CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

FRONTERA ENERGY

Management's Responsibility for the Consolidated Financial Statements

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

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

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

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

"Richard Herbert" (signed)

Chief Executive Officer

"David Dyck" (signed)

Chief Financial Officer

Toronto, Canada

March 4, 2020

Independent Auditor's Report

To the Shareholders of **Frontera Energy Corporation**

Opinion

We have audited the consolidated financial statements of **Frontera Energy Corporation** and its subsidiaries (the "**Company**"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of income (loss), consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("**IFRS**").

Basis for opinion

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

Other information

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

- Management's Discussion and Analysis

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada

March 4, 2020

Consolidated Statements of Income (Loss)

(In thousands of U.S.$, except per share information)	Notes	Year Ended December 31 2019	2018
Oil and gas sales and other revenue	6	$ 1,351,071	$ 1,368,227
Sales of oil and gas for trading	6	74,276	3,479
Royalties		(41,770)	(51,221)
Revenue		1,383,577	1,320,485
Oil and gas operating costs	7	636,586	609,189
Costs of oil and gas for trading		71,383	2,796
General and administrative		76,072	93,022
Share-based compensation		2,907	4,042
Depletion, depreciation and amortization		376,010	316,751
Impairment, exploration expenses and other	8	67,238	315,292
Restructuring, severance and other costs	9	11,945	14,592
Reversal of provision related to high-price clause	28	—	(62,911)
Fees paid on suspended pipeline capacity	28	—	82,372
Payments under terminated pipeline contracts	28	—	74,618
Income (loss) from operations		141,436	(129,278)
Share of income from associates	18	84,832	83,601
Foreign exchange loss		(10,264)	(3,375)
Finance income		20,244	25,832
Finance expense	20	(65,492)	(52,724)
Loss on risk management contracts	27	(15,442)	(85,633)
Other income (loss), net		2,758	(4,741)
Reclassification of currency translation adjustments	14	—	(48,094)
Loss on extinguishment of debt	20	—	(25,628)
Net income (loss) before income tax		158,072	(240,040)
Current income tax expense		(42,645)	(30,507)
Deferred income tax recovery		190,372	11,786
Income tax recovery (expense)	11	147,727	(18,721)
Net income (loss) for the year		$ 305,799	$ (258,761)
Attributable to:			
Equity holders of the Company		294,287	(259,083)
Non-controlling interests		11,512	322
		$ 305,799	$ (258,761)
Earnings (Loss) per share attributable to equity holders of the Company			
Basic	12	$ 3.01	$ (2.59)
Diluted	12	$ 2.96	$ (2.59)

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

On behalf of the Board of Directors:

“Gabriel de Alba” (signed)
Director

“Raymond J. Bromark” (signed)
Director

Consolidated Statements of Comprehensive Income (Loss)

(In thousands of U.S.$)	Year Ended December 31 2019	2018
Net income (loss) for the year	$ 305,799	$ (258,761)
Other comprehensive income (loss) to be reclassified to net income (loss) in subsequent periods (nil tax effect)		
Foreign currency translation	9,166	(14,107)
Reclassification of currency translation adjustments (Note 14)	—	48,094
	9,166	33,987
Total comprehensive income (loss) for the year	$ 314,965	$ (224,774)
Attributable to:		
Equity holders of the Company	$ 297,907	$ (215,702)
Non-controlling interests	17,058	(9,072)
	$ 314,965	$ (224,774)

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

Consolidated Statements of Financial Position

(In thousands of U.S.$)	Notes	As at December 31 2019	2018
ASSETS			
Current			
Cash and cash equivalents		$ 328,433	$ 446,132
Restricted cash	27	37,216	39,541
Accounts receivable	27	132,155	205,518
Inventories	13	103,116	108,015
Income taxes receivable		37,592	7,071
Prepaid expenses and deposits		5,992	5,309
Risk management assets	27	10,109	9,380
Total current assets		654,613	820,966
Non-current			
Properties, plant and equipment	15	976,621	972,035
Exploration and evaluation assets	16	114,155	15,100
Intangible assets	17	58,311	—
Investments in associates	18	196,961	191,111
Deferred tax assets	11	222,988	32,616
Restricted cash	27	90,162	102,764
Other assets	19	178,940	156,686
Total assets		$ 2,492,751	$ 2,291,278
LIABILITIES			
Current			
Accounts payable and accrued liabilities	27	$ 501,991	$ 575,166
Risk management liabilities	27	36	4,318
Income taxes payable		29,048	3,124
Lease liabilities	21	28,138	7,151
Asset retirement obligations	22	24,044	15,509
Total current liabilities		583,257	605,268
Non-current			
Long-term debt	20	331,118	326,784
Lease liabilities	21	43,404	20,428
Asset retirement obligations	22	264,938	231,610
Total liabilities		$ 1,222,717	$ 1,184,090
Commitments and contingencies	28		
EQUITY			
Share capital		$ 4,712,114	$ 4,727,598
Contributed surplus		120,112	116,725
Other reserves		(180,610)	(184,230)
Retained deficit		(3,441,358)	(3,637,766)
Equity attributable to equity holders of the Company		$ 1,210,258	$ 1,022,327
Non-controlling interests	23	59,776	84,861
Total equity		$ 1,270,034	$ 1,107,188
Total liabilities and equity		$ 2,492,751	$ 2,291,278

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

Consolidated Statements of Changes in Equity

(In thousands of U.S.$)	Number of Common Shares	Share Capital	Contributed Surplus	Cumulative Translation Adjustment	Fair Value Investment	Retained Deficit	Total	Non-Controlling Interests	Total Equity
	Attributable to Equity Holders of the Company								
As at January 1, 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 year	—	—	—	—	—	(259,083)	(259,083)	322	(258,761)
Other comprehensive income (loss)	—	—	—	43,381	—	—	43,381	(9,394)	33,987
Total comprehensive income (loss)	—	—	—	43,381	—	(259,083)	(215,702)	(9,072)	(224,774)
Share-based compensation	—	—	2,658	—	—	—	2,658	—	2,658
Dividends paid to non-controlling interests (Note 23)	—	—	—	—	—	—	—	(25,485)	(25,485)
Dividends declared to equity holders of the Company (Note 24)	—	—	—	—	—	(23,750)	(23,750)	—	(23,750)
Increase in non-controlling interest (Note 23)	—	—	(13,284)	4,497	—	—	(8,787)	8,787	—
Repurchase of common shares (Note 24)	(1,590,585)	(17,842)	—	—	—	—	(17,842)	—	(17,842)
As at December 31 2018	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 year	—	—	—	—	—	294,287	294,287	11,512	305,799
Other comprehensive income	—	—	—	3,620	—	—	3,620	5,546	9,166
Total comprehensive income	—	—	—	3,620	—	294,287	297,907	17,058	314,965
Acquisition of CGX Energy Inc. (Note 4)	—	—	—	—	—	—	—	14,598	14,598
Acquisition of non-controlling interests (Nota 23)	—	—	2,135	—	—	—	2,135	(2,044)	91
Shares issued on settlement of deferred share units	24,068	398	(398)	—	—	—	—	—	—
Dividends declared to equity holders of the Company (Note 24)	630,944	5,870	—	—	—	(97,879)	(92,009)	—	(92,009)
Repurchase of common shares (Note 24)	(2,642,834)	(21,752)	—	—	—	—	(21,752)	—	(21,752)
Share-based compensation	—	—	1,650	—	—	—	1,650	1,565	3,215
Dividends paid to non-controlling interests (Note 23)	—	—	—	—	—	—	—	(56,262)	(56,262)
As at December 31, 2019	96,433,257	$ 4,712,114	$ 120,112	$ (175,408)	$ (5,202)	$ (3,441,358)	$ 1,210,258	$ 59,776	$ 1,270,034

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

Consolidated Statements of Cash Flows

(In thousands of U.S.$)	Notes	Year Ended December 31 2019	2018
OPERATING ACTIVITIES			
Net income (loss) for the year		$ 305,799	$ (258,761)
Items not affecting cash:			
Depletion, depreciation and amortization		376,010	316,751
Impairment	8	60,899	321,480
Recovery of asset retirement obligations	22	2,681	(15,894)
Unrealized loss (gain) on risk management contracts	27	5,722	(107,337)
Share-based compensation		3,169	2,545
Deferred income tax recovery	11	(190,372)	(11,786)
Unrealized foreign exchange gain		(16,692)	(3,572)
Share of income from associates	18	(84,832)	(83,601)
Reclassification of currency translation adjustments	14	—	48,094
Finance expense	20	65,492	52,724
Dividends from associates	18	58,403	67,583
Settlement of asset retirement obligations	22	(11,935)	(4,384)
Loss on extinguishment of debt	20	—	25,628
Other		(7,445)	(5,691)
Changes in non-cash working capital	25	(19,932)	3,464
Cash provided by operating activities		$ 546,967	$ 347,243
INVESTING ACTIVITIES			
Additions to properties, plant and equipment		$ (266,865)	$ (363,183)
Additions to intangible assets	17	(48,487)	—
Additions to other assets, net		(24,253)	(49,416)
Additions to exploration and evaluation assets, net		(57,180)	(90,296)
Decrease (increase) in restricted cash		22,106	(47,754)
Acquisition of CGX Energy Inc.	4	4,296	—
Proceeds from the sale of non-current assets	14	9,223	123,390
Changes in non-cash working capital	25	(54,507)	43,969
Cash used in investing activities		$ (415,667)	$ (383,290)
FINANCING ACTIVITIES			
Lease payments		$ (33,319)	$ (7,615)
Dividends paid to equity holders of the Company		(100,771)	—
Dividends paid to non-controlling interests	23	(56,262)	(25,485)
Repurchase of common shares	24	(21,752)	(17,842)
Interest and other bank charges		(40,262)	(35,240)
Long-term debt - net proceeds from issuance		—	325,189
Long-term debt - repayment at a premium	20	—	(275,628)
Cash used in financing activities		$ (252,366)	$ (36,621)
Effect of exchange rate changes on cash and cash equivalents		3,367	7,115
Decrease in cash and cash equivalents during the year		(117,699)	(65,553)
Cash and cash equivalents, beginning of the year		446,132	511,685
Cash and cash equivalents, end of the year		$ 328,433	$ 446,132
Cash		269,719	342,190
Cash equivalents		58,714	103,942
Total cash and cash equivalents		$ 328,433	$ 446,132
Supplementary cash flow information			
Cash income tax paid		$ 6,147	$ 12,163
Cash interest paid		$ 35,786	$ 28,947
Cash interest received		$ 10,067	$ 12,343

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

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

1. Corporate Information

Frontera Energy Corporation (the "**Company**") is an oil and gas company formed and existing under the laws of British Columbia, Canada, that is engaged in the exploration, development and production of crude oil and natural gas in South America. The Company's common shares are listed and publicly traded on the Toronto Stock Exchange ("**TSX**") under the trading symbol **"FEC."** The Company's head office is located at 333 Bay Street, Suite 1100, Toronto, Ontario, Canada, M5H 2R2, and its registered office is 1055 West Georgia Street, 1500 Royal Centre, Vancouver, British Columbia, Canada, V6E 4N7.

These consolidated financial statements of the Company, comprising those of the Company and its subsidiaries, were approved and authorized for issuance by the Board of Directors on March 4, 2020.

2. Basis of Preparation and Significant Accounting Policies

Statement of Compliance

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

Functional and Presentation Currency

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

Principles of Consolidation

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

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

	Registered Office	Country of Principal Business Activity	Recognition Method	Percentage Interest as at December 31	
				2019	2018
Principal Subsidiaries					
Frontera Energy Colombia AG	Switzerland	Colombia	Consolidated	100.00%	100.00%
Frontera Energy del Peru S.A.	Peru	Peru	Consolidated	100.00%	100.00%
Frontera Energy Off Shore Peru S.R.L.	Peru	Peru	Consolidated	100.00%	100.00%
CGX Energy Inc. [1]	Canada	Guyana	Consolidated	72.41%	48.29%
Pacific Midstream Ltd.	Bermuda	Colombia	Consolidated	59.93%	59.93%

[1] CGX prior to the acquisition (Note 4) was 48.29% and was accounted for as an associate using the equity method.

3. Significant Accounting Policies, Judgments, Estimates and Assumptions

a. Summary of Significant Accounting Policies

Revenue Recognition

Oil and gas revenues from contracts with customers are determined by reference to consideration specified in the contracts and recognized when control of the product is transferred to the customer. This transfer of control typically occurs at a point in time when the following conditions are satisfied:

- The title and physical possession has been transferred;
- The significant risks and rewards of ownership have been transferred to the buyer; and
- The Company has the present right to payment.

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

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

Share-Based Compensation

The Company has deferred share unit ("**DSU**") and restricted share unit ("**RSU**") plans under which non-employee directors (only DSUs) and employees receive units in consideration for services provided to the Company. The Company can also grant stock options to officers, employees and consultants, which are accounted for using the fair-value method, estimated using the Black-Scholes option-pricing model.

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

Units awarded under the RSU plan vest in accordance with the conditions outlined in the award agreement, which can include certain market and non-market performance conditions (termed the "performance adjustment factor"), over the term of the agreement, which is typically three years. The grant date is set once the terms of the award are fully known and agreed upon between the recipient and the Company. As such, the grant date, as defined under IFRS, may not be the same as the date of issuance if all substantive terms of the agreement are not set at the date of issuance. RSUs may be settled in cash, shares, or a combination of both, at the sole discretion of the CHRC, at the stipulated settlement date in the award agreement. The fair value per RSU approximates the Company's share price in U.S. dollars over the vesting period and is fixed once the grant date is set. The Company recognizes share-based compensation expense for the RSU awards based on the fair value estimated on the date of issuance, and re-values every reporting period until the grant date is set for each tranche of the award or the full award (if no tranches), with the corresponding amounts reflected in contributed surplus. The expense recognized includes an estimate of the number of units expected to vest based on the performance adjustment factor and forfeitures. Upon settlement, the associated amounts previously recorded as contributed surplus are reclassified to share capital.

Both the RSU and DSU plans are classified within equity as settlement is in the sole discretion of the Company and its intention is to settle these instruments in common shares.

Foreign Currency Translation

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

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

Earnings (Loss) Per Share

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

Interest in Joint Arrangements

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

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

Business Combinations and Goodwill

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

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

Cash and Cash Equivalents

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

Restricted Cash

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

Inventories

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

Properties, Plant and Equipment, and Exploration and Evaluation Assets

Properties, plant and equipment

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

Depletion, depreciation and amortization

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

Plant and equipment are generally depreciated on a straight-line basis over their estimated useful lives, which range from one to ten years. Major inspection costs are depreciated over three to five years, which represents the estimated period before the next planned major inspection. Plant and equipment held as right-of-use asset are depreciated over the shorter of the lease term and the estimated useful life of the leased asset.

Exploration and evaluation costs

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

Intangible Assets

Intangible assets include long-term prepaid transposition rights and are measured at cost less accumulated amortization. Following initial recognition, the intangible assets are amortized based on usage or the straight-line method over the term of the agreement. The Company does not currently have intangible assets with indefinite lives, which would not be subject to amortization.

Investments in Associates

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

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

Impairment of Non-Financial Assets

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

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

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

Financial Instruments

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

Financial assets

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

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

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

On the day of acquisition of an equity instrument, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments at fair value through other comprehensive income ("**FVTOCI**"). Designation at FVTOCI is not permitted if the equity investment is held for trading. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income (loss). The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments. The Company has designated all investments in equity instruments as FVTOCI (Note 27).

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

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

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

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

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

Financial liabilities

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

Fair value hierarchy

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

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

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

Derivative financial instruments

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

Borrowing Costs

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

Leases

The Company adopted the standard IFRS 16, effective January 1, 2019 (see section b., Changes in Accounting Policies and Disclosures 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.

From January 1, 2019, the Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

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

Right-of-use assets

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

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

Accounting policy prior to January 1, 2019

For the year ended December 31, 2018, the determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date based on whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets. All take-or-pay contracts are reviewed for indicators of a lease upon inception. Finance leases, which substantially transfer all the risks and benefits incidental to ownership of the leased item to the Company, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Finance lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in net income (loss).

Operating lease payments are recognized as an expense in net income (loss) as they occur. Assets under finance leases are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset or the lease term.

Asset Retirement Obligations

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

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

Taxes

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

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

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

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

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

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

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

Changes in Accounting Policies and Disclosures Effective January 1, 2019

The Company has adopted the following new standards, amendments and interpretations that had an impact on the consolidated financial statements. Other than the adoption of these items, the accounting policies applied are consistent with those applied in the previous year.

*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 standard, 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 Consolidated Statements of Financial Position, while operating leases were recognized in the Consolidated Statements of Income (Loss) when the expense was incurred. Under IFRS 16, lessees must recognize a lease liability and a 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."

As a result of adopting the standard on January 1, 2019, the Company recognized an increase of $64.1 million to both properties, plant and equipment, and lease liabilities on the Consolidated Statements of Financial Position. The impact of the adoption in the Consolidated Statements of Income (Loss) for the year ended December 31, 2019, was a net loss of $0.6 million, as a result of unrealized foreign exchange losses (mainly related to lease liabilities, in Colombian Pesos currency (“**COP**”), decreases in oil and gas operating costs and general and administrative costs, partially offset by an increase in depletion, depreciation and amortization (due to the ROU asset), and finance expense (due to the accretion of lease liabilities).

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.
- 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.

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

Reconciliation of Consolidated Statement of Financial Position as at January 1, 2019

Below is the effect of the transition to IFRS 16 on the 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 the remaining lease payments, discounted at the incremental borrowing rate of 10.0% as 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

*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 Consolidated Financial Statements.

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

In October 2017, the IASB issued amendments to IAS 28 to clarify that a company applies IFRS 9, *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 Consolidated Financial Statements.

Changes to Comparative Presentation in the Consolidated Statements of Cash Flows

The Consolidated Financial Statements reflect the retrospective application of a voluntary change in accounting policy adopted in 2019 to classify interest paid as a financing activity, instead of an operating activity as previously reported in the Consolidated Statements of Cash Flows. This change in accounting policy was adopted in accordance with IAS 7, Statement of Cash Flows, which provides a policy choice to classify interest paid as either an operating or financing activity. The Company considers the classification of interest payments within financing activities to be more useful to financial statement users as these amounts are incurred for the use of debt capital and represent a cost of obtaining financial resources. Consequently, this presentation provides more relevant and reliable information to users.

The following table summarizes the effect of this accounting policy change for the year ended December 31, 2018:

	Previously Reported	Change in Accounting Policy	Adjusted
Cash provided by operating activities	$ 312,003	$ 35,240	$ 347,243
Cash used in financing activities	$ (1,381)	$ (35,240)	$ (36,621)

Standards Issued but not yet Effective

Amendments to standards that have been issued but are not yet effective up to the date of issuance of these consolidated financial statements, which are likely to have an impact on the Company, are listed below.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3, *Business Combinations,* which provides a framework to determine whether an acquired set of activities is a business. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. Since the amendments are effective for acquisitions or business combinations occurring on or after January 1, 2020, the Company does not expect an impact from these amendments on the date of transition.

c. Key Accounting Estimates and Judgments

Critical Judgments in Applying Accounting Policies

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

CGU

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

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

Impairment indicators

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

Block 192 agreement

The Company has entered into an agreement with the Peruvian state oil and gas company Perupetro S.A. to provide extraction services in exchange for volumes of crude oil produced in accordance with the agreement. The Company is required to apply significant judgments regarding how it accounts for this agreement, and in particular, the point of revenue recognition. In determining when to recognize the revenue, the Company has analyzed the timing of the transfer of control and the variable consideration. Based on this analysis, the Company has accounted for the Block 192 agreement as a production-sharing arrangement whereby revenue is recognized at the point when the Company's share of the crude oil is sold to third parties and the sales price is used to measure the revenue.

Diluent agreement

The Company has entered into a diluent service agreement with an unrelated third party whereby the third party's natural gas or light oil products are mixed with the Company's heavy crude oil and transported through pipelines in Colombia. The Company pays a fixed fee per barrel of diluent provided by the third party. The Company is required to apply significant judgment regarding how it accounts for this transaction and in particular the point of revenue recognition. In determining the revenue recognition point, the Company has analyzed whether the legal rights of the product are transferred. Based on this analysis, the Company has concluded that it holds a legal right to its share of the blended product per the terms of the contract at the dilution point. Revenue related to the blended product is recognized by the Company upon sale to the ultimate customers.

Lease vs. non-lease components

Determining whether a contract includes a lease (ROU asset) or a service component can be complex, particularly when standalone 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 ROU, lease liabilities, and the resulting depletion, depreciation and amortization and finance expenses, may differ due to changes in the market conditions and lease term.

Estimation Uncertainty and Assumptions

Depletion of oil and gas properties

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

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

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

The recoverable amounts of CGUs and individual assets have been determined based on the higher of VIU calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. Estimates include, but are not limited to, estimates of the discounted future after-tax cash flows expected to be derived from the Company's oil and gas properties and the discount rate. Changes in oil price forecasts, reserves, estimated future costs of production, future capital costs, decommissioning costs and income taxes can result in changes in the recoverable amount of the CGUs. It is possible that the oil price assumption may change, which may then impact the estimated life of the field and require a material adjustment to the carrying value of properties, plant, equipment and E&E assets. The Company has recognized impairments on certain oil and gas properties and E&E assets in the year ended December 31, 2019 (Note 8).

Asset retirement obligations - environmental and decommissioning costs

The Company will incur environmental and decommissioning costs at the end of the operating life of certain facilities and properties. The ultimate environmental and decommissioning costs are uncertain and estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites, or environmental legislation. The expected timing and amount of expenditure can also change: for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the decommissioning asset retirement obligations and environmental liabilities that would affect future financial results (Note 22).

*Impairment of investment and long-term interests in associates - Oleoducto Bicentenario de Colombia S.A.S. ("**Bicentenario**") and Infrastructure Ventures Inc. ("**IVI**")*

During the year ended December 31, 2019 and 2018, impairments were recognized on the Company's investments in Bicentenario and long-term interest in IVI, and the calculation of the recoverable amount involved significant judgment and estimation uncertainty (Note 8). Changes in the assumptions and factors considered could result in significant adjustments to the carrying value of these associate investees that would affect future financial results.

Deferred Tax Assets

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

4. 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, whereby the Company acquired 101,316,916 common shares of CGX for cash consideration of $19.0 million. 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. As a result of the share purchase, the Company's equity interest increased to 67.78%. CGX is a company listed on the TSX Venture Exchange and is involved in the exploration of petroleum in Guyana.

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

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, resulting 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 final purchase price allocation over the fair value of assets and liabilities acquired at the date of acquisition are as follows:

		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		(14,598)
Purchase consideration	$	49,534
Cash paid	$	(19,007)
Net cash acquired		23,303
Net consolidated cash inflow	$	4,296

These Consolidated Financial Statements include the results of CGX for the period following the acquisition date of March 13, 2019. Since the date of acquisition, CGX has contributed revenues and a net loss of $ Nil and $4.3 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 year ended December 31, 2019, would have included revenues and a net loss of $ Nil and $5.5 million, respectively.

On September 25, 2019, the Company converted the principal amount outstanding of $8.8 million under its bridge loan facility with CGX resulting in the acquisition of an additional 40,000,000 common shares. During the fourth quarter of 2019, CGX issued 375,000 common shares under their stock option plan reducing the Company's interest to 72.41% as of December 31, 2019.

5. Segmented Information

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

The following table provides the total balances as at December 31,

	Colombia		Peru		Canada & Other [1]		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Non-current assets	$ 1,743,777	$ 1,448,530	$ 9,863	$ 19,668	$ 84,498	$ 2,114	$ 1,838,138	$ 1,470,312

[1] *Included in Canada & Other is $77.6 million (2018: $Nil) of non-current assets in Guyana.*

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

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

	Colombia		Peru		Canada & Other		Total	
Year Ended December 31	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Oil and gas sales and other revenue	$ 1,215,935	$ 1,239,753	$ 135,136	$ 128,474	$ —	$ —	$ 1,351,071	$ 1,368,227
Sales of oil and gas for trading	74,276	3,479	—	—	—	—	74,276	3,479
Royalties	(41,023)	(50,253)	(747)	(968)	—	—	(41,770)	(51,221)
Revenue	1,249,188	1,192,979	134,389	127,506	—	—	1,383,577	1,320,485
Oil and gas operating costs	528,114	525,197	108,472	83,992	—	—	636,586	609,189
Costs of oil and gas for trading	71,383	2,796	—	—	—	—	71,383	2,796
General and administrative	54,101	71,957	5,904	6,685	16,067	14,380	76,072	93,022
Share-based compensation	1,272	2,216	260	326	1,375	1,500	2,907	4,042
Depletion, depreciation and amortization	375,798	315,259	(837)	442	1,049	1,050	376,010	316,751
Impairment, exploration expenses and other	65,668	278,834	510	23,630	1,060	12,828	67,238	315,292
Restructuring, severance and other costs	9,544	10,563	849	869	1,552	3,160	11,945	14,592
Reversal of provision related to high-price clause	—	(62,911)	—	—	—	—	—	(62,911)
Fees paid on suspended pipeline capacity	—	82,372	—	—	—	—	—	82,372
Payments under terminated pipeline contracts	—	74,618	—	—	—	—	—	74,618
Income (loss) from operations	$ 143,308	$ (107,922)	$ 19,231	$ 11,562	$ (21,103)	$ (32,918)	$ 141,436	$ (129,278)
Non-operating income (loss) items							16,636	(110,762)
Income tax recovery (expense)							147,727	(18,721)
Net income (loss) for the year							$ 305,799	$ (258,761)

The Company's Oil and Gas Sales and Other Revenue and Sales of Oil and Gas for Trading, based on the geographic location of external customers, is as follows:

	Year Ended December 31	
	2019	**2018**
United States	$ 962,242	$ 842,191
China	174,040	219,647
Chile	72,524	51,025
Colombia	65,589	44,916
Peru	62,612	61,161
Switzerland	32,818	—
Barbados	29,242	—
Spain	26,280	—
Canada	—	101,895
India	—	34,583
South Korea	—	16,288
Total	$ 1,425,347	$ 1,371,706

For the year ended December 31, 2019, the Company had three customers (2018: three customers) that individually accounted for more than 10% of its revenue. Sales to these customers were $320.3 million, $243.1 million and $174.0 million (2018: $324.1 million, $220.1 million and $167.1 million), which are included in the Colombia segment.

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

6. Revenue from Contracts with Customers

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

	Year Ended December 31 2019	2018
Colombia		
Crude oil sales	$ 1,196,535	$ 1,189,698
Gas sales	16,414	36,612
Colombia oil and gas sales	1,212,949	1,226,310
Other revenue [(1)]	2,986	13,443
Colombia total	1,215,935	1,239,753
Peru total - crude oil sales	135,136	128,474
Oil and gas sales and other revenue	$ 1,351,071	$ 1,368,227
Colombia - sales of oil and gas for trading	$ 74,276	$ 3,479

[(1)] *Other revenue includes power transmission revenue which was recognized until April 19, 2018, when the assets were sold.*

As at December 31, 2019 and 2018, there were no material performance obligations outstanding under contracts with customers.

7. Oil and Gas Operating Costs

	Year Ended December 31 2019	2018
Production costs	$ 310,084	$ 324,400
Transportation costs	295,554	294,471
Diluent costs	38,064	40,544
Overlift (settlement)	512	(16,961)
Inventory valuation	(7,628)	(33,265)
Total	$ 636,586	$ 609,189

8. Impairment and Exploration Expenses

	Year Ended December 31 2019	2018
Impairment of:		
Other assets (Note 19)	$ 36,628	$ —
Exploration and evaluation assets (Note16)	19,526	93,874
Properties, plant and equipment (Note 15)	—	18,685
Investment in associates (Note 18)	—	189,988
Disposals of non-current assets - transmission line assets (Note 14)	—	9,125
Inventory and VAT receivable	4,745	9,808
Total impairment	$ 60,899	$ 321,480
Exploration expenses	3,658	9,706
Expense (recovery) of asset retirement obligations (Note 22)	2,681	(15,894)
Impairment, exploration expenses and other	$ 67,238	$ 315,292

Impairment of E&E Assets

During the year ended December 31, 2019, the Company recorded an impairment charge of $19.5 million relating to E&E assets in Colombia as a consequence of negative exploratory test results and plans to abandon further work on these assets. During the year ended December 31, 2018, the Company incurred $93.9 million with respect to certain E&E assets from the Colombia and Peru CGUs. The carrying value was written down to a recoverable amount calculated based on the VIU.

Colombia CGUs

The Company incurred $69.2 million of impairment charges related to E&E assets in Colombia CGU blocks during the year ended December 31, 2018.

Assumptions used in the model to determine the recoverable amounts include:

- An after-tax discount rate of 13.91% (22.43% before tax), as determined by the weighted average cost of capital, taking into consideration the expected return on investment by the Company's investors, the cost of debt based on the interest-bearing borrowings of the Company and segment specific risk based on publicly available market data.
- Long-term Brent oil prices of $66, $69, $72, $74, $76 and $77 per barrel for 2019 to 2024, respectively. Prices are based on futures strip prices, published indices and management's own assumptions. $1 per barrel increase (decrease) in Brent oil prices would result in an increase (decrease) in the present value of the model by $0.5 million.
- Future production is based on proved developed producing, proved developed non-producing and probable reserves.

Peru CGUs

The Company incurred an impairment of $24.6 million during the year ended December 31, 2018. The Company identified an indicator of impairment when results of exploratory drilling work in the offshore block did not justify further evaluation and was abandoned.

Impairment of Investments in Associates

Bicentenario

During the year ended December 31, 2018, the Company recognized an impairment charge of $131.0 million on its investment in Bicentenario primarily as a result of changes to cash flow projections resulting from the Company's exercising of its contractual right to terminate its transportation contracts due to a justifiable event, given that Bicentenario had not transported the Company's oil for more than six uninterrupted months (Note 28). The carrying value of Bicentenario was reduced to its recoverable amount which was based on its VIU using a discounted dividends cash flow model.

Key assumptions used in the determination of the recoverable amount under the VIU model:

- The Bicentenario board approved budget made available to shareholders, which includes related operating and capital costs assumptions, and a forecast period until 2024, the year all ship-or-pay agreements were originally scheduled to terminate.
- An after-tax discount rate of 12.41% as determined by the cost of capital, taking into consideration the expected return on investment by the Company's investors, the cost of debt based on the interest-bearing borrowings of Bicentenario and increased risks associated with timing and receipt of dividends from Bicentenario.
- Terms, tariff rates and volumes forecasted under Bicentenario's other major ship-or-pay agreements remain unchanged.

1% increase (decrease) in the discount rate would result in an increase (decrease) in the present value of the VIU model by $4.5 million.

IVI

During the year ended December 31, 2018, the Company identified impairment indicators in IVI arising from uncertainties with respect to the timing of future cash flows from projects at Sociedad Portuaria Puerto Bahia S.A. ("**Puerto Bahia**"). The Company identified that the carrying value exceeded the investment's recoverable amount which was based on a VIU discounted cash flow model and recorded an aggregate impairment charge of $47.8 million on its net investment in IVI. As a result, the equity investment in IVI was fully impaired as at December 31, 2018.

Key assumptions used in the determination of the recoverable amount under the free cash flow ("**FCF**") model:

- Revenue and costs until 2031, which is the date until when Puerto Bahia has the right to the port concession.
- All take-or-pay agreements are assumed to continue until 2031, with terms, tariff rates and volumes forecasted unchanged.
- An after-tax discount rate of 14.02% as determined by the cost of capital, taking into consideration the expected return on investment by the Company's investors, the cost of debt based on the interest-bearing borrowings of Puerto Bahia, and the increased risks related to the uncertainties described above.
- 1% increase (decrease) in the discount rate would result in an increase (decrease) in the present value of the FCF model by $14.5 million.

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

During the year ended December 31, 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 as implied by a bid offer.

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

9. Restructuring, Severance and Other Costs

During the year ended December 31, 2019, the Company incurred $8.6 million (2018: $4.5 million) in costs regarding transformation activities to deliver process improvements and operational efficiencies, and $3.3 million (2018: $10.1 million) in severance costs related to personnel reductions as a result of the transformation activities and the implementation of an organizational restructuring plan.

10. Employee Salaries and Benefit Expenses

	Year Ended December 31	
	2019	2018
Salaries, bonuses and other short term benefits	$ 82,309	$ 90,421
Share-based compensation	2,907	4,042
Total	$ 85,216	$ 94,463

11. Income Taxes

The following is a reconciliation of income tax (recovery) expense calculated at the Colombian corporate tax rate with the reported income tax (recovery) expense for December 31, 2019 and 2018.

	Year Ended December 31	
	2019	2018
Net income (loss) before income tax	$ 158,072	$ (240,040)
Colombian statutory income tax rate	33%	37%
Income tax expense (recovery) at statutory rate	52,164	(88,815)
Other non-deductible expenses (non-taxable income)	16,330	58
Share-based compensation	412	1,078
Differences in tax rates	(15,395)	(20,551)
Losses for which no tax benefit is recognized	(4,312)	5,529
Minimum income tax (presumptive income tax)	10,552	27,236
Changes in deferred income tax	(234,685)	94,186
Change in prior period assessments	27,207	—
Income tax (recovery) expense	(147,727)	18,721
Current income tax expense	42,645	30,507
Deferred income tax recovery:		
Relating to origination and reversal of temporary differences	(190,372)	(11,786)
Income tax (recovery) expense	$ (147,727)	$ 18,721

For the year ended December 31, 2019, the Company recognized a non-recurring charge of $27.1 million (including interest of $18.4 million) in current income tax expense relating to changes in prior year tax assessments in Colombia. The Company was required to make certain judgments as to the substance of the interest incurred in Colombia, and determined that the amounts met the definition of an income tax under IAS 12.

During the year ended December 31, 2019, the Company revised its estimate of future taxable profits due to an increase in reserves and tax legislation changes in Colombia. As a result, the Company recognized a deferred tax asset of $223.0 million relating to previously unrecognized tax losses and other deductions, as the Company's history of profits and projections of future taxable profits support the conclusion that it is probable that these tax attributes will be utilized. The deferred tax asset consists of deductible temporary differences which arose primarily from depreciable capital costs related to oil and gas properties of $49.1 million (2018: $7.2 million) and from available loss carryforwards of $173.9 million (2018: $25.4 million). A reconciliation of the Company's deferred income tax asset is follows:

Movement in Deferred Tax Balances	2019	2018
As at January 1	$ 32,616	$ 20,830
Recognized as deferred income tax expense	(40,736)	(20,830)
Recognized as deferred income tax asset	231,108	32,616
As at December 31	$ 222,988	$ 32,616

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

As at December 31, 2019, the Company has not recognized deferred tax assets of $831.2 million (2018: $1.0 billion) relating to non-capital losses and other items in Canada, Colombia, Guyana and Peru due to uncertainties associated with its ability to utilize these balances in the future.

The following table summarizes the Company's tax attributes and expiry dates by jurisdiction as at December 31, 2019:

Expiry Years of Tax Attributes	2020	2021	2022	2023	2024 and Beyond	Indefinitely	Total
Depreciable Capital Costs							
Colombia	$ —	$ —	$ —	$ —	$ —	$ 1,933,361	$ 1,933,361
Peru	—	—	—	—	—	341,031	341,031
Non-Capital Losses							
Canada	—	—	—	—	1,019,449	—	1,019,449
Colombia	—	—	36,422	48,813	42,819	564,536	692,590
Guyana	—	—	—	—	—	224,844	224,844
Peru	51,580	90,239	55,923	52,679	—	—	250,421
Capital Losses							
Canada	—	—	—	—	—	199,467	199,467
Total	$ 51,580	$ 90,239	$ 92,345	$ 101,492	$ 1,062,268	$ 3,263,239	$ 4,661,163

Tax Legislation Changes

On December 27, 2019, the Colombian government enacted a tax reform effective January 1, 2020, which includes a reduction in the minimum tax (Presumptive Tax) from 1.5% to 0.5% in 2020, with a further reduction to 0% from 2021 onwards. The tax reform also includes an increase in the dividend withholding tax on previously taxed profits from 7.5% to 10%.

12. Earnings (Loss) per Share

	Year Ended December 31	
	2019	2018
Net income (loss) attributable to equity holders of the Company	$ 294,287	$ (259,083)
Basic weighted average number of shares outstanding	97,871,378	99,841,652
Effect of dilution from dilutive instruments	1,660,984	—
Diluted weighted average number of shares outstanding	99,532,362	99,841,652
Basic earnings (loss) per share attributable to equity holders of the Company	$ 3.01	$ (2.59)
Diluted earnings (loss) per share attributable to equity holders of the Company	$ 2.96	$ (2.59)

13. Inventories

	Year Ended December 31	
	2019	2018
Crude oil and gas	$ 83,535	$ 82,340
Materials and supplies	19,581	25,675
Total	$ 103,116	$ 108,015

As at December 31, 2019, crude oil and gas inventory includes $46.3 million in Peru and $37.2 million in Colombia (2018: $54.7 million in Peru and $27.6 million in Colombia).

As at December 31, 2019, materials and supplies inventory was net of impairment of $5.1 million (2018: $1.0 million).

14. Disposals of Non-Current Assets

PEL - Power Transmission Line Assets

On April 19, 2018, the Company completed the sale of its interest in PEL, which held the investment in power transmission line assets, for net cash proceeds of $55.6 million after transaction costs. In accordance with IFRS requirements with respect to accounting for disposal of a foreign subsidiary, the Company recognized a non-cash loss of $50.8 million from the reclassification of CTA from equity to net income (loss). The currency translation adjustment (**"CTA")** loss primarily related to historical translation differences from PEL's COP functional currency to the Company's U.S. dollar presentation currency.

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

Interests in Papua New Guinea

On February 20, 2018, the Company received net cash proceeds of $57.0 million relating to the sale of its rights and benefits over certain interests located in Papua New Guinea.

Other Disposals of Non-Current Assets

In April 2018, the Company accepted an offer for cash consideration of $10.0 million for the sale of its net investment in Interamerican. The transaction closed on November 20, 2018, and the Company recognized a non-cash gain of $2.7 million from the reclassification of CTA from equity to net income (loss). The net cash proceeds during the year ended December 31, 2019, was $8.3 million (2018: $1.7 million).

The Company completed the title transfer of certain land packages in Colombia for proceeds of $5.7 million during 2018.

During the year ended December 31, 2019, the Company also received net cash proceeds of $0.9 million for the sale of other non-current assets (2018: $3.4 million).

15. Properties, Plant and Equipment

Cost	Oil & Gas Properties	Plant & Equipment	Total
As at January 1, 2018	$ 7,028,969	$ 253,448	$ 7,282,417
Additions	371,122	6,651	377,773
Transfer from exploration and evaluation assets	189,512	—	189,512
Transferred to disposals of non-current assets	244	—	244
Change in asset retirement obligations	1,419	—	1,419
Disposals	(5,817)	(8,419)	(14,236)
Currency translation adjustment	(5,266)	(83)	(5,349)
As at December 31, 2018	$ 7,580,183	$ 251,597	$ 7,831,780
Effect of IFRS 16 transition (Note 2)	44,759	19,352	64,111
As at January 1, 2019	7,624,942	270,949	7,895,891
Additions	257,493	5,016	262,509
Acquisition of CGX (Note 4)	—	7,154	7,154
Change in asset retirement obligations (Note 22)	49,362	—	49,362
Disposals	(28,151)	(10,486)	(38,637)
Currency translation adjustment	(782)	(4)	(786)
As at December 31, 2019	$ 7,902,864	$ 272,629	$ 8,175,493

Accumulated Depletion, Depreciation and Impairment	Oil & Gas Properties	Plant & Equipment	Total
As at January 1, 2018	$ 6,139,333	$ 219,075	$ 6,358,408
Charge for the year	298,482	19,331	317,813
Transfer from exploration and evaluation assets	184,494	—	184,494
Impairment (Note 8)	18,685	—	18,685
Disposals	(5,717)	(7,517)	(13,234)
Currency translation adjustment	(5,851)	(570)	(6,421)
As at December 31, 2018	$ 6,629,426	$ 230,319	$ 6,859,745
Charge for the year	363,502	9,949	373,451
Disposals	(23,141)	(10,486)	(33,627)
Currency translation adjustment	(706)	9	(697)
As at December 31, 2019	$ 6,969,081	$ 229,791	$ 7,198,872

Net Book Value	Oil & Gas Properties	Plant & Equipment	Total
As at December 31, 2018	$ 950,757	$ 21,278	$ 972,035
As at December 31, 2019	$ 933,783	$ 42,838	$ 976,621

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

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

	Oil & Gas Properties	Plant & Equipment	Total
Properties, plant and equipment owned	$ 889,308	$ 25,975	$ 915,283
ROU assets-Leases	44,475	16,863	61,338
As at December 31, 2019	$ 933,783	$ 42,838	$ 976,621

Details of ROU assets are as follows:

	Storage Facility	Power Generation	Plant & Equipment	Total
As at December 31, 2018	$ —	$ 16,851	$ —	$ 16,851
Effect of IFRS 16 transition	41,147	3,057	19,907	64,111
As at January 1, 2019	41,147	19,908	19,907	80,962
Additions	—	2,938	1,919	4,857
Depreciation charge for the year	(13,716)	(5,802)	(4,963)	(24,481)
As at December 31, 2019	$ 27,431	$ 17,044	$ 16,863	$ 61,338

16. Exploration and Evaluation Assets

	2019	2018
As at January 1	$ 15,100	$ 22,229
Additions, net of income from long-term testing	59,733	90,296
Transfer to oil and gas properties	—	(5,018)
Acquisition of CGX (Note 4)	54,040	—
Impairment (Note 8)	(19,526)	(93,874)
Change in asset retirement obligations	6,215	1,821
Disposals	(1,407)	(354)
As at December 31	$ 114,155	$ 15,100

17. Intangible Assets

	Cost	Accumulated Amortization	Net Book Value
As at January 1, 2019	$ —	$ —	$ —
Additions	68,601	—	68,601
Charge for the year	—	(10,290)	(10,290)
As at December 31, 2019	$ 68,601	$ (10,290)	$ 58,311

On April 1, 2019, as a result of Transporte Incorporado S.A.S. ("**Transporte Incorporado**") exercising their unilateral right to terminate an assignment agreement with the Company, transportation capacity rights relating 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, for a total value of $68.6 million. As of April 1, 2019, the transportation rights are being amortized over five years using the straight-line method. With the termination of the assignment agreement, the Company is no longer required to pay the monthly contractual fee of $1.5 million from April 1, 2019 through March 31, 2024. The effect of this transaction has reduced other transportation commitments in the gross undiscounted amount of $90.0 million.

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

18. Investments in Associates

	ODL [1]	Bicentenario	IVI [2]	CGX	Interamerican	Total
As at January 1, 2018	$ 130,602	$ 206,188	$ 64,729	$ 1,608	$ 17,856	$ 420,983
Investment	—	—	—	1,200	—	1,200
Share of income (loss) from associates	48,934	54,631	(17,295)	(2,808)	139	83,601
Dividends	(55,044)	(47,144)	—	—	—	(102,188)
Impairment (Note 8)	—	(130,956)	(47,816)	—	(11,216)	(189,988)
Currency translation adjustment	(7,124)	(8,976)	382	—	552	(15,166)
Disposals	—	—	—	—	(7,331)	(7,331)
As at December 31, 2018	$ 117,368	$ 73,743	$ —	$ —	$ —	$ 191,111
Share of income (loss) from associates	51,899	43,356	(10,423)	—	—	84,832
Dividends	(52,759)	(34,413)	—	—	—	(87,172)
Acquisition of CGX (Note 4)	—	—	—	(10,939)	—	(10,939)
Gain on revaluation of investment in CGX	—	—	—	10,939	—	10,939
Loss allocated against net investment in IVI	—	—	10,423	—	—	10,423
Currency translation adjustment	(653)	(1,580)	—	—	—	(2,233)
As at December 31, 2019	$ 115,855	$ 81,106	$ —	$ —	$ —	$ 196,961
Company´s interest as at December 31, 2019	35.00%	43.03%	39.22%	—%	—%	

[1] *Investment held through subsidiary PML (Note 23). The results and percentage ownership interest is presented gross, prior to the impact of the minority NCI of 40.07% as at December 31, 2019 (2018: 40.07%).*

[2] *Formerly Pacific Infrastructure Ventures Inc.*

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")

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

During the year ended December 31, 2019, the Company recognized gross dividends of $52.8 million (2018: $55.0 million), and received cash dividends of $58.4 million (2018: $39.6 million) from ODL. As at December 31, 2019, the Company had dividends receivable of $ Nil (2018: $9.0 million).

Bicentenario

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

During the year ended December 31, 2019, the Company recognized gross dividends of $34.4 million (2018: $47.1 million) and received cash dividends of $ Nil (2018: $28.0 million) from Bicentenario. As at December 31, 2019, the carrying value after withholding taxes of dividends receivable from Bicentenario was $39.1 million (2018: $14.4 million) and is included in Other Assets (Note 19).

IVI

IVI is a BVI company that owns Puerto Bahia, which operates a large-scale multipurpose port facility in the Bay of Cartagena. The functional currency of IVI is COP and CTA are recorded in other comprehensive income (loss). The Company also has loans receivable with IVI related to funds advanced to support infrastructure projects (Note 19).

IVI put option

Pursuant to a put option agreement, the International Finance Corporation and related funds ("**IFC**") has an option, exercisable at the discretion of the IFC, to require the Company to purchase their interest in IVI in the event that: (i) IVI has not conducted an initial public offering by December 1, 2019, in which case, the put price would be the current market price of IVI's common shares at the time of the exercise of the put; or (ii) the Company violates certain representations and covenants (relating principally to criminal offences, sanctionable practices, environmental compliance, insurance and the furnishing of information) under the transaction documents related to the IFC Parties' investment in IVI, in which case the put price is set at the amount that would give IFC the greater of the market value of the shares or 15% annual return on their investment. No initial public offering of IVI has occurred, and therefore the put option is now exercisable with no expiry date. As of March 4, 2020, the IFC has not exercised the put option.

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

Summarized financial information for the Company's significant associate investees, on a 100% basis, is as follows:

Financial Position	ODL		Bicentenario [1]		IVI	
As at December 31	2019	2018	2019	2018	2019	2018
Assets	$ 495,650	$ 572,518	$ 867,000	$ 854,067	$ 470,034	$ 486,668
Liabilities	164,635	237,181	678,512	682,691	(496,605)	(486,668)
Equity	$ 331,015	$ 335,337	$ 188,488	$ 171,376	$ (26,571)	$ —
Company's interest in associate	35.00%	35.00%	43.03%	43.03%	39.22%	39.22%
Carrying amount of the investment	$ 115,855	$ 117,368	$ 81,106	$ 73,743	$ —	$ —

Income Statement						
Year ended December 31	2019	2018	2019	2018	2019	2018
Revenue [2]	$ 338,331	$ 345,776	$ 294,359	$ 341,296	$ 70,580	$ 72,561
Expenses	(190,049)	(205,964)	(193,601)	(214,335)	(97,156)	(116,660)
Net income (loss)	$ 148,282	$ 139,812	$ 100,758	$ 126,961	$ (26,576)	$ (44,099)
Company's share of the income (loss) for the year	$ 51,899	$ 48,934	$ 43,356	$ 54,631	$ (10,423)	$ (17,295)

[1] Total assets were adjusted by $ Nil (2018: $304.3 million) for the gross impact of the impairment recognized.

[2] For the year ended December 31, 2019, revenue was reduced by $74.0 million (2018: $37.4 million), net of tax, related to the terminated BIC Pipeline transportation contracts.

19. Other Assets

	As at December 31	
	2019	2018
Long-term receivables	$ 126,060	$ 99,540
Long-term withholding tax	39,649	18,354
Advances [1]	11,334	17,741
Investments	1,298	1,130
Long-term recoverable VAT	599	19,921
Total	$ 178,940	$ 156,686

[1] Related to long-term advances paid for services under the take-or-pay agreement with Puerto Bahia.

Long-term receivables

IVI

The Company has advanced $65.9 million (2018: $41.3 million) under the terms of an equity contribution agreement and by way of shareholder loans directly to IVI's port subsidiary, Puerto Bahia (the "**Puerto Bahia ECA Loans**"). The Puerto Bahia ECA Loans are subordinated to the Puerto Bahia bank debt facility, and bear interest of 14.0%. As at December 31, 2019, the Puerto Bahia ECA Loans have a carrying value including interest of $75.7 million (2018: $43.8 million).

As at December 31, 2019, the Company also has loans receivable from IVI of $72.9 million (2018: $72.9 million) in aggregate principal, with a net carrying value after impairment of $5.3 million as at December 31, 2019 (2018: $44.0 million). The loans bear interest that ranges from 7% and 10%.

For the year ended December 31, 2019, $9.1 million (2018: $7.3 million) was recorded as Finance Income with respect to the Puerto Bahia ECA Loans and the loan receivable from IVI.

Impairment

During the year ended December 31, 2019, the Company reviewed the recoverability of an unsecured long-term receivable from IVI after identifying an impairment indicator relating to changes in the underlying cash flow forecasts on contracts originating from the operating subsidiary of IVI, Puerto Bahia. As a result, the Company increased its provision for ECLs and recorded an impairment charge of $36.6 million, representing the difference between the carrying value of the long-term receivable prior to the impairment and the updated discounted value of the future cash flows expected to be recovered under the loan (Note 8).

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

Bicentenario Dividends

For the year ended December 31, 2019, the Company recognized gross dividends of $34.4 million, which were declared but not paid by Bicentenario. As at December 31, 2019, the carrying value of the dividends receivable from Bicentenario is $39.1 million (2018: $14.4 million), corresponding to $45.4 million undiscounted (2018: $15.7 million).

20. Loans and Borrowings

Long-term Debt

On June 25, 2018, the Company issued $350.0 million of 9.70% senior unsecured notes due 2023 (the "**Unsecured Notes**"). The interest is payable semi-annually in arrears on June 25 and December 25 of each year and will mature on June 25, 2023, unless earlier redeemed or repurchased. On November 26, 2018, the Company amended the indenture terms of the Unsecured Notes, and reduced certain restrictions in place over the Company's ability to make restricted payments.

The Unsecured Notes were initially recognized net of an original issue discount of $4.1 million, and directly attributable transaction costs of $20.8 million, primarily related to underwriter, legal and other professional fees. The unamortized portion of the deferred finance costs described above was $18.9 million as at December 31, 2019 (2018: $23.2 million).

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

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

As at December 31, 2019 and 2018, the Company was in compliance with such covenants.

Certain proceeds from the Unsecured Notes were used to repurchase, at a premium of $25.3 million, the previously existing $250.0 million of 10% senior secured notes due 2021. As a result, a loss on extinguishment of debt totaling $25.6 million was recognized for the year ended December 31, 2018, comprised of the premium and $0.3 million in transaction costs.

Letter of Credit Facility

On May 17, 2018, the Company entered into a $100.0 million unsecured letter of credit facility with a maturity date of May 17, 2020 (the "**Unsecured LC Facility**"). The Unsecured LC Facility accrues interest at 3.0% per annum on any undrawn letters of credit, while amounts drawn under the facility accrue interest at 6.0% per annum. In November 2018, the Unsecured LC facility was reduced to $60.0 million. As at December 31, 2019, the Company had $43.7 million (2018: $33.5 million) of issued and outstanding letters of credit under the Unsecured LC Facility for exploratory, transportation and operational commitments.

Guarantees

The Company has various guarantees in place in the normal course of business. As at December 31, 2019, in addition to letters of credit issued from the Unsecured LC Facility, the Company has $31.8 million (2018: $Nil) of outstanding letters of credit to guarantee exploration and abandonment commitments. The lenders under these credit lines receive a fee equal to 3.0% per annum.

Finance Expense

The following table summarizes the main components of Finance Expense:

	Year Ended December 31	
	2019	2018
Interest on long-term debt	$ 33,950	$ 29,732
Accretion of asset retirement obligations	12,404	7,618
Lease financing costs	8,591	2,805
Letters of credit fees and other bank charges	6,312	4,565
Deferred financing costs amortization	4,235	1,426
Transaction costs on the Unsecured LC Facility	—	1,728
Accretion expense of other assets	—	4,850
Total	$ 65,492	$ 52,724

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

21. 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 10.61% (2018: 12.38%), and the maturity analysis by contractual undiscounted cash flows is as follows:

	As at December 31 2019	2018
Within 1 year	$ 34,178	$ 10,100
Year 2	31,114	10,119
Year 3	8,831	7,836
Year 4	7,819	3,322
Year 5	—	2,485
Total undiscounted lease liabilities	$ 81,942	$ 33,862
Less amounts representing finance costs	(10,400)	(6,283)
Present value of lease liabilities	$ 71,542	$ 27,579
Current	$ 28,138	$ 7,151
Non-current	43,404	20,428
Total	$ 71,542	$ 27,579

Amounts Recognized in the Consolidated Statements of Income (Loss)

	Year Ended December 31, 2019
Interest on lease liabilities	$ (8,591)
Variable lease payments not included in the measurement of lease liabilities	(9,426)
Income from sub-leasing ROU assets	6,631
Expenses relating to short-term leases	(4,690)
Expenses relating to leases of low-value assets	$ (3,580)

Amounts Recognized in the Consolidated Statements of Cash Flows

	Year Ended December 31, 2019
Total cash outflow for leases (1)	$ 51,015

(1) Includes principal payments of lease liabilities.

22. Asset Retirement Obligations

	2019	2018
As at January 1	$ 247,119	$ 257,066
Accretion expense	6,522	7,618
Additions	11,489	26,520
Changes in estimates (1)	37,274	(581)
Liabilities settled	(11,935)	(4,384)
Derecognition and disposal	(2,755)	(1,251)
Expense (Recovery) of asset retirement obligations (Note 8)	2,681	(15,894)
Currency translation adjustment	(1,413)	(21,975)
As at December 31	$ 288,982	$ 247,119

*(1) Corresponds mainly to new guidelines for technical abandonment wells by Agencia Nacional de Hidrocarburos ("**ANH**") and tariff rates for abandonment costs.*

	As at December 31 2019	2018
Current portion	$ 24,044	$ 15,509
Non-current portion	264,938	231,610
Total	$ 288,982	$ 247,119

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

Asset retirement obligations represent the present value of decommissioning and environmental liability costs relating to oil and gas properties, of which $382.7 million, on an undiscounted basis, is expected to be incurred between 2020 and 2042 (2018: $334.1 million), with $346.6 million (2018: $290.9 million) in Colombia and $36.1 million (2018: $43.2 million) in Peru.

Cash flows are expected to occur in a variety of countries and currencies, and the discount and inflation rates are chosen in association with the currencies in which the liabilities are expected to be settled. The future decommissioning costs and environmental liabilities are discounted to arrive at the present value using:

- A risk-free rate between 2.39% and 3.10% and an inflation rate between 2.20% and 3.00% for cash flows expected to be settled in U.S. dollar (2018: risk-free rate between 3.94% and 4.34% with inflation of 1.86%);
- A risk-free rate between 4.11% and 7.27% and an inflation rate between 2.70% and 3.90% for cash flows expected to be settled in COP (2018: risk-free rate between 4.68% and 7.82% with inflation between2.30% and 2.60%).

23. Non-Controlling Interest

	PML	CGX	Amount
As at January 1, 2018	$ 110,631	$ —	$ 110,631
Change in ownership interests [1]	8,787	—	8,787
Net income attributable to non-controlling interests	322	—	322
Dividends and distributions declared	(25,485)	—	(25,485)
Other comprehensive loss attributable to non-controlling interests	(9,394)	—	(9,394)
As at December 31, 2018	$ 84,861	$ —	$ 84,861
Acquisition of CGX (Note 4)	—	14,598	14,598
Change in ownership interests	—	(479)	(479)
Net income attributable to non-controlling interests	11,414	98	11,512
Dividends and distributions declared	(56,262)	—	(56,262)
Other comprehensive income attributable to non-controlling interests	5,546	—	5,546
As at December 31, 2019	$ 45,559	$ 14,217	$ 59,776

[1] In October, 2018, the issuance of shares diluted the Company's interest in PML to 59.93% from 63.64% resulting in a non-cash dilution loss of $8.8 million. As the dilution did not result in a loss of control, the loss was recognized entirely within equity.

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 BIC Pipeline was non-operational for six consecutive months ("**Bicentenario Put Option**") (Note 28).

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 to the Company was approximately $34.0 million after the proceeds of the transaction were distributed by PML to its shareholders, including the Company.

The summarized financial information for PML and CGX is as follows:

	PML As at December 31		CGX [1] As at December 31
	2019	2018	2019
Current assets	$ 2,676	$ 23,386	$ 16,009
Non-current assets	111,302	188,686	23,923
Total assets	113,978	212,072	39,932
Current liabilities	287	290	21,834
Non-current liabilities	—	—	—
Total liabilities	287	290	21,834
Equity	113,691	211,782	18,099
Total liabilities and equity	$ 113,978	$ 212,072	$ 39,933

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

	PML		CGX [(1)]
	Year Ended December 31		Year Ended December 31
	2019	2018	2019
Revenue	$ (11,910)	$ 9,554	$ —
Other income, net	40,396	(8,751)	9,423
Net income	$ 28,486	$ 803	$ 9,423

[(1)] *Since the acquisition of CGX, non-controlling interest has fluctuated between 32.22% and 27.59% (Note 4).*

24. Share Capital and Share-Based Arrangements

Share Capital

The Company is authorized to issue an unlimited number of common shares with no par value.

Dividends

During the year ended December 31, 2019, the Company declared dividends of C$1.315/share for $97.9 million (2018: C$0.33/share for $23.8 million) and paid dividends of $106.4 million (2018: $Nil), a dividend payable of $15.1 million was recorded as at December 31, 2019 (2018: $23.8 million). The Company's Dividend Reinvestment Plan ("**DRIP**") allows shareholders resident in Canada with the option to have the cash dividends declared on their common shares automatically reinvested back into additional Common Shares, without the payment of brokerage commissions or service charges. During the year ended December 31, 2019, the Company issued 630,944 common shares (2018: Nil) under the DRIP.

On March 4, 2020, the Company declared a regular dividend of C$0.205/share, which will be paid on or about April 16, 2020, to shareholders of record at the close of business on April 2, 2020.

Normal Course Issuer Bid

On October 16, 2019, the TSX approved the Company's notice to renew its normal course issuer bid ("**NCIB**"), which expired on July 17, 2019. Pursuant to the renewed NCIB, the Company can purchase for cancellation up to 6,532,400 of its common shares during the twelve-month period commencing October 18, 2019 and ending October 17, 2020. As at December 31, 2019, the Company had repurchased 1,548,814 common shares under its renewed NCIB.

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

	As at December 31	
	2019	2018
Number of common shares repurchased	2,642,834	1,590,585
Total amount of common shares repurchased	$ 21,752	$ 17,842
Weighted-average price per share	$ 8.23	$ 11.22

Share-Based Compensation

Restricted Share Units

The Company's RSUs vest three years after the grant date and are settled in either cash, common shares or a combination thereof, at the election of the Company. The number of RSUs that will ultimately vest is determined by internal business performance measures and a performance adjustment factor ranging from 0% to 150% depending on the Company's total shareholder return relative to a peer group of companies during the three-year performance period. During the vesting period, dividend equivalents in the form of additional RSUs are issued to reflect dividends paid on the Company's common shares. The Company recognized $0.2 million of share-based compensation expense relating to RSUs for the year ended December 31, 2019 (2018: $3.1 million). The following table provides a summary of the activity related to RSUs during the year:

	Year Ended December 31	
	2019	2018
Outstanding, beginning of year	1,118,966	752,172
Granted [(1)]	949,469	785,388
Forfeited	(225,047)	(306,584)
Settled	(41,166)	(112,010)
Outstanding, end of year	1,802,222	1,118,966
Vested, end of year	276,041	154,319

[(1)] *The weighted average fair value of the RSUs granted was $10.38 (2018: $15.28).*

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

Deferred Share Units

The Company has a DSU plan for its Board of Directors, whereby directors can elect to receive their annual compensation, or a portion thereof, in DSUs. DSUs vest immediately and are settled in either cash, common shares or a combination thereof, at the election of the Company, when the recipient ceases to be a director. Until settled, dividend equivalents in the form of additional DSUs are issued to reflect dividends paid on the Company's common shares. The Company recognized $2.7 million of share-based compensation expense relating to DSUs for the year ended December 31, 2019 (2018:$0.9 million). The following table provides a summary of the activity related to DSUs during the year:

	Year Ended December 31	
	2019	**2018**
Outstanding, beginning of year	146,463	86,384
Granted [1]	123,953	60,079
Settled	(24,065)	—
Outstanding, end of year	246,351	146,463
Vested, end of year	246,351	146,463

[1] The weighted average fair value of the DSUs granted was $11.56 (2018: $14.90).

Stock Options

The Company has not issued any stock options; however, certain subsidiaries of the Company may incur stock-based compensation pursuant to their respective long-term incentive plan arrangements. For the year ended December 31, 2019, stock-based compensation expense relating to stock options granted directly by the Company's subsidiaries was $1.5 million (2018: $Nil million).

25. Supplemental Disclosure on Cash Flows

Changes in non-cash working capital are as follows:

	Year Ended December 31	
	2019	**2018**
Decrease in accounts receivable	$ 23,795	$ 68,338
Decrease (increase) in inventories	7,368	(42,487)
(Increase) decrease in income taxes receivable	(30,168)	3,510
(Increase) decrease in prepaid expenses and deposits	(683)	12,610
(Decrease) increase in accounts payable, accruals and other liabilities	(100,763)	10,184
Increase (decrease) in income taxes payable	26,012	(4,722)
Changes in non-cash working capital	$ (74,439)	$ 47,433
Attributable to		
Operating activities	$ (19,932)	$ 3,464
Investing activities	(54,507)	43,969
Changes in non-cash working capital	$ (74,439)	$ 47,433

26. Related-Party Transactions

The following tables provide the total balances outstanding, commitments and transactional amounts with related parties as at and for the years ended December 31, 2019 and 2018:

As at December 31		Accounts Receivable	Accounts Payable and Lease Obligation	Commitments (Note 28)	Cash Advance [1] [2]	Long-term Receivable [1] [2]	Interest Receivable [1] [2]
ODL	2019	$ —	$ 4,181	$ 30,125	$ —	$ —	$ —
	2018	9,116	1,481	82,073	—	—	—
Bicentenario	2019	9,677	—	36,539	87,278	45,732	—
	2018	8,065	—	43,200	87,278	12,112	—
IVI	2019	—	31,193	52,238	17,741	151,452	52,267
	2018	—	1,104	123,330	17,741	123,036	37,158
CGX [3]	2018	$ —	$ —	$ —	$ —	$ 25,945	$ 2,186

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

Year Ended December 31		Sales	Purchases / Services	Interest Income[2]
ODL	2019	$ —	$ 49,356	$ —
	2018	1,359	46,472	—
Bicentenario [3]	2019	—	6,557	—
	2018	—	59,448	—
IVI	2019	—	32,347	15,109
	2018	23	29,162	10,828
Interamerican [4]	2018	—	—	83
CGX [3]	2019	—	—	363
	2018	$ 459	$ —	$ 1,026

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

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

[3] *Balances shown reflect transactions before the Company acquired control of CGX on March 13, 2019 (Note 4).*

[4] *Interamerican was sold in the fourth quarter of 2018, and was determined to no longer be a related party as at December 31, 2018.*

The Company is related to the entities noted above as a result of its equity ownership in the associates. The following sets out the details of those related-party transactions as summarized in the tables above:

- *ODL* - Services related to ship-or-pay contracts the Company has with ODL for the transportation of crude oil in Colombia for a total commitment of $30.1 million until 2021. The Company also earned revenue with respect to power transmission sales to ODL prior to the sale of PEL in April 2018 (Note 14).
- *Bicentenario* - Services related to ship-or-pay contracts the Company previously had with Bicentenario for the transportation of crude oil in Colombia through the BIC Pipeline. The BIC Pipeline experienced periodic suspensions following security-related disruptions and the Company exercised its contractual right to terminate its transportation contract with Bicentenario in July 2018. The Company has also claimed the termination of connected take-or-pay contracts for storage but was continuing to make payments pursuant to the contract as at December 31, 2019 (Note 28). The Company also has advances with Bicentenario as a prepayment of transportation tariffs, which are to be amortized against future barrels transported above the Company's contract capacity, and trade receivables and payables related to transportation taxes.
- *IVI* - The Company has loans receivable from IVI and its port subsidiary Puerto Bahia in relation to funds advanced for infrastructure projects (Note 19). The Company also has take-or-pay contracts for the transfer, loading and unloading of hydrocarbons at its port facilities (Note 28), for which the Company recognizes purchases, services and payable balances, as well as long-term advances. As a result of adopting IFRS 16 on January 1, 2019, the Company recognized ROU assets and lease liabilities relating to the take-or-pay of Puerto Bahia facilities, these leases were previously classified as operating leases and disclosed as commitments. As at December 31, 2019, lease liabilities include $29.0 million related to Puerto Bahía. The Company also has a receivables balance in 2018 associated with sublease arrangements with third parties for storage tanks under the take-or-pay contract described above.
- *CGX* - The Company had a series of loans with CGX and a service arrangement with respect to certain corporate administrative and technical support services provided for CGX's operations in Guyana. During the first quarter of 2019, the Company acquired control of CGX (Note 4) and all intragroup balances are now eliminated on consolidation.
- *Interamerican* - The Company had energy supply services from Interamerican and recognized gas sales to Interamerican. In the fourth quarter of 2018, the Company sold its net investment in Interamerican, comprised of the equity interest and a loan receivable of $2.7 million. Upon the sale, Interamerican was no longer determined to be a related party.

Key Management Compensation

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

	Year Ended December 31	
	2019	2018
Short-term employee benefits	$ 3,915	$ 6,579
Termination benefits	655	2,073
Share-based payments	1,275	2,724
Total	$ 5,845	$ 11,376

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

27. Financial Instruments and Risk Management

a. Risks Associated with Financial Assets and Liabilities

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

Credit Risk

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

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

	As at December 31	
	2019	2018
Trade receivables	$ 55,508	$ 64,364
Receivables from joint arrangements	48,099	58,733
Withholding tax and others	32,740	36,093
Other receivables	28,329	66,540
Short-term loan receivables [1]	—	24,994
Allowance for ECLs [2]	(32,521)	(45,206)
Accounts receivable	$ 132,155	$ 205,518
Long-term receivables, before loss allowances	197,991	134,842
Allowance for ECLs	(71,930)	(35,302)
Long-term receivables [3]	$ 126,061	$ 99,540
Withholding tax and others - not considered for credit risk	(40,662)	(36,093)
Total financial assets carried at amortized cost	$ 217,554	$ 268,965

[1] *Corresponds to pre-existing loans and advances with CGX before its acquisition (Note 4).*

[2] *Includes ECLs of $15.7 million for trade receivables (2018: $15.7 million).*

[3] *Included within Other Assets (Note 19).*

Reconciliation of ECLs

The following table shows a continuity of ECLs:

	2019	2018
As at January 1	$ 80,508	$ 75,821
Provision for ECLs (Note 19)	36,628	4,687
Reduction due to the acquisition of CGX	(12,685)	—
As at December 31	$ 104,451	$ 80,508

ii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company mitigates its liquidity risk by managing its capital expenditures, operational cash flows, and by maintaining adequate lines of credit and cash and cash equivalent balances on hand.

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

The following tables summarizes the undiscounted cash outflows relating to contractual maturities of the Company's non-derivative financial liabilities as at December 31, 2019:

Financial Liability Due In	2020	2021	2022	2023	Total
Accounts payable and accrued liabilities	$ 501,991	$ —	$ —	$ —	$ 501,991
Long-term debt	—	—	—	350,000	350,000
Interest payments on debt	33,950	33,950	33,950	16,975	118,825
Lease liabilities	34,178	31,114	8,831	7,819	81,942
Total	$ 570,119	$ 65,064	$ 42,781	$ 374,794	$ 1,052,758

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

	As at December 31	
	2019	2018
Accrued liabilities	$ 167,978	$ 256,742
Trade and other payables	162,748	175,316
Provisions and withholding tax	119,315	96,060
Supplier holdback and advances	51,950	47,048
Total	$ 501,991	$ 575,166

The Company has various guarantees in place in the normal course of business, supported by issued letters of credit (Note 28). As at December 31, 2019, the Company was granted two credit lines for a total of $22.2 million.

Restricted Cash

As at December 31, 2019, restricted cash classified as current consisted of $32.5 million in funds held in trust for the Caño Limón pipeline tariff overcharges disagreement (2018: $31.8 million) (Note 26) and $4.7 million in cash held for various agreements related to insurance, tax and exploration commitments (2018: $7.7 million).

As at December 31, 2019, restricted cash classified as non-current consisted of $74 million in trust accounts and term deposits to cover future abandonment obligations (2018: $86.4 million), and $16.2 million in insurance collateral for certain contingencies (2018: $16.4 million).

b. Risk Management Contracts

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

Risk Management Contracts - Crude Oil

Type of Instrument	Term	Benchmark	Notional Amount / Volume (bbl)	Avg Strike Prices Put / Call; Call Spreads	Carrying Amount Assets	Carrying Amount Liabilities
Put options	January to March 2020	Brent	964,000	58.75	$ 357	$ —
Zero cost collars	January to March 2020	Brent	1,389,000	58.10 / 73.75	486	36
3-ways	April to September 2020	Brent	3,567,000	48.60/58.60/74.50	5,590	—
Put Spread	January to December 2020	Brent	1,890,000	48.10/58.10	908	—
Total as at December 31, 2019					$ 7,341	$ 36
Put options	January 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	Carrying Amount Liabilities
Zero cost collars	January to September 2020	COP / USD	$ 204,000	3,241 / 3,667	$ 2,768	$ —
Total as at December 31, 2019					$ 2,768	$ —
Zero cost collars	January to June 2019	COP / USD	$ 172,500	3,032 / 3,273	—	3,299
Forward	January to March 2019	COP / USD	$ 22,500	3,109	—	1,019
Total as at December 31, 2018					$ —	$ 4,318

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

	Assets	Liabilities
Total risk management contracts as at December 31, 2019	$ 10,109	$ 36
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:

	Year Ended December 31	
	2019	2018
Realized loss on risk management contracts	$ (9,720)	$ (192,970)
Unrealized (loss) gain on risk management contracts	(5,722)	107,337
Total	$ (15,442)	$ (85,633)

c. Fair Value of Financial Instruments

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

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

			Fair Value		
	Year	Carrying Value	Level 1	Level 2	Level 3
Financial Assets Measured at Fair Value through Profit & Loss					
Risk management assets	2019	$ 10,109	$ —	$ 10,109	$ —
	2018	9,380	—	9,380	—
Financial Assets Measured at Fair Value through Other Comprehensive Income					
Investments in equity instruments	2019	$ 1,298	$ —	$ —	$ 1,298
	2018	1,130	—	—	1,130
Financial Assets Measured at Amortized Cost					
Long-term receivables	2019	$ 126,060	$ —	$ —	$ 126,060
	2018	99,540	—	—	99,540
Financial Liabilities Measured at Fair Value through Profit & Loss					
Risk management liabilities	2019	$ (36)	$ —	$ (36)	$ —
	2018	(4,318)	—	(4,318)	—
Financial Liabilities Measured at Amortized Cost					
Long-term debt	2019	$ (331,118)	$ —	$ (369,278)	$ —
	2018	(326,784)	—	(346,654)	—

Level 3 financial assets measured at amortized cost

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

d. Capital Management

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

Specifically, the Company's capital management objectives are to maintain compliance with debt covenant ratios, which are currently met (Note 20), and to maintain a minimum cash and cash equivalents balance of $200.0 million. To facilitate the management of these objectives, the Company utilizes a planning, budgeting and forecasting process to help determine and monitor the funds needed to maintain appropriate liquidity for operational, capital and financial needs.

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

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

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

	As at December 31	
	2019	2018
Equity attributable to equity holders of the Company	$ 1,210,258	$ 1,022,327
Long-term debt	331,118	326,784
Working capital surplus [1]	(71,356)	(215,698)
Total	$ 1,470,020	$ 1,133,413

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

28. Commitments and Contingencies

Commitments

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

As at December 31, 2019	2020	2021	2022	2023	2024	2025 and Beyond	Total
Transportation and storage commitments							
Ocensa P-135 ship-or-pay agreement	$ 80,825	$ 68,367	$ 68,367	$ 68,367	$ 68,367	$ 34,360	$ 388,653
Puerto Bahia take-or-pay agreement [1]	25,862	26,376	—	—	—	—	52,238
ODL ship-or-pay agreement	28,982	1,143	—	—	—	—	30,125
Bicentenario take-or-pay storage agreements [2]	7,663	7,663	7,663	7,663	5,887	—	36,539
Other transportation agreements [3]	36,432	30,358	30,283	29,444	29,444	103,985	259,946
Exploration commitments							
Minimum work commitments	148,301	127,564	50,202	12,950	—	—	339,017
Other commitments							
Operating purchases, leases and community obligations [4]	11,809	8,323	7,548	8,400	5,801	10,174	52,055
Total	$ 339,874	$ 269,794	$ 164,063	$ 126,824	$ 109,499	$ 148,519	$ 1,158,573

[1] *Excludes the lease component for ROU assets, which were recognized as lease liabilities upon the adoption of IFRS 16 (Note 3).*

[2] *The Company has claimed against Bicentenario the termination of certain connected contracts for use of ancillary facilities related to the BIC Pipeline but was continuing to make payments pursuant to the contract as at December 31, 2019.*

[3] *Includes take-or-pay commitments with CENIT related to the CLC and BIC Pipelines for $237.7 million for offloading, maritime facilities, and the Monterrey-Araguaney Pipeline. The Company has claimed against CENIT the termination of these contracts for the use of ancillary facilities but was continuing to make payments pursuant to the contracts as at December 31, 2019.*

[4] *Excludes lease liabilities recognized on the Consolidated Statement of Financial Position upon the adoption of IFRS 16 (Note 3). Operating purchases and leases represent contractual commitment for service contracts and other short-term and low-value leases.*

Puerto Bahia Equity Contribution Agreement

On October 4, 2013, Pacinfra Holding Ltd. ("**Pacinfra**" a subsidiary of the Company), IVI, Puerto Bahia (a subsidiary of IVI, Note 18) and Wilmington Trust, National Association (as Collateral and Administrative Agent), entered into an equity contribution agreement, pursuant to which Pacinfra 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. As at December 31, 2019, the Company has disbursed by way of shareholder loans a total of $65.9 million to Puerto Bahia under the Puerto Bahia ECA Loans (Note 19).

Other Guarantees and Pledges

The Company has granted a security interest in favour of Talisman Colombia Oil & Gas Ltd. ("**TCOG**") for variable and fixed payments up to a maximum of $48.0 million calculated on the basis of production from the CPE-6 block in Colombia. This relates to the Company's acquisition of TCOG's 50% working interest in the CPE-6 block. As of December 31, 2019, the Company has paid a total of $2.1 million of such amounts under the agreement.

Contingencies

The Company is involved in various claims and litigation arising in the normal course of business. Since the outcomes of these matters are uncertain, there can be no assurance that such matters will be resolved in the Company's favour. The outcome of adverse decisions in any pending or threatened proceedings related to these and other matters could have a material impact on the Company's financial position, results of operations or cash flows.

Termination of Transportation Agreements

On July 12, 2018, the Company exercised contractual rights to terminate (a) three transportation contracts (the "**BIC Transportation Agreements**") with Bicentenario to ship oil through the BIC Pipeline which operates between Araguaney and Banadia where it connects to the Caño Limón pipeline ("**CLC Pipeline**") because service had not been provided for more than six consecutive months, and (b) three related transportation agreements (the "**CLC Transportation Agreements**") with CENIT to ship oil through the CLC Pipeline because service had not been provided for more than 180 consecutive calendar days. The Company has received notice that CENIT and Bicentenario dispute the validity of those contract terminations, and that on December 3, 2018, CENIT, and on January 28, 2019, Bicentenario, commenced separate arbitration proceedings against the Company before the Centre for Arbitration and Conciliation of the Bogota Chamber of Commerce (the "**Bogota Arbitration Centre**") concerning the contract terminations. The arbitration claims have not been served on the Company, but the Company has been informed that in both proceedings it is claimed that the contract terminations were invalid, and that the Company remains liable to perform the applicable transportation agreements. The Company has been further informed that the primary relief requested in each proceeding is that the Company be ordered to pay with interest the monthly service payments that have not been paid since the contract terminations, and be ordered to pay future monthly service payments as they fall due. The CENIT claim also contains a dispute about whether the applicable tariff rate is a regulated tariff rate or a different tariff rate provided for by the CLC Transportation Agreements. Alternative, additional and amended relief has or may in the future also be claimed in both arbitration proceedings. As of December 31, 2019, the amount of tariffs claimed by CENIT under the CLC Transportation Agreement would be $83.0 million plus interest, and after December 31, 2019 would be approximately $70.3 million per annum, subject to tariff adjustments from time to time, until 2028. As of December 31, 2019, the aggregate amount of monthly service payments claimed by Bicentenario under the BIC Transportation Agreements would be $77.7 million (net of credits note and SBLCs) plus interest, and after December 31, 2019 would be approximately $130.6 million per annum, subject to tariff adjustments from time to time, until 2024.

The Company believes it was fully entitled to terminate both the BIC Transportation Agreements and the CLC Transportation Agreements and intends to vigorously defend the arbitration proceedings commenced by Bicentenario and CENIT and recover damages. On December 3, 2019, the Company and certain of its affiliates commenced arbitration proceedings before the Bogota Arbitration Centre seeking relief from Bicentenario and CENIT on the basis, amongst other things, that those contracts were validly terminated. The relief claimed against Bicentenario included payment of $486.5 million plus interest for letters of credit improperly drawn, service prepayments, credits and unpaid dividends declared in 2018, and the relief claimed from CENIT included release of $32.6 million of restricted cash in connection with the dispute concerning the tariff rate for the CLC Pipeline applicable to service payments made before the termination of the CLC Transportation Agreements on July 12, 2018. The relief claimed against Bicentenario and CENIT also includes termination of certain connected contracts for use of ancillary facilities related to the BIC Pipeline and the CLC Pipeline.

The Company has received notice that on December 3, 2019, Bicentenario commenced arbitration proceedings before the Bogota Arbitration Centre against various shareholders of Bicentenario including the Company, claiming that as a result of the loss of revenue resulting from the cessation of payments pursuant to various transportation contracts including the BIC Transportation Agreements, the shareholders are obliged to contribute additional funds to Bicentenario to cover debt service payments and other amounts. The Company believes that there is no basis for these proceedings.

Payments under Terminated Pipeline Contracts

For the year ended December 31, 2018, the net amounts paid to Bicentenario post termination of the BIC Pipeline contract totalled $74.6 million, comprised of $64.3 million drawn under standby letters of credit ("**SBLCs**"), $6.8 million of advance payment for services in July 2018 related to the period after the termination date of July 12, 2018, and $3.5 million in credit notes for activity in June 2018. The SBLCs was originally issued to guarantee obligations under the BIC Pipeline contract. These SBLCs were autonomous and irrevocable, and thus did not automatically terminate upon early termination of the pipeline contract.

Fees Paid on Suspended Pipeline Capacity

For the year ended December 31, 2018, and prior to the termination of the transportation contracts, the net fee paid relating to periods of disrupted and suspended pipeline capacity was $82.4 million.

Ecopetrol - Rubiales Field Disagreement

The Company has been involved in negotiations with Ecopetrol with respect to disagreements on wind-down costs and expenses, as well as inventory, in connection with the expiration of the Rubiales and Piriri exploration and production contracts in June 2016. On November 22, 2018, the Company filed a lawsuit against Ecopetrol before the Administrative Tribunal of Cundinamarca claiming it is owed $25.3 million. The Company is aware that Ecopetrol has claimed approximately $45 million. At this time, the Company has not yet been served such claim and therefore the Company cannot anticipate what the outcome of this proceeding will be or whether the final settled net amount will be significant.

Reversal of Provision Related to High-Price Clause

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

For the year ended December 31, 2017, the Company reversed $99.6 million in provisions related to the Corcel Block after an arbitration panel ruling in favour of the Company's position received on December 6, 2017. Subsequently, the ANH filed requests for annulment of the arbitration panel's decision with Colombia's highest administrative court. This request was rejected on November 21, 2018 and January 18, 2019. As a result, the arbitrators ruling in favour of the Company was upheld.

For the year ended December 31, 2018, the Company commenced a process to review other contingent liability provisions and reversed an additional $62.9 million for two blocks. The reversal was supported by external legal and technical opinions supporting the Company's interpretation that the PAP clause would not apply to a certain designated exploitation area within these blocks.

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

Tax Review in Colombia

The Colombian tax authority has assessed the Company with respect to certain income tax deductions relating to exploration expenditures, transportation costs, VAT credits and other expenses. As at December 31, 2019, the tax authority is assessing $224.2 million of tax owing, including interest and penalties (2018: $156.2 million). The Company has made a tax provision for $22.5 million relating to certain Colombian tax assessments, however, the Company believes that the remaining assessments will be resolved in its favour, and accordingly, no further income tax provision has been made regarding those amounts as at December 31, 2019.

Tax Review in Peru

The Peruvian tax authority has assessed the Company with respect to certain income tax deductions relating to exploration expenditures, VAT credits and other expenses. As at December 31, 2019, the tax authority is assessing $15.7 million of tax owing, including interest and penalties (2018: $21.5 million). The Company believes that the Peruvian tax assessments will be resolved in its favour and, accordingly, no income tax provision has been made as at December 31, 2019.