)	6,688
Unrealized foreign exchange (gain) loss		(2,433)	11,351	(7,421)	(10,323)
Share of income from associates	13	(19,753)	(19,651)	(43,251)	(55,410)
Reclassification of currency translation adjustments		—	50,847	—	50,847
Loss on extinguishment of debt		—	25,628	—	25,628
Other		197	(3,490)	(10,798)	(3,436)
Dividends from associates	13	23,296	48,449	32,704	48,449
Settlement of asset retirement obligations		(1,572)	—	(3,481)	(50)
Changes in non-cash working capital	17	(9,771)	(9,783)	(75,743)	(12,810)
Cash provided by operating activities		\$ 176,118	\$ 109,525	\$ 248,193	\$ 137,870
INVESTING ACTIVITIES					
Additions to properties, plant and equipment		\$ (60,062)	\$ (61,778)	\$ (116,670)	\$ (126,333)
Additions to intangible assets	12	(48,487)	—	(48,487)	—
Additions to other assets, net		(10,900)	(30,017)	(9,563)	(30,017)
Additions to exploration and evaluation assets, net		(8,327)	(26,149)	(20,151)	(39,641)
Decrease (increase) in restricted cash		14,616	(30,108)	13,592	(74,635)
Acquisition of CGX Energy Inc.	3	—	—	4,296	—
Proceeds from the sale of non-current assets		—	35,649	—	119,083
Changes in non-cash working capital	17	(19,683)	(1,588)	(64,415)	332
Cash used in investing activities		\$ (132,843)	\$ (113,991)	\$ (241,398)	\$ (151,211)
FINANCING ACTIVITIES					
Principal payments of lease liabilities		\$ (6,112)	\$ (1,689)	\$ (12,027)	\$ (3,361)
Dividends paid to equity holders of the Company		(12,124)	—	(30,830)	—
Dividends paid to non-controlling interests	15	(8,746)	(17,818)	(46,492)	(17,818)
Repurchase of common shares		(1,329)	—	(9,899)	—
Long-term debt - repayment at a premium		—	(275,628)	—	(275,628)
Long-term debt - net proceeds from issuance		—	335,614	—	335,614
Changes in non-cash working capital		—	1,178	—	1,178
Cash (used) provided in financing activities		\$ (28,311)	\$ 41,657	\$ (99,248)	\$ 39,985
Effect of exchange rate changes on cash and cash equivalents		(1,724)	(2,162)	232	12,511
Increase (decrease) in cash and cash equivalents during the period		13,240	35,029	(92,221)	39,155
Cash and cash equivalents, beginning of the period		340,671	515,811	446,132	511,685
Cash and cash equivalents, end of the period		\$ 353,911	\$ 550,840	\$ 353,911	\$ 550,840
Cash		279,982	237,139	279,982	237,139
Cash equivalents		73,929	313,701	73,929	313,701
Total cash and cash equivalents		\$ 353,911	\$ 550,840	\$ 353,911	\$ 550,840
Supplementary cash flow information					
Cash income tax paid		1,598	4,687	2,752	9,249
Cash interest paid		17,352	5,902	17,505	12,152
Cash interest received		\$ 2,444	\$ 2,598	\$ 5,147	\$ 6,266

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, comprising those of the Company and its subsidiaries, were approved and authorized for issuance by the Audit Committee of the Board of Directors on July 31, 2019.

2. Basis of Preparation and Significant Accounting Policies

a. Statement of Compliance

These interim condensed consolidated financial statements for the three and six months ended June 30, 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 Interim 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 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 the following new standards, amendments and interpretations effective from January 1, 2019.

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. The present value of finance leases was 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 (loss) in the Consolidated Statements Income (Loss) for the three and six months ended June 30, 2019, were \$0.3 million gain and \$0.4 million expense, respectively, 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.

Notes to the Interim Condensed Consolidated Financial Statements

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

- 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.
- 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 of %10.0 at January 1, 2019. 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.

Notes to the Interim Condensed Consolidated Financial Statements

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

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 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 regarding 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 \$1.2 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 half of 2019 would have included revenues and a net loss of \$Nil and \$2.5 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 June 30, 2019 and December 31, 2018:

	Colombia		Peru		Canada & Other ⁽¹⁾		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Non-current assets	\$ 1,733,544	\$ 1,448,530	\$ 7,510	\$ 19,668	\$ 67,092	\$ 2,114	\$ 1,808,146	\$ 1,470,312

⁽¹⁾ Included in Canada & Other, is \$64.4 million (2018: \$Nil) of non-current assets in Guyana related to the 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 (Loss) is as follows:

For the Three Months Ended June 30	Colombia		Peru		Canada & Other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Oil and gas sales and other revenue	\$ 338,645	\$ 401,766	\$ 52,404	\$ 16,794	\$ —	\$ —	\$ 391,049	\$ 418,560
Sales of oil and gas for trading	737	166	—	—	—	—	737	166
Royalties	(14,257)	(13,370)	(182)	(158)	—	—	(14,439)	(13,528)
Revenue	325,125	388,562	52,222	16,636	—	—	377,347	405,198
Oil and gas operating costs	133,248	172,766	42,265	12,821	—	—	175,513	185,587
Costs of oil and gas for trading	482	163	—	—	—	—	482	163
Fees paid on suspended pipeline capacity	—	40,835	—	—	—	—	—	40,835
General and administrative	12,747	19,904	1,368	1,785	4,092	4,479	18,207	26,168
Share-based compensation	942	385	99	178	104	1,217	1,145	1,780
Depletion, depreciation and amortization	98,629	85,287	198	183	265	106	99,092	85,576
Impairment, exploration expenses and other	14,527	109,936	1,543	—	793	—	16,863	109,936
Restructuring, severance and other costs	1,739	1,035	34	—	275	519	2,048	1,554
Income (loss) from operations	\$ 62,811	\$ (41,749)	\$ 6,715	\$ 1,669	\$ (5,529)	\$ (6,321)	\$ 63,997	\$ (46,401)
Non-operating income (loss) items							16,236	(147,032)
Income tax recovery (expense)							156,772	(11,725)
Net income (loss) for the period							\$ 237,005	\$ (205,158)

For the Six Months Ended June 30	Colombia		Peru		Canada & Other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Oil and gas sales and other revenue	\$ 647,616	\$ 650,194	\$ 56,892	\$ 57,900	\$ —	\$ —	\$ 704,508	\$ 708,094
Sales of oil and gas for trading	74,181	2,493	—	—	—	—	74,181	2,493
Royalties	(23,413)	(21,313)	(402)	(409)	—	—	(23,815)	(21,722)
Revenue	698,384	631,374	56,490	57,491	—	—	754,874	688,865
Oil and gas operating costs	268,640	278,584	50,702	38,493	—	—	319,342	317,077
Costs of oil and gas for trading	71,240	1,906	—	—	—	—	71,240	1,906
Fees paid on suspended pipeline capacity	—	76,739	—	—	—	—	—	76,739
General and administrative	25,124	36,780	2,554	3,206	7,021	8,235	34,699	48,221
Share-based compensation	1,311	1,209	198	178	208	1,447	1,717	2,834
Depletion, depreciation and amortization	190,999	157,691	727	262	512	296	192,238	158,249
Impairment, exploration expenses and other	14,527	119,061	1,543	—	793	11,216	16,863	130,277
Restructuring, severance and other costs	2,562	2,379	110	—	816	2,013	3,488	4,392
Income (loss) from operations	\$ 123,981	\$ (42,975)	\$ 656	\$ 15,352	\$ (9,350)	\$ (23,207)	\$ 115,287	\$ (50,830)
Non-operating income (loss) items							36,205	(122,199)
Income tax recovery (expense)							135,086	(22,471)
Net income (loss) for the period							\$ 286,578	\$ (195,500)

Notes to the Interim Condensed Consolidated Financial Statements

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

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 segmented information (Note 4):

	Three Months Ended June 30		Six Months Ended June 30	
	2019	2018	2019	2018
Colombia				
Colombia crude oil sales	\$ 333,352	\$ 388,857	\$ 637,062	\$ 619,737
Gas sales	4,024	9,542	8,516	19,574
Colombia oil and gas sales	337,376	398,399	645,578	639,311
Power transmission and other revenues ⁽¹⁾	1,269	3,367	2,038	10,883
Colombia total	338,645	401,766	647,616	650,194
Peru total - Crude oil sales	52,404	16,794	56,892	57,900
Oil and gas sales and other revenue	\$ 391,049	\$ 418,560	\$ 704,508	\$ 708,094
Colombia - Sales of oil and gas for trading	\$ 737	\$ 166	\$ 74,181	\$ 2,493

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

6. Oil and Gas Operating Costs

	Three Months Ended June 30		Six Months Ended June 30	
	2019	2018	2019	2018
Transportation costs	\$ 76,260	\$ 68,935	\$ 148,166	\$ 144,513
Production costs	75,598	81,520	145,356	155,399
Diluent costs	13,028	10,741	22,245	19,606
Inventory valuation	10,652	1,852	3,580	(7,961)
(Settlement) overlift	(25)	22,539	(5)	5,520
Total oil and gas operating costs	\$ 175,513	\$ 185,587	\$ 319,342	\$ 317,077

7. Impairment, Exploration Expenses and Other

	Three Months Ended June 30		Six Months Ended June 30	
	2019	2018	2019	2018
Impairment of exploration and evaluation assets (Note 11)	\$ 9,664	\$ 2,007	\$ 9,664	\$ 2,007
Other impairment	4,158	269	4,158	269
Impairment of investment in associates	—	107,660	—	118,876
Impairment of assets held for sale - Transmission line assets	—	—	—	9,125
Total impairment	\$ 13,822	\$ 109,936	\$ 13,822	\$ 130,277
Exploration - Pre-license costs	1,494	—	1,494	—
Change in asset retirement obligations	1,547	—	1,547	—
Impairment, exploration expenses and other	\$ 16,863	\$ 109,936	\$ 16,863	\$ 130,277

Impairment of E&E Assets

During the second quarter of 2019, the Company concluded that impairment indicators existed on certain exploration and evaluation assets in Colombia. As a result of negative exploratory test results, the Company decided to abandon further work on these assets and recorded an impairment charge of \$9.7 million (2018: \$2.0 million).

Other Impairment

During the second quarter of 2019, the Company recognized an impairment charge of \$4.2 million (2018: \$0.3 million) mainly related to low rotation or obsolete inventories.

Impairment of Investments in Associates

Bicentenario

During the second quarter of 2018, the Company recognized an impairment charge of \$107.7 million against its investment in Bicentenario. The charge was supported by an impairment test as at June 30, 2018, where the recoverable amount of the investment was calculated based on its value-in-use ("VIU") using a discounted dividends cash flow model.

Notes to the Interim Condensed Consolidated Financial Statements

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

Interamerican Energy Corp. ("Interamerican")

During the first quarter of 2018, the Company recognized an impairment charge of \$11.2 million, when it determined the carrying value of its investment in Interamerican was in excess of the fair value less costs to sell calculated with reference to a bid offer.

8. Income Taxes

Reconciliation between income tax (recovery) expense and the product of accounting profit multiplied by the Colombian statutory corporate income tax rate is provided below.

	Three Months Ended June 30		Six Months Ended June 30	
	2019	2018	2019	2018
Net income (loss) before income tax	\$ 80,233	(193,433)	\$ 151,492	\$ (173,029)
Colombian statutory income tax rate	33%	37 %	33%	37%
Income tax expense (recovery) at statutory rate	26,477	(71,570)	49,992	(64,021)
Other non-taxable income	(2,512)	201	(2,697)	(3,029)
Share-based compensation	314	(61)	484	—
Differences in tax rates	—	185	(4,299)	(7,335)
Losses for which no tax benefit is recognized	6,428	40,407	4,365	38,731
Minimum income tax (presumptive income tax)	2,859	7,558	5,429	15,173
Changes in deferred income tax	(190,338)	35,005	(188,360)	42,952
Income tax (recovery) expense	(156,772)	11,725	(135,086)	22,471
Current income tax expense	5,394	5,454	8,927	15,783
Deferred income tax (recovery) expense				
Relating to origination and reversal of temporary differences	(162,166)	6,271	(144,013)	6,688
Income tax (recovery) expense	\$ (156,772)	11,725	\$ (135,086)	\$ 22,471

The Colombian statutory income tax rate was 33.0% as at June 30, 2019 (2018: 37.0%) and the presumptive income tax base is 1.5% in 2019 (2018: 3.5%). The Peruvian statutory income tax rate was 29.5% as at June 30, 2019 (2018: 29.5%). The Canadian statutory combined income tax rate was 26.5% as at June 30, 2019 (2018: 26.5%). The Peruvian income tax rate for Block Z-1 was 22.0% as at June 30, 2019 (2018: 22.0%).

Movement in Deferred Tax Balances	Amount
As at January 1, 2019	32,616
Recognized as deferred income tax expense	(32,616)
Recognized as deferred income tax recovery	176,629
As at June 30, 2019	176,629

The deferred tax asset booked at December 2018 was fully utilized by June 2019; therefore the Company reassessed its unrecognized deferred tax assets, as it has become probable that future profits will be available to recover the deductible temporary differences. As a result, a deferred income tax asset in the amount of \$176.6 million has been recorded in Colombia, offset by an income tax expense of \$32.6 million related to the utilization of the deferred tax asset.

The deferred income tax asset consists of deductible temporary differences, which arose primarily from undepreciated capital expenses related to oil and gas properties and operating losses. Projections of taxable profits were used to support the deferred tax recognition. 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.

Notes to the Interim Condensed Consolidated Financial Statements

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

9. Earnings (Loss) per Share

	Three Months Ended June 30		Six Months Ended June 30	
	2019	2018	2019	2018
Net income (loss) attributable to equity holders of the Company	\$ 227,809	\$ (184,436)	\$ 273,996	\$ (187,557)
Basic weighted average number of shares outstanding	98,003,260	100,011,664	98,210,739	100,011,664
Effect of dilution from dilutive instruments	1,285,864	—	1,298,018	—
Diluted weighted average number of shares outstanding	99,289,124	100,011,664	99,508,757	100,011,664
Earnings (loss) per share attributable to equity holders of the Company				
Basic	\$ 2.32	\$ (1.84)	\$ 2.79	\$ (1.88)
Diluted	\$ 2.29	\$ (1.84)	\$ 2.75	\$ (1.88)

10. 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	116,355	3,505	119,860
Acquisition of CGX (Note 3)	—	7,154	7,154
Change in asset retirement obligations ⁽¹⁾	34,052	—	34,052
Disposals	(7,070)	(1,078)	(8,148)
Currency translation adjustment	1,329	5	1,334
As at June 30, 2019	\$ 7,769,608	\$ 280,535	\$ 8,050,143
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	184,411	3,913	188,324
Disposals	(6,129)	(1,078)	(7,207)
Currency translation adjustment	1,150	2	1,152
As at June 30, 2019	\$ 6,808,858	\$ 233,156	\$ 7,042,014
Net Book Value	Oil & Gas Properties	Plant & Equipment	Amount
As at December 31, 2018	\$ 950,757	\$ 21,278	\$ 972,035
As at June 30, 2019	\$ 960,750	\$ 47,379	\$ 1,008,129

⁽¹⁾ Asset retirement obligations increased during the second quarter of 2019 due to announced regulations that will be applied in future abandonments.

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

	Oil & Gas Properties	Plant & Equipment	Amount
Properties, plant and equipment owned	\$ 907,483	\$ 28,665	\$ 936,148
ROU assets	53,267	18,714	71,981
As at June 30, 2019	\$ 960,750	\$ 47,379	\$ 1,008,129

Notes to the Interim Condensed Consolidated Financial Statements

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

Details of ROU assets are as follows:

	Storage Facility	Power Generation	Property	Vehicles and Others	Total
As at December, 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	—	1,382	3,067
Depreciation charge for the period	(6,858)	(2,796)	(2,065)	(329)	(12,048)
As at June 30, 2019	\$ 34,289	\$ 18,797	\$ 17,287	\$ 1,608	\$ 71,981

11. Exploration and Evaluation Assets

	Amount
As at January 1, 2019	\$ 15,100
Additions, net of income from long-term testing	20,151
Acquisition of CGX (Note 3)	54,040
Impairment of exploration and evaluation assets (Note 7)	(9,664)
Change in asset retirement obligations	3,451
Disposals	(457)
As at June 30, 2019	\$ 82,621

12. Intangible Assets

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 were transferred back to the Company. The Company paid \$48.5 million and settled receivables with Transporte Incorporado of \$20.1 million in exchange for the capacity rights, with a value of \$68.6 million. The transportation rights are being amortized as of April 1, 2019, based on the straight-line method over five years.

With the termination of the assignment agreement, the Company is no longer required to pay the monthly premium of \$1.5 million from April 1, 2019, through March 31, 2024, to Transporte Incorporado. The effect of this transaction has reduced other transportation commitments of the Company in the aggregate amount of \$90.0 million.

	Cost	Accumulated Amortization	Net Book Value
As at January 1, 2019	\$ —	\$ —	\$ —
Additions	68,601	—	68,601
Charge for the period	—	(3,670)	(3,670)
As at June 30, 2019	\$ 68,601	\$ (3,670)	\$ 64,931

13. Investments in Associates

	ODL	Bicentenario	IVI ⁽¹⁾	CGX	Total
As at January 1, 2019	\$ 117,368	\$ 73,743	\$ —	\$ —	\$ 191,111
Share of income (loss) from associates	28,480	18,705	(3,934)	—	43,251
Dividends	(26,922)	(17,468)	—	—	(44,390)
Gain on revaluation of investment in CGX	—	—	—	10,939	10,939
Acquisition of CGX (Note 3)	—	—	—	(10,939)	(10,939)
Allocated against IVI long-term receivable	—	—	3,934	—	3,934
Currency translation adjustment	2,585	121	—	—	2,706
As at June 30, 2019	\$ 121,511	\$ 75,101	\$ —	\$ —	\$ 196,612
Company's interest as at June 30, 2019	35.00%	43.03%	39.22%	—%	

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

Notes to the Interim Condensed Consolidated Financial Statements

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

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 and six months ended June 30, 2019, the Company recognized gross dividends of \$Nil and \$26.9 million, respectively (2018: \$Nil and \$19.9 million, respectively), and received cash dividends of \$23.3 million and \$32.7 million respectively from ODL (2018: \$20.9 million and \$20.9 million, respectively). As at June 30, 2019, the company had dividends receivable of \$Nil.

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

During the three and six months ended June 30, 2019, the Company recognized gross dividends of \$Nil and \$17.5 million, respectively (2018: \$Nil and \$28.6 million, respectively) from Bicentenario. As at June 30, 2019, the Company had dividends receivable of \$30.5 million, after withholding tax, included in Other Assets.

Infrastructure Ventures Inc. ("IVI")

During the three and six months ended June 30, 2019, the share of losses from IVI was \$3.9 million and \$3.9 million, respectively (2018: \$Nil and \$Nil, respectively). As the carrying amount of the equity investment in IVI was reduced to \$Nil at December 31, 2018, the Company has recorded its share of losses during 2019 as a reduction to other long-term interests that form part of its net investment in IVI. The Company's net investment includes an unsecured long-term receivable with a net carrying value of \$36.7 million after applying the share of losses. The net investment does not include trade receivables, trade payable or any long-term receivables for which adequate collateral exist.

The International Finance Corporation ("IFC") 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.

14. 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:

As at	June 30		December 31	
	2019	2018	2019	2018
Within 1 year	\$ 33,704	\$ 10,100		
Year 2	33,519	10,119		
Year 3	18,278	7,836		
Year 4	8,611	3,322		
Year 5	3,377	2,485		
Total undiscounted lease liabilities	\$ 97,489	\$ 33,862		
Less amounts representing finance costs	(14,237)	(6,283)		
Present value of lease liabilities	\$ 83,252	\$ 27,579		
Current	\$ 26,251	\$ 7,151		
Non-current	57,001	20,428		
Total lease liabilities	\$ 83,252	\$ 27,579		

Notes to the Interim Condensed Consolidated Financial Statements

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

Amounts recognized in the Interim Condensed Consolidated Statements of Income (Loss)

	Three Months Ended June 30, 2019	Six Months ended June 30, 2019
Interest on lease liabilities	\$ (2,274)	\$ (4,652)
Variable lease payments not included in the measurement of lease liabilities	(1,062)	(2,906)
Income from sub-leasing ROU assets	2,800	3,746
Expenses relating to short-term leases	(3,209)	(5,421)
Expenses relating to leases of low-value assets	\$ (836)	\$ (958)

Amounts recognized in the Interim Condensed Consolidated Statements of Cash Flows

	Three Months Ended June 30, 2019	Six Months ended June 30, 2019
Total cash outflow for leases	\$ 13,993	\$ 25,964

15. Non-Controlling Interest

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

Pursuant to an agreement among the shareholders of PML in 2014, PML had an option that was exercisable solely in the event that the Company terminated its transportation agreement with Bicentenario because the pipeline was non-operational for six consecutive months ("Bicentenario Put Option").

On September 11, 2018, the IFC, on behalf of PML, provided notice to the Company exercising the Bicentenario Put Option. On March 22, 2019, the Company increased its net ownership interest (after non-controlling interest) in Bicentenario from 26.4% to the current 43.0% through the acquisition of PML's ownership interest in Bicentenario in accordance with the Bicentenario Put Option for approximately \$84.8 million. The net cost of the acquisition was approximately \$34.0 million after the proceeds of the transaction were distributed by PML to its shareholders, including the Company.

Dividends paid to non-controlling interests

During the three and six months ended June 30, 2019, PML paid dividends to its shareholders of \$8.7 million and \$46.5 million, respectively, distributed to the IFC (2018: \$17.8 million and \$17.8 million, respectively).

16. Dividends

The following table provides a summary of the dividends declared and paid to equity holders of the Company in 2019.

Declaration date	Record date	Payment date	Dividend (C\$/share)	Dividends paid (\$M)	Number of DRIP Shares ⁽¹⁾
December 6, 2018	January 3, 2019	January 17, 2019	0.330	24,464	625,923
March 13, 2019	April 2, 2019	April 16, 2019	0.165	12,144	2,393
May 30, 2019	July 3, 2019	July 17, 2019	0.205	15,351	244

⁽¹⁾ The Company adopted a Dividend Reinvestment Plan ("DRIP") to provide shareholders of the Company who are resident in Canada with the option to have the cash dividends declared on their common shares reinvested automatically back into additional Common Shares, without the payment of brokerage commissions or service charges.

Notes to the Interim Condensed Consolidated Financial Statements

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

17. Supplemental Disclosure on Cash Flows

Changes in non-cash working capital are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2019	2018	2019	2018
Decrease (increase) in accounts receivable	\$ 11,584	\$ (45,047)	\$ (35,913)	\$ (53,942)
Decrease (increase) in inventories	16,681	(125)	18,651	(6,967)
(Increase) decrease in income taxes receivable	(6,228)	(605)	(14,924)	912
(Increase) decrease in prepaid expenses and deposits	(581)	(1,255)	748	(3,445)
(Decrease) increase in accounts payable, accruals and other liabilities	(50,510)	38,290	(108,275)	52,549
(Decrease) in income taxes payable	(400)	(2,629)	(445)	(1,585)
Changes in non-cash working capital	\$ (29,454)	\$ (11,371)	\$ (140,158)	\$ (12,478)
Operating activities	\$ (9,771)	\$ (9,783)	\$ (75,743)	\$ (12,810)
Investing activities	(19,683)	(1,588)	(64,415)	332
Changes in non-cash working capital	\$ (29,454)	\$ (11,371)	\$ (140,158)	\$ (12,478)

18. Related-Party Transactions

The following tables provide the total balances outstanding (before impairments), commitments and transactional amounts with related parties as at June 30, 2019, and December 31, 2018, and for the three and six months ended June 30, 2019, and 2018:

As at June 30, 2019 and December 31, 2018	Accounts Receivable ⁽¹⁾	Accounts Payable	Commitments	Cash Advance ⁽¹⁾	Loans / Debentures ⁽¹⁾	Interest Receivable ⁽¹⁾
ODL	2019 \$ —	\$ 5,520	\$ 54,080	\$ —	\$ —	\$ —
	2018 9,116	1,481	82,073	—	—	—
Bicentenario	2019 35,638	—	41,304	87,278	—	—
	2018 20,177	—	43,200	87,278	—	—
IVI	2019 11,191	2,431	62,123	17,741	125,033	44,116
	2018 8,902	1,104	123,330	17,741	114,134	37,158
CGX ⁽²⁾	2018 \$ —	\$ —	\$ —	\$ —	\$ 25,945	\$ 2,186

	Three Months Ended June 30			Six Months Ended June 30		
	Sales	Purchases / Services	Interest Income	Sales	Purchases / Services	Interest Income
ODL	2019 \$ —	\$ 13,001	\$ —	\$ —	\$ 25,683	\$ —
	2018 350	9,584	—	1,359	21,546	—
Bicentenario	2019 —	1,818	—	—	3,675	—
	2018 —	24,700	—	—	52,798	—
IVI	2019 —	6,969	3,554	—	15,120	6,957
	2018 —	6,471	2,430	—	12,804	4,483
Interamerican ⁽³⁾	2018 —	—	83	3	2	167
CGX ⁽²⁾	2019 —	—	—	—	—	363
CGX ⁽²⁾	2018 \$ 158	\$ —	\$ 111	\$ 309	\$ —	\$ 443

⁽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).

⁽³⁾ Interamerican was sold, effective October 2018 (Refer to Note 13 of the Consolidated Financial Statements), and was determined to no longer be a related party as at December 31, 2018.

Notes to the Interim Condensed Consolidated Financial Statements

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

19. 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.

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	June 30, 2019	December 31, 2018
Trade receivables	\$ 106,472	\$ 64,364
Other receivables	22,078	66,540
Receivables from joint arrangements	48,295	58,733
Withholding tax and others	42,717	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	(7,613)	(7,613)
Allowance for short-term other receivables	(9,232)	(9,232)
Accounts receivable	\$ 187,041	\$ 205,518
Long-term receivables, before loss allowances	171,866	134,842
Allowance for long-term receivables	(35,302)	(35,302)
Long-term receivables ⁽²⁾	\$ 136,564	\$ 99,540
Withholding tax and others- not considered for credit risk	(42,717)	(36,093)
Total financial assets carried at amortized cost	\$ 280,888	\$ 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	Receivables Simplified Approach	Total
<i>ECL continuity</i>					
As at January 1, 2019	\$ 12,657	\$ 4,188	\$ 47,987	\$ 15,676	\$ 80,508
Reduction due to acquisition of CGX ⁽¹⁾	—	—	(12,685)	—	(12,685)
As at June 30, 2019	\$ 12,657	\$ 4,188	\$ 35,302	\$ 15,676	\$ 67,823

⁽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 June 30, 2019:

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

Financial liability due in	2019	2020	2021	2022	2023	Total
Accounts payable and accrued liabilities	\$ 479,580	\$ —	\$ —	\$ —	\$ —	\$ 479,580
Long-term debt	—	—	—	—	350,000	350,000
Interest payments on debt	33,950	33,950	33,950	33,950	16,975	152,775
Lease liabilities	16,913	33,475	30,831	8,585	7,685	97,489
Total	\$ 530,443	\$ 67,425	\$ 64,781	\$ 42,535	\$ 374,660	\$ 1,079,844

The Company has various guarantees in place in the normal course of business, supported by issued letters of credit. As at June 30, 2019, the Company had issued letters of credit and guarantees for exploration and operational commitments for a total of \$59.3 million (December 31, 2018: \$33.5 million). During the second quarter of 2019, the Company was granted two new credit lines for a total of \$22.2 million.

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)	Avg Strike Prices		Carrying Amount	
				Put / Call; Call Spreads	Assets	Liabilities	Assets
Put options	July 2019 to March 2020	Brent	3,826,000	57.62	\$ 7,400	\$ —	\$ —
Zero cost collars	August 2019 to March 2020	Brent	2,531,000	57.64 / 75.66	3,496	\$ —	\$ —
Three-way collar	April 2020 to June 2020	Brent	240,000	45.00 / 55.00 / 74.26	16	9	\$ —
Total as at June 30, 2019					\$ 10,912	\$ 9	
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 (Thousands of U.S.\$)	Avg Put / Call; Par forward (COP\$)		Carrying Amount	
				Assets	Liabilities	Assets	Liabilities
Zero cost collars	July 2019 to December 2019	COP / USD	\$ 121,500	3,092 / 3,479	\$ 2	\$ —	\$ —
Total as at June 30, 2019					\$ 2	\$ —	
Zero cost collars	January 2019 to June 2019	COP / USD	\$ 172,500	3,032 / 3,273	\$ —	3,299	\$ —
Forward	January 2019 to March 2019	COP / USD	\$ 22,500	3,109	\$ —	1,019	\$ —
Total as at December 31, 2018					\$ —	\$ 4,318	
				Assets	Liabilities		
Total risk management contracts as at June 30, 2019					\$ 10,914	\$ 9	
Total risk management contracts as at December 31, 2018					\$ 9,380	\$ 4,318	

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

		Three Months Ended June 30		Six Months Ended June 30	
		2019	2018	2019	2018
Realized loss on risk management contracts		\$ (1,986)	\$ (68,613)	\$ (3,579)	\$ (111,006)
Unrealized gain (loss) on risk management contracts		6,460	(3,198)	273	14,115
Total gain (loss) on risk management contracts		\$ 4,474	\$ (71,811)	\$ (3,306)	\$ (96,891)

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.

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

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.

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 June 30, 2019 and December 31, 2018:

	Period	Carrying Value	Level 1	Level 2	Level 3	Fair Value Total
Financial Assets Measured at Fair Value through Profit & Loss						
Risk management assets	2019	\$ 10,914	\$ —	\$ 10,914	\$ —	\$ 10,914
	2018	9,380	—	9,380	—	9,380
Financial Assets Measured at Fair Value through Other Comprehensive Income						
Investments in equity instruments	2019	\$ 1,957	\$ —	\$ 1,957	\$ 1,957	\$ 1,957
	2018	1,130	—	—	1,130	1,130
Financial Assets Measured at Amortized Cost						
Long-term receivables	2019	\$ 136,564	\$ —	\$ 140,498	\$ 140,498	\$ 140,498
	2018	99,540	—	—	99,540	99,540
Financial Liabilities Measured at Fair Value through Profit & Loss						
Risk management liabilities	2019	\$ (9)	\$ —	\$ (9)	\$ —	\$ (9)
	2018	(4,318)	—	(4,318)	—	(4,318)
Financial Liabilities Measured at Amortized Cost						
Long-term debt	2019	\$ (328,906)	\$ —	\$ (372,999)	\$ —	\$ (372,999)
	2018	(326,784)	—	(346,654)	—	(346,654)

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 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.

20. Commitments and Contingencies

Commitments

The Company's commitments as at June 30, 2019, undiscounted and by calendar year, are presented below:

As at June 30, 2019	2019	2020	2021	2022	2023	2024 and beyond	Total
Transportation and Storage Commitments							
Ocensa P-135 ship-or-pay agreement	\$ 31,690	\$ 64,481	\$ 66,141	\$ 67,842	\$ 69,588	\$ 105,836	\$ 405,578
Puerto Bahia take-or-pay agreement ⁽¹⁾	9,774	25,861	26,488	—	—	—	62,123
ODL ship-or-pay agreement	23,676	30,404	—	—	—	—	54,080
Bicentenario take-or-pay storage agreements	3,917	7,834	7,834	7,834	7,834	6,051	41,304
Other transportation agreements	19,501	30,357	30,357	30,287	29,444	133,554	273,500
Exploration Commitments							
Minimum work commitments	53,358	127,393	43,386	4,500	4,500	4,500	237,637
Other Commitments							
Operating purchases and leases ⁽²⁾	18,290	8,448	8,108	7,566	7,166	11,909	61,487
Community obligations	8,520	310	—	—	—	—	8,830
Total	\$ 168,726	\$ 295,088	\$ 182,314	\$ 118,029	\$ 118,532	\$ 261,850	\$ 1,144,539

⁽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 Consolidated 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.

Puerto Bahia Equity Contribution Agreement ("ECA")

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

On October 4, 2013, Pacintra Holding Ltd. (“**Pacintra**,” a subsidiary of the Company), IVI, Sociedad Portuaria Puerto Bahia S.A. (“**Puerto Bahia**”) (a subsidiary of IVI, Note 13) and Wilmington Trust, National Association (as Collateral and Administrative Agent), entered into an equity contribution agreement, pursuant to which Pacintra 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, when it is determined that there are certain deficiencies related to operation and maintenance of the port facility and Puerto Bahia’s ability to make payments towards its bank debt obligations. During the first half of 2019, Pacintra and IVI received deficiency notices, requiring both companies to fund a total amount of \$10.9 million (2018: \$30.5 million) to Puerto Bahia. On June 14, 2019, Pacintra disbursed \$10.9 million to Puerto Bahia under a new loan agreement. As of June 30, 2019, the Company has disbursed via loan agreement a total of \$52.1 million to Puerto Bahia under the ECA.

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. No material changes have occurred regarding the matters disclosed in “Note 26 - Commitments and Contingencies” of the 2018 Annual Financial Statements.