

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

*For the three and nine months ended
September 30, 2020 and 2019*



Interim Condensed Consolidated Statements of (Loss) Income

		Three Months Ended September 30		Nine Months Ended September 30	
(Unaudited; in thousands of U.S.\$, except per share information)	Notes	2020	2019	2020	2019
Oil and gas sales and other revenue	5	\$ 153,621	\$ 289,641	\$ 479,160	\$ 994,149
Sales of oil and gas for trading	5	—	86	—	74,267
Royalties		(861)	(12,051)	(7,761)	(35,866)
Revenue		152,760	277,676	471,399	1,032,550
Oil and gas operating costs	6	82,873	130,775	347,089	450,117
Costs under terminated pipeline contracts	19	8,391	—	19,621	—
Costs of oil and gas for trading		—	135	—	71,375
General and administrative		10,539	18,476	35,270	53,175
Share-based compensation		246	1,314	2,779	3,031
Depletion, depreciation and amortization		60,960	94,019	207,230	286,257
Impairment, exploration expenses and other	7	1,469	46,391	153,409	63,254
Restructuring, severance and other costs	8	1,047	5,463	13,757	8,951
(Loss) income from operations		(12,765)	(18,897)	(307,756)	96,390
Share of income from associates	12	15,193	17,183	30,123	60,434
Foreign exchange loss		(12,450)	(3,735)	(35,582)	(1,452)
Finance income		2,019	5,580	12,864	17,082
Finance expense		(12,655)	(19,732)	(39,643)	(48,054)
(Loss) gain on risk management contracts	17	(6,597)	2,203	41,907	(1,103)
Other (loss) income, net	3	(38,626)	(1,359)	(44,285)	9,438
Reclassification of currency translation adjustments	3	(23,956)	—	(23,956)	—
Net (loss) income before income tax		(89,837)	(18,757)	(366,328)	132,735
Current income tax expense		(2,805)	(28,744)	(9,061)	(37,671)
Deferred income tax recovery (expense)		—	(1,155)	(167,979)	142,858
Income tax (expense) recovery	9	(2,805)	(29,899)	(177,040)	105,187
Net (loss) income for the period		\$ (92,642)	\$ (48,656)	\$ (543,368)	\$ 237,922
Attributable to:					
Equity holders of the Company		(90,473)	(49,117)	(546,042)	224,879
Non-controlling interests		(2,169)	461	2,674	13,043
		\$ (92,642)	\$ (48,656)	\$ (543,368)	\$ 237,922
(Loss) earnings per share attributable to equity holders of the Company					
Basic	10	\$ (0.93)	\$ (0.50)	\$ (5.64)	\$ 2.29
Diluted	10	\$ (0.93)	\$ (0.50)	\$ (5.64)	\$ 2.26

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

Interim Condensed Consolidated Statements of Comprehensive (Loss) Income

(Unaudited; in thousands of U.S.\$)	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Net (loss) income for the period	\$ (92,642)	\$ (48,656)	\$ (543,368)	\$ 237,922
Other comprehensive (loss) income to be reclassified to net (loss) income in subsequent periods (nil tax effect)				
Foreign currency translation	(3,701)	(22,946)	(33,776)	(22,152)
Total comprehensive (loss) income for the period	\$ (96,343)	\$ (71,602)	\$ (577,144)	\$ 215,770
Attributable to:				
Equity holders of the Company	(94,146)	(68,225)	\$ (575,454)	\$ 205,658
Non-controlling interests	(2,197)	(3,377)	(1,690)	10,112
	\$ (96,343)	\$ (71,602)	\$ (577,144)	\$ 215,770

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

Interim Condensed Consolidated Statements of Financial Position

As at (Unaudited; in thousands of U.S.\$)	Notes	September 30 2020	December 31 2019
ASSETS			
Current			
Cash and cash equivalents		\$ 259,980	\$ 328,433
Restricted cash	17	90,733	37,216
Accounts receivable		66,719	132,155
Inventories		71,526	103,116
Income taxes receivable		17,040	37,592
Prepaid expenses and deposits		7,679	5,992
Risk management assets	17	3,405	10,109
Total current assets		517,082	654,613
Non-current			
Properties, plant and equipment	11	887,262	976,621
Exploration and evaluation assets		117,538	114,155
Intangible assets	7	—	58,311
Investments in associates	12	139,154	196,961
Deferred tax assets	9	55,009	222,988
Restricted cash	17	70,585	90,162
Other assets		78,835	178,940
Total assets		\$ 1,865,465	\$ 2,492,751
LIABILITIES			
Current			
Accounts payable and accrued liabilities		\$ 347,828	\$ 501,991
Borrowings	13	203,095	—
Risk management liabilities	17	6,566	36
Income taxes payable		25,431	29,048
Lease liabilities	14	11,128	28,138
Asset retirement obligations	15	1,945	24,044
Total current liabilities		595,993	583,257
Non-current			
Long-term debt		334,432	331,118
Other payables		3,250	—
Lease liabilities	14	8,527	43,404
Risk management liabilities	17	9,917	—
Asset retirement obligations	15	217,303	264,938
Total liabilities		\$ 1,169,422	\$ 1,222,717
Commitments and contingencies	19		
EQUITY			
Share capital		\$ 4,711,614	\$ 4,712,114
Contributed surplus		123,123	120,112
Other reserves		(186,066)	(180,610)
Retained deficit		(4,001,297)	(3,441,358)
Equity attributable to equity holders of the Company		\$ 647,374	\$ 1,210,258
Non-controlling interests		48,669	59,776
Total equity		\$ 696,043	\$ 1,270,034
Total liabilities and equity		\$ 1,865,465	\$ 2,492,751

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

Interim Condensed Consolidated Statements of Changes in Equity

(Unaudited; in thousands of U.S.\$)	Attributable to Equity Holders of the Company							Non-Controlling Interests	Total Equity
	Number of Common Shares	Share Capital	Contributed Surplus	Cumulative Translation Adjustment	Fair Value Investment	Retained Deficit	Total		
As at January 1, 2020	96,433,257	\$ 4,712,114	\$ 120,112	\$ (175,408)	\$ (5,202)	\$ (3,441,358)	\$ 1,210,258	\$ 59,776	\$ 1,270,034
Net (loss) income for the period	—	—	—	—	—	(546,042)	(546,042)	2,674	(543,368)
Other comprehensive loss	—	—	—	(29,412)	—	—	(29,412)	(4,364)	(33,776)
Total comprehensive loss	—	—	—	(29,412)	—	(546,042)	(575,454)	(1,690)	(577,144)
Acquisition of Infrastructure Ventures Inc. (Note 3)	—	—	—	23,956	—	—	23,956	—	23,956
Dividends declared to equity holders of the Company ⁽¹⁾	2,153,633	8,581	—	—	—	(13,897)	(5,316)	—	(5,316)
Repurchase of common shares ⁽²⁾	(1,392,314)	(10,075)	—	—	—	—	(10,075)	—	(10,075)
Share-based compensation	269,582	994	3,011	—	—	—	4,005	—	4,005
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(9,417)	(9,417)
As at September 30, 2020	97,464,158	\$ 4,711,614	\$ 123,123	\$ (180,864)	\$ (5,202)	\$ (4,001,297)	\$ 647,374	\$ 48,669	\$ 696,043

(Unaudited; in thousands of U.S.\$)	Attributable to Equity Holders of the Company							Non-Controlling Interests	Total Equity
	Number of Common Shares	Share Capital	Contributed Surplus	Cumulative Translation Adjustment	Fair Value Investment	Retained Deficit	Total		
As at January 1, 2019	98,421,079	\$ 4,727,598	\$ 116,725	\$ (179,028)	\$ (5,202)	\$ (3,637,766)	\$ 1,022,327	\$ 84,861	\$ 1,107,188
Net income for the period	—	—	—	—	—	224,879	224,879	13,043	237,922
Other comprehensive loss	—	—	—	(19,221)	—	—	(19,221)	(2,931)	(22,152)
Total comprehensive (loss) income	—	—	—	(19,221)	—	224,879	205,658	10,112	215,770
Acquisition of CGX Energy Inc.	—	—	—	—	—	—	—	14,598	14,598
Dividends declared to equity holders of the Company ⁽¹⁾	630,447	5,866	—	—	—	(82,743)	(76,877)	—	(76,877)
Repurchase of common shares ⁽²⁾	(1,094,020)	(9,899)	—	—	—	—	(9,899)	—	(9,899)
Share-based compensation	—	—	3,635	—	—	—	3,635	—	3,635
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(46,492)	(46,492)
Increase in non-controlling interest	—	—	2,135	—	—	—	2,135	(2,135)	—
As at September 30, 2019	97,957,506	\$ 4,723,565	\$ 122,495	\$ (198,249)	\$ (5,202)	\$ (3,495,630)	\$ 1,146,979	\$ 60,944	\$ 1,207,923

⁽¹⁾ During the nine months ended September 30, 2020, the Company declared dividends of C\$0.205 per share (2019: weighted average C\$0.277 per share).

⁽²⁾ During the nine months ended September 30, 2020, the Company repurchased for cancellation \$10.1 million of common shares (2019: \$9.9 million) under its normal course issuer bid, for an average repurchase cost of \$7.24 per share (2019: \$9.05 per share).

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

Interim Condensed Consolidated Statements of Cash Flows

		Three Months Ended September 30		Nine Months Ended September 30	
(Unaudited; in thousands of U.S.\$)	Notes	2020	2019	2020	2019
OPERATING ACTIVITIES					
Net (loss) income for the period		\$ (92,642)	\$ (48,656)	\$ (543,368)	\$ 237,922
Items not affecting cash:					
Depletion, depreciation and amortization		60,960	94,019	207,230	286,257
Impairment	7	—	45,239	151,472	59,061
Expense (recovery) of asset retirement obligations	15	480	(417)	471	1,130
Unrealized loss (gain) on risk management contracts	17	351	(4,338)	7,222	(4,611)
Share-based compensation		246	1,314	2,779	3,293
Deferred income tax expense (recovery)	9	—	1,155	167,979	(142,858)
Unrealized foreign exchange loss (gain)		19,856	(1,592)	41,090	(9,013)
Share of income from associates	12	(15,193)	(17,183)	(30,123)	(60,434)
Loss on acquisition of Infrastructure Ventures Inc.	3	42,829	—	42,829	—
Reclassification of currency translation adjustments	3	23,956	—	23,956	—
Finance expense		12,655	19,734	39,643	48,054
Dividends from associates	12	7,895	—	30,787	32,704
Settlement of asset retirement obligations	15	(985)	(6,148)	(3,549)	(9,629)
Other		2,219	2,136	4,665	(9,767)
Changes in non-cash working capital	18	(26,698)	39,026	41,643	(36,717)
Cash provided by operating activities		\$ 35,929	\$ 124,289	\$ 184,726	\$ 395,392
INVESTING ACTIVITIES					
Additions to properties, plant and equipment		\$ (2,043)	\$ (56,538)	\$ (56,799)	\$ (173,208)
Additions to intangible assets		—	—	—	(48,487)
Additions to other assets, net		—	—	—	(10,453)
Additions to exploration and evaluation assets, net		—	(6,847)	(20,297)	(26,998)
(Increase) decrease in restricted cash		(1,893)	576	(28,317)	14,168
Acquisition of Infrastructure Ventures Inc.	3	(2,810)	—	(2,810)	—
Acquisition of CGX Energy Inc.		—	—	—	4,296
Proceeds from the sale of non-current assets		—	—	—	890
Changes in non-cash working capital	18	(9,015)	(35,823)	(44,275)	(100,098)
Cash used in investing activities		\$ (15,761)	\$ (98,632)	\$ (152,498)	\$ (339,890)
FINANCING ACTIVITIES					
Lease payments		\$ (8,389)	\$ (8,328)	\$ (24,218)	\$ (25,007)
Dividends paid to equity holders of the Company		—	(54,809)	(20,510)	(85,639)
Dividends paid to non-controlling interests		—	—	(9,417)	(46,492)
Repurchase of common shares		—	—	(10,075)	(9,899)
Interest and other bank charges		(742)	(629)	(19,027)	(19,027)
Cash used in financing activities		\$ (9,131)	\$ (63,766)	\$ (83,247)	\$ (186,064)
Effect of exchange rate changes on cash and cash equivalents		(7,192)	(1,845)	(17,434)	(1,613)
Increase (decrease) in cash and cash equivalents during the period		3,845	(39,954)	(68,453)	(132,175)
Cash and cash equivalents, beginning of the period		256,135	353,911	328,433	446,132
Cash and cash equivalents, end of the period		\$ 259,980	\$ 313,957	\$ 259,980	\$ 313,957
Cash		176,192	258,488	176,192	258,488
Cash equivalents		83,788	55,469	83,788	55,469
Total cash and cash equivalents		\$ 259,980	\$ 313,957	\$ 259,980	\$ 313,957
Supplementary cash flow information					
Cash income tax paid		516	1,688	\$ 2,474	\$ 4,440
Cash interest paid		30	540	\$ 17,669	\$ 18,045
Cash interest received		\$ 1,047	\$ 3,023	\$ 5,609	\$ 8,170

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

Notes to the Interim Consolidated Financial Statements

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

1. Corporate Information

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

These interim condensed consolidated financial statements of the Company, comprising those of the Company and its subsidiaries, were approved and authorized for issuance by the Audit Committee of the Board of Directors on November 3, 2020.

2. Basis of Preparation and Significant Accounting Policies

a. Statement of Compliance

These interim condensed consolidated financial statements for the three and nine months ended September 30, 2020 and 2019 (the “**Interim Financial Statements**”), have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board (“**IASB**”). The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended December 31, 2019 (the “**2019 Annual Financial Statements**”).

Certain amounts in the comparative interim condensed consolidated statements of cash flow have been reclassified from the amounts previously presented to conform to the presentation of the current consolidated financial statements. Specifically, beginning with the 2019 Annual Financial Statements, interest paid is classified as a financing activity instead of an operating activity. Additionally, the Company has reclassified the amount related to cost under terminated pipelines contracts for the previous quarters of 2020, relating to the Termination of Transportation Agreements (Note 19), in the interim condensed consolidated statements of (loss) income.

b. Significant Accounting Policies

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

Critical Judgments in Applying Accounting Policies

Coronavirus and Estimation Uncertainty

In March 2020, the World Health Organization declared the coronavirus (“**COVID-19**”) outbreak a pandemic. The spread of COVID-19 has resulted in a challenging economic environment, with more volatile commodity prices, foreign exchange rates, and long-term interest rates. It remains difficult to reliably estimate the length or severity of these developments and their financial impact. As there are many variables and uncertainties regarding the COVID-19 pandemic, as well as its impact on the global demand, including the duration and magnitude of the disruption in the oil and gas industry, it is not possible to precisely estimate the potential impact of the COVID-19 pandemic on the Company’s financial condition and operations. There may also be effects that are not currently known as the full impact of the COVID-19 pandemic is still uncertain. This presents uncertainty and risk with respect to management’s judgments, estimates and assumptions that affect the application of accounting policies, particularly those relating to assessments about liquidity and going concern, recoverable amounts and impairment, and the realization of deferred tax assets.

These Interim Financial Statements have been prepared on a going concern basis as the Company expects to have adequate liquidity to support its operations and meet its financial obligations for the foreseeable future. The Company’s ability to continue as a going concern for the next twelve months involves significant judgment and is dependent on its ability to generate positive cash flows from operations, which are primarily impacted by estimates concerning future oil prices. The estimates used by management in reaching this conclusion are based on information available as of the date these financial statements were authorized for issuance, and include internally generated cash flow forecasts based on future projections of oil prices and other operational factors. Accordingly, actual results could differ from these estimates and resulting variances may be material to management’s assessment.

Notes to the Interim Consolidated Financial Statements

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

At the end of each reporting period, the Company assesses internal and external sources of information to decide whether there is any indication that an asset or cash generating unit ("**CGU**") may be impaired. External sources of information include changes in the economic and legal environment in which the CGUs operate. Internal sources include the economic performance of the CGUs and other asset specific indicators.

During the first quarter of 2020, the Company concluded that there were indicators of impairment as a result of the decrease in global oil prices and performed a recoverability test on the value of its non-current assets which resulted in an impairment charge of \$150.6 million (Note 7). As at September 30, 2020, the Company determined that there were no indicators of impairment or reversal of impairments. The Company applies judgment to various assumptions included in its impairment assessment as described in Note 7, which are consistent with those used to evaluate its ability to generate positive cash flows from operations as part of the going concern assessment.

3. Acquisition of Infrastructure Ventures Inc. ("**IVI**")

On August 5, 2020, the Company acquired control of IVI through the acquisition of an additional 32.35% of the outstanding shares through a stock purchase agreement with the International Finance Corporation and its associated entities. IVI is a company organized and existing under the laws of the British Virgin Islands, and holds 99.99% of Sociedad Portuaria Puerto Bahía S.A. ("**Puerto Bahía**"), which owns and operates a multifunctional port (the "**Port**") consisting of a hydrocarbon terminal and a dry cargo terminal located in Cartagena, Colombia. The Company's equity interest in IVI prior to the acquisition was 39.22% and was accounted for as an associate using the equity method. As a result of the share purchase, the Company's equity interest increased to 71.57%.

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

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

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

Notes to the Interim Consolidated Financial Statements

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

Purchase price		
Fair value of previously held equity interest before acquisition	\$	—
Fair value of pre-existing balances effectively settled on the acquisition		41,350
Cash to be paid (discounted promissory note)		3,189
Cash consideration		3,000
Total purchase price	\$	47,539
Fair value of assets acquired and liabilities assumed		
Cash and cash equivalents	\$	190
Restricted cash		23,512
Accounts receivable		10,929
Inventory		660
Income tax receivable		4,491
Prepaid expenses		575
Lands	140,850	
Port infrastructure	94,043	
Properties & equipment	728	
Total properties, plant & equipment		235,621
Other assets		300
Borrowings		(203,094)
Lease liabilities		(67)
Risk management liabilities		(15,281)
Accounts payable and accrued liabilities		(10,297)
Net assets		47,539
Non-controlling interest (at fair value)		—
Purchase consideration	\$	47,539
Cash paid	\$	(3,000)
Net cash acquired		190
Net consolidated cash outflow	\$	(2,810)

These Interim Financial Statements include the results of IVI for the period following the acquisition date of August 6, 2020. Since the date of acquisition, IVI has contributed revenues and a net loss of \$4.1 million and \$11.6 million, respectively, to the financial results of the Company. If the acquisition of IVI occurred on January 1, 2020, the Company's results for the period ended September 30, 2020, would have included revenues and a net loss of \$18.1 million and \$60.9 million, respectively.

Notes to the Interim Consolidated Financial Statements

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

4. Segmented Information

Beginning in the third quarter of 2020, the Company updated its segment reporting to align with the structure of its business following the acquisition of IVI. The comparative information has been revised to reflect the current segment presentation. Consistent with the basis on which management assesses performance and allocates resources across its business units, the Company now has three reportable operating segments, as follows:

- Colombia and Peru: Includes all upstream business activities of exploration and production in Colombia and Peru.
- Canada & Other: Includes the corporate office, Guyana and Ecuador, and other non-operating entities that have been aggregated, as they do not generate revenue for the Company.
- Midstream: Includes the Company's investments in pipelines, storage, port, and other facilities relating to the distribution and exportation of crude oil products in Colombia.

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

Three Months Ended September 30	Exploration and Production											
	Colombia		Peru		Canada & Other		Midstream		Eliminations		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Oil and gas sales and other revenue	\$ 149,474	\$ 286,356	\$ —	\$ 3,285	\$ —	\$ —	\$ 11,323	\$ —	\$ (7,176)	\$ —	\$ 153,621	\$ 289,641
Sales of oil and gas for trading	—	86	—	—	—	—	—	—	—	—	—	86
Royalties	(861)	(11,889)	—	(162)	—	—	—	—	—	—	(861)	(12,051)
Revenue	148,613	274,553	—	3,123	—	—	11,323	—	(7,176)	—	152,760	277,676
Oil and gas operating costs	80,702	128,844	3,553	1,931	—	—	3,152	—	(4,534)	—	82,873	130,775
Costs under terminated pipeline contracts	8,391	—	—	—	—	—	—	—	—	—	8,391	—
Costs of oil and gas for trading	—	135	—	—	—	—	—	—	—	—	—	135
General and administrative	7,035	12,805	397	1,637	1,881	4,034	1,235	—	(9)	—	10,539	18,476
Share-based compensation	(286)	552	(80)	125	612	637	—	—	—	—	246	1,314
Depletion, depreciation and amortization	61,143	93,497	94	284	236	238	1,773	—	(2,286)	—	60,960	94,019
Impairment, exploration expenses (recovery) and other	1,734	9,916	(265)	(417)	—	265	—	36,627	—	—	1,469	46,391
Restructuring, severance and other costs	1,064	4,851	(36)	3	19	609	—	—	—	—	1,047	5,463
(Loss) income from operations	(11,170)	23,953	(3,663)	(440)	(2,748)	(5,783)	5,163	(36,627)	(347)	—	(12,765)	(18,897)
Share of income from associates (Note 12)	—	—	—	—	—	—	15,193	17,183	—	—	15,193	17,183
Segment (loss) income	\$ (11,170)	\$ 23,953	\$ (3,663)	\$ (440)	\$ (2,748)	\$ (5,783)	\$ 20,356	\$ (19,444)	\$ (347)	\$ —	\$ 2,428	\$ (1,714)
Other non-operating expense items											(92,265)	(17,043)
Income tax expense											(2,805)	(29,899)
Net loss for the period											\$ (92,642)	\$ (48,656)

Notes to the Interim Consolidated Financial Statements

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

Nine Months Ended September 30	Exploration and Production											
	Colombia		Peru		Canada & Other		Midstream		Eliminations		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Oil and gas sales and other revenue	\$ 448,734	\$ 933,972	\$ 26,279	\$ 60,177	\$ —	\$ —	\$ 11,323	\$ —	\$ (7,176)	\$ —	\$ 479,160	\$ 994,149
Sales of oil and gas for trading	—	74,267	—	—	—	—	—	—	—	—	—	74,267
Royalties	(7,718)	(35,302)	(43)	(564)	—	—	—	—	—	—	(7,761)	(35,866)
Revenue	441,016	972,937	26,236	59,613	—	—	11,323	—	(7,176)	—	471,399	1,032,550
Oil and gas operating costs	295,507	397,484	52,964	52,633	—	—	3,152	—	(4,534)	—	347,089	450,117
Costs under terminated pipeline contracts	19,621	—	—	—	—	—	—	—	—	—	19,621	—
Costs of oil and gas for trading	—	71,375	—	—	—	—	—	—	—	—	—	71,375
General and administrative	25,002	37,929	2,285	4,191	6,757	11,055	1,235	—	(9)	—	35,270	53,175
Share-based compensation	(1,426)	1,863	(275)	323	4,480	845	—	—	—	—	2,779	3,031
Depletion, depreciation and amortization	206,496	284,496	467	1,011	780	750	1,773	—	(2,286)	—	207,230	286,257
Impairment, exploration expenses and other	147,616	24,443	4,476	1,126	1,317	1,058	—	36,627	—	—	153,409	63,254
Restructuring, severance and other costs	11,262	7,413	1,485	113	1,010	1,425	—	—	—	—	13,757	8,951
(Loss) income from operations	(263,062)	147,934	(35,166)	216	(14,344)	(15,133)	5,163	(36,627)	(347)	—	(307,756)	96,390
Share of income from associates (Note 12)	—	—	—	—	—	—	30,123	60,434	—	—	30,123	60,434
Segment (loss) income	\$ (263,062)	\$ 147,934	\$ (35,166)	\$ 216	\$ (14,344)	\$ (15,133)	\$ 35,286	\$ 23,807	\$ (347)	\$ —	\$ (277,633)	\$ 156,824
Other non-operating expense items											(88,695)	(24,089)
Income tax (expense) recovery											(177,040)	105,187
Net (loss) income for the period											\$ (543,368)	\$ 237,922

The following table provides geographic information of the balances of non-current assets:

As at	September 30 2020	December 31 2019
Colombia	\$ 1,262,852	\$ 1,743,777
Guyana	80,922	77,652
Ecuador	2,180	1,275
Peru	1,239	9,863
Canada & Others	1,190	5,571
Total non-current assets	\$ 1,348,383	\$ 1,838,138

Notes to the Interim Consolidated Financial Statements

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

5. Revenue from Contracts with Customers

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Colombia				
Crude oil sales	\$ 146,702	\$ 282,460	\$ 438,911	\$ 921,560
Gas sales	2,772	3,896	9,823	12,412
Colombia oil and gas sales	149,474	286,356	448,734	933,972
Peru total - crude oil sales	—	3,285	26,279	60,177
Oil and gas sales	149,474	289,641	475,013	994,149
Midstream sales (including inter-segment sales)	11,323	—	11,323	—
Elimination of midstream inter-segment sales	(7,176)	—	(7,176)	—
Oil and gas sales and other revenue	153,621	289,641	479,160	994,149
Colombia - sales of oil and gas for trading	\$ —	\$ 86	\$ —	\$ 74,267

6. Operating Costs

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Transportation costs	\$ 36,585	\$ 70,960	\$ 143,243	\$ 219,126
Production costs	35,646	74,939	142,840	220,295
Diluent costs	7,244	9,238	23,988	31,483
Overlift	30	164	270	159
Inventory valuation ⁽¹⁾	216	(24,526)	33,596	(20,946)
Total oil and gas operating cost	79,721	130,775	343,937	450,117
Port Operating Cost	3,152	—	3,152	—
Total operating cost	\$ 82,873	\$ 130,775	\$ 347,089	\$ 450,117

⁽¹⁾ For the three months ended September 30, 2020, inventory valuation includes a recovery of \$1.0 million (2019: \$Nil). For the nine months ended September 30, 2020, the inventory valuation includes a \$4.9 million write-down of oil inventory to its net realizable value (2019: \$Nil).

7. Impairment and Exploration Expenses

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Impairment of:				
Properties, plant and equipment (Note 11)	\$ —	\$ —	\$ 77,864	\$ —
Intangible assets	—	—	54,881	—
Impairment of long-term receivables	—	36,628	—	36,628
Exploration and evaluation assets	—	8,024	17,839	17,688
Other	—	587	888	4,745
Total impairment	\$ —	\$ 45,239	\$ 151,472	\$ 59,061
Exploration expenses	989	1,569	1,466	3,063
Expense (recovery) of asset retirement obligations (Note 15)	480	(417)	471	1,130
Impairment, exploration expenses and other	\$ 1,469	\$ 46,391	\$ 153,409	\$ 63,254

During the three and nine months ended September 30, 2020, the Company recorded an impairment charge of \$Nil and \$151.5 million, respectively.

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

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

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

As a result of the impairment test performed by the Company, during the first quarter of 2020, the carrying amounts of certain assets exceeded their recoverable amounts resulting in an impairment charge of \$149.9 million in the Colombia CGUs including \$77.2 million relating to properties, plant and equipment, \$54.9 million to intangible assets and \$17.8 million to exploration and evaluation assets. Also, during the first quarter of 2020, the Company recognized an impairment charge of \$0.7 million in properties, plant and equipment relating to the Peru CGU.

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

As at September 30, 2020, the Company determined that there were no indicators of impairment or reversal of impairments for oil and gas properties.

Impairment of Other Assets

During the third quarter of 2019, the Company reviewed the recoverability of an unsecured long-term receivable from IVI due 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 expected credit losses 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 discounted value of the future cash flows expected to be recovered under the loan.

8. Restructuring, Severance and Other Costs

During the three and nine months ended September 30, 2020, the Company incurred:

- \$0.3 million and \$9.1 million, respectively, in severance costs related to personnel reductions as a result of the implementation of an organizational restructuring plan (2019: \$0.9 million and \$1.8 million, respectively).
- \$0.7 million and \$1.3 million, respectively, in costs regarding transformation activities to deliver process improvements and operational efficiencies (2019: \$4.5 million and \$7.1 million, respectively).
- \$Nil and \$3.4 million, respectively, relating to the write-off of right-of-use ("ROU") assets from the modification of certain lease contracts (2019: \$Nil and \$Nil respectively).

Notes to the Interim Consolidated Financial Statements

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

9. Income Taxes

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Net (loss) income before income tax	\$ (89,837)	\$ (18,757)	\$ (366,328)	\$ 132,735
Colombian statutory income tax rate	32 %	33 %	32 %	33 %
Income tax (recovery) expense at statutory rate	(28,748)	(6,190)	(117,225)	43,802
Other non-deductible expenses	1,031	10,325	13,047	7,628
Share-based compensation	(658)	517	(26)	1,001
Differences in tax rates	(3,732)	(10,848)	(13,149)	(15,147)
Other losses (gains) and permanent differences	35,940	(2,310)	35,150	2,055
Minimum income tax ⁽¹⁾	675	2,120	2,161	7,549
Change in deferred income tax	(1,703)	10,924	256,817	(177,436)
Change in prior period assessments	—	25,361	265	25,361
Income tax expense (recovery)	2,805	29,899	177,040	(105,187)
Current income tax expense	2,805	28,744	9,061	37,671
Deferred income tax (recovery) expense:				
Relating to origination and reversal of temporary differences	—	1,155	167,979	(142,858)
Income tax expense (recovery)	\$ 2,805	\$ 29,899	\$ 177,040	\$ (105,187)

⁽¹⁾ Presumptive income tax.

The current income tax expense for the nine months ended on September 30, 2020 of \$9.1 million includes \$5.9 million of income tax on dividends and \$2.2 million of presumptive income tax.

The deferred income tax expense for the three and nine months ended on September 30, 2020, was \$Nil and \$168.0 million, respectively. The derecognition of deferred tax assets in Colombia during the first quarter of 2020 was primarily driven by the reduction in global crude oil prices.

Movement in Deferred Tax Assets

As at January 1, 2020	\$ 222,988
Recognized as deferred income tax expense	(167,979)
As at September 30, 2020	\$ 55,009

10. (Loss) Earnings per Share

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Net (loss) income attributable to equity holders of the Company	\$ (90,473)	\$ (49,117)	\$ (546,042)	\$ 224,879
Basic weighted average number of shares outstanding	97,335,227	97,956,379	96,771,486	98,125,020
Effect of dilution from dilutive instruments	—	—	—	1,523,857
Diluted weighted average number of shares outstanding	97,335,227	97,956,379	96,771,486	99,648,877
(Loss) earnings per share attributable to equity holders of the Company				
Basic	\$ (0.93)	\$ (0.50)	\$ (5.64)	\$ 2.29
Diluted	\$ (0.93)	\$ (0.50)	\$ (5.64)	\$ 2.26

Notes to the Interim Consolidated Financial Statements

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

11. Properties, Plant and Equipment

Cost	Oil & Gas properties	⁽³⁾ Port Infrastructure	Plant & Equipment	Total
As at January 1, 2020	\$ 7,902,864	\$ —	\$ 257,905	\$ 8,160,769
Additions	58,536	305	2,168	61,009
Acquisition of IVI (Note 3)	—	234,893	728	235,621
Change in asset retirement obligations (Note 15)	(65,571)	—	—	(65,571)
Derecognition of ROU assets ⁽¹⁾	(41,147)	—	—	(41,147)
Disposals	(7,196)	—	(37,028)	(44,224)
Transfer to crude oil inventory ⁽²⁾	(4,494)	—	—	(4,494)
Currency translation adjustment	(14,681)	(5,237)	(188)	(20,106)
As at September 30, 2020	\$ 7,828,311	\$ 229,961	\$ 223,585	\$ 8,281,857

⁽¹⁾ As part of the acquisition of IVI, the Company has derecognised the ROU assets corresponding to the port storage facilities.

⁽²⁾ Pipeline fill of Peru was reclassified to current assets due to the expected sale of the crude oil during next year.

⁽³⁾ Includes lands of \$140.9 million.

Accumulated Depletion, Depreciation and Impairment	Oil & Gas properties	Port Infrastructure	Plant & Equipment	Amount
As at January 1, 2020	\$ 6,966,486	\$ —	\$ 217,662	\$ 7,184,148
Charge for the period	194,617	1,796	4,173	200,586
Impairment (Note 7)	64,794	—	13,070	77,864
Derecognition of ROU assets	(21,717)	—	—	(21,717)
Disposals	(4,263)	—	(27,236)	(31,499)
Currency translation adjustment	(12,848)	(1,796)	(143)	(14,787)
As at September 30, 2020	\$ 7,187,069	\$ —	\$ 207,526	\$ 7,394,595

Net Book Value	Oil & Gas properties	Port Infrastructure	Plant & Equipment	Amount
As at January 1, 2020	\$ 936,378	\$ —	\$ 40,243	\$ 976,621
As at September 30, 2020	\$ 641,242	\$ 229,961	\$ 16,059	\$ 887,262

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

	Oil & Gas properties	Port Infrastructure	Plant & Equipment	Amount
Properties, plant and equipment - owned	\$ 631,540	\$ 229,961	\$ 10,677	\$ 872,178
ROU assets - leased	9,702	—	5,382	15,084
As at September 30, 2020	\$ 641,242	\$ 229,961	\$ 16,059	\$ 887,262

Details of ROU assets are as follows:

	Storage Facility	Power Generation	Plant & Equipment	Total
As at January 1, 2020	\$ 27,431	\$ 17,044	\$ 16,863	\$ 61,338
Changes in estimates	—	(1,775)	(989)	(2,764)
Derecognition of ROU assets	(19,430)	—	—	(19,430)
Termination of lease contracts	—	(1,578)	(7,744)	(9,322)
Depreciation	(8,001)	(3,989)	(2,748)	(14,738)
As at September 30, 2020	\$ —	\$ 9,702	\$ 5,382	\$ 15,084

Notes to the Interim Consolidated Financial Statements

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

12. Investments in Associates

	ODL	Bicentenario	IVI ⁽²⁾	Total
As at January 1, 2020	\$ 115,855	\$ 81,106	\$ —	\$ 196,961
Share of income (loss) from associates ⁽¹⁾	31,484	16,662	(18,023)	30,123
Dividends	(42,034)	(17,013)	—	(59,047)
Loss allocated against net investment in IVI	—	—	18,023	18,023
Currency translation adjustment	(20,298)	(26,608)	—	(46,906)
As at September 30, 2020	\$ 85,007	\$ 54,147	\$ —	\$ 139,154
Company's interest as at September 30, 2020	35.00 %	43.03 %	—	

⁽¹⁾ During the three months ended September 30, 2020, the Company has recorded share of income from ODL, Bicentenario and IVI of \$15.2 million (2019: \$17.2 million).

⁽²⁾ The Company accounted for IVI as an investment in associate until it acquired control on August 6, 2020 (Note 3). Before the acquisition the Company recorded its share of losses as a reduction to other long-term interests (long-term account receivables) that formed part of its net investment in IVI.

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

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

During the three and nine months ended September 30, 2020, the Company recognized gross dividends of \$17.5 million and \$42.0 million, respectively, (2019: \$Nil and \$26.9 million, respectively) and received cash dividends of \$7.9 million and \$30.8 million, respectively, (2019: \$Nil and \$32.7 million, respectively). As at September 30, 2020, the carrying value of dividends receivable after withholding taxes is \$7.9 million (2019: \$Nil).

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

During the three and nine months ended September 30, 2020, the Company recognized gross dividends of \$Nil and \$17.0 million, respectively, (2019: \$16.9 million and \$34.4 million, respectively). As at September 30, 2020 the carrying value of dividends receivable after withholding taxes from Bicentenario was \$49.7 million (2019: \$39.1 million) and is included within Other Assets. Dividends are expected to be collected during the next two years.

13. Borrowings

Puerto Bahia Secured Syndicated Credit Loan

During the third quarter of 2020, the Company acquired a controlling interest in IVI which holds 99.9% of Puerto Bahia (Note 3). Puerto Bahia entered into a credit agreement with a syndicate of lenders in October 2013 for a \$370 million debt facility, which matures in June 2025, for the construction and development of a multipurpose port in the Cartagena Bay ("2025 Puerto Bahia Debt"). The 2025 Puerto Bahia Debt bears interest at 6-month LIBOR plus 5% which is payable semi-annually and is secured by substantially all the assets of Puerto Bahia. As of September 30, 2020, the lenders have given notices stating that Puerto Bahia is in breach of various loan covenants but have not accelerated the loan. As a result, the total amount outstanding under the 2025 Puerto Bahia Debt is presented as a current liability in accordance with IAS 1. The 2025 Puerto Bahia Debt is non-recourse to the Company (other than as provided for by the ECA described below) and is excluded from its financial covenant calculations under the Company's senior unsecured notes due in 2023 as IVI is considered an Excluded Subsidiary.

	Maturity	Currency	Interest Rate	As at September 30	
				2020	2019
2025 Puerto Bahia Debt	June 2025	U.S dollars	LIBOR 6M + 5%	\$ 203,095	\$ —

As part of the agreement on closing of the 2025 Puerto Bahia Debt, the Company entered into an equity contribution agreement ("ECA"). Under the ECA, the Company and IVI agreed to jointly and severally cause equity contributions (via debt or equity) to Puerto Bahia up to the aggregate amount of \$130.0 million (the "ECA Loans"). Amounts advanced under the ECA are used for the repayment of principal and interest from debt obligations of Puerto Bahia. The ECA Loans bear interest at 14% and are subordinated to the 2025 Puerto Bahia Debt. As of September 20, 2020, the Company has advanced a total of \$65.9 million under the ECA.

Notes to the Interim Consolidated Financial Statements

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

14. Leases

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

During the period ended September 30, 2020, the Company as part of its program to manage the COVID-19 pandemic and lower oil prices environment has reached an agreement to modify and/or partially terminate some lease contracts, which resulted in a decrease of lease liability of \$8.3 million. Additionally, as part of the acquisition of IVI, the Company has derecognised the lease liability of \$21.2 million corresponding to the port storage facilities.

The Company's lease liabilities have an average discount rate of 11.30% (2019: 10.61%), and the maturity analysis by contractual undiscounted cash flows is as follows:

	September 30	December 31
As at	2020	2019
Within 1 year	\$ 13,210	\$ 34,178
Year 2	5,193	31,114
Year 3	3,549	8,831
Year 4	112	7,819
Total undiscounted lease liabilities	\$ 22,064	\$ 81,942
Less amounts representing finance costs	(2,409)	(10,400)
Present value of lease liabilities	\$ 19,655	\$ 71,542
Current	\$ 11,128	\$ 28,138
Non-current	8,527	43,404
Total	\$ 19,655	\$ 71,542

15. Asset Retirement Obligations

As at January 1, 2020	\$ 288,982
Accretion expense	3,573
Additions	1,310
Changes in estimates	(70,515)
Liabilities settled	(3,549)
Recovery of asset retirement obligations (Note 7)	471
Currency translation adjustment	(1,024)
As at September 30, 2020	\$ 219,248
Current portion	\$ 1,945
Non-current portion	217,303
Total	\$ 219,248

Asset retirement obligations ("ARO") represent the present value of decommissioning and environmental liability costs relating to oil and gas properties. The total undiscounted ARO is \$258.3 million (2019: \$382.7 million) which is expected to be executed between 2020 and 2042, of which \$222.3 million (2019: \$346.6 million) will be incurred in Colombia and \$36.0 million (2019: \$36.1 million) in Peru. During the nine months ended September 30, 2020 certain abandonment activities were postponed for future periods and, accordingly, the amount was reclassified from current to non-current.

During the nine months ended September 30, 2020, the Company recognized a decrease in the ARO from changes in estimates of \$70.5 million, which includes an increase of \$6.2 million relating to updating of the risk-free and inflation rates, a reduction of \$33.3 million relating to updated cost estimates to abandon and reclaim wells and well sites, including environmental liabilities, and a reduction of \$43.4 million due to the impact of foreign exchange rates. A total of \$65.6 million of the changes in estimates were recognized in Oil & Gas Properties (Note 11).

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

- A risk-free rate between 2.41% and 6.97% and an inflation rate between 2.8% and 4.8% for cash flows expected to be settled in COP (2019: risk-free rate between 4.11% and 7.27% with inflation between 2.7% and 3.9%);
- A risk-free rate between 1.38% and 1.47% and an inflation rate between 2.3% and 2.4% for cash flows expected to be settled in U.S. dollar (2019: risk-free rate between 2.39% and 3.1% with inflation rate between 2.2% and 3%).

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16. Related-Party Transactions

The following tables provide the total balances outstanding (before impairments), commitments and transactional amounts with related parties as at September 30, 2020, and December 31, 2019, and for three and nine months ended September 30, 2020, and 2019:

As at September 30, 2020 and December 31, 2019	Accounts Receivable ⁽²⁾	Accounts Payable and Lease Obligation	Commitments (Note 19)	Cash Advance ^{(1) (2)}	Long-term Receivable ^{(1) (2)}	Interest Receivable ^{(1) (2)}
ODL	2020 \$ 7,864	\$ 6,291	\$ 6,785	\$ —	\$ —	\$ —
	2019 —	4,181	30,125	—	—	—
Bicentenario	2020 7,776	—	—	87,278	54,841	—
	2019 9,677	—	36,539	87,278	45,732	—
IVI ⁽³⁾	2020 —	—	—	—	—	—
	2019 \$ —	\$ 31,193	\$ 52,238	\$ 17,741	\$ 151,452	\$ 52,267

	Three Months Ended September 30		Nine Months Ended September 30	
	Purchases / Services	Interest Income ⁽²⁾	Purchases / Services	Interest Income ⁽²⁾
ODL	2020 \$ 7,690	\$ —	\$ 28,119	\$ —
	2019 12,366	—	38,050	—
Bicentenario	2020 160	—	1,427	—
	2019 1,441	—	5,116	—
IVI ⁽³⁾	2020 3,415	1,533	22,479	10,558
	2019 \$ 8,947	\$ 4,021	\$ 24,067	\$ 10,978

⁽¹⁾ Items included as Other Assets in the Interim Condensed Consolidated Statement of Financial Position.

⁽²⁾ Amounts presented based on contractual payment obligations undiscounted and prior to impairments.

⁽³⁾ Balances shown reflect transactions before the Company acquired control of IVI on August 6, 2020 (Note 3), the Company had been disclosing the commitments with Puerto Bahia related to take-or-pay agreement. At the date of acquisition of IVI, the Company had commitments with Puerto Bahia of \$29.5 million.

17. Financial Instruments and Risk Management

a. Risks Associated with Financial Assets and Liabilities

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

i) Credit Risk

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

ii) Liquidity Risk

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

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(Unaudited; 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 September 30, 2020:

Financial Liability Due In	2020	2021	2022	2023	2024	Subsequent to 2025	Total
Accounts payable and accrued liabilities ⁽¹⁾	\$ 186,442	\$ —	\$ 4,000	\$ —	\$ —	\$ —	\$ 190,442
Long-term debt	—	—	—	350,000	—	—	350,000
Interest payments on Long-term debt	16,975	33,950	33,950	16,975	—	—	101,850
Borrowings - 2025 Puerto Bahia Debt (Note 13)	21,891	38,836	39,114	44,433	44,804	13,201	202,279
Interest payments on Borrowings - 2025 Puerto Bahia Debt	3,226	10,879	8,399	5,819	2,990	417	31,730
Lease liabilities	2,913	11,254	5,117	2,780	—	—	22,064
Total	\$ 231,447	\$ 94,919	\$ 90,580	\$ 420,007	\$ 47,794	\$ 13,618	\$ 898,365

⁽¹⁾ Excludes provisions without contractual maturities.

The Company has various guarantees in place in the normal course of business, supported by issued letters of credit (Note 19). As at September 30, 2020, the Company had issued letters of credit and guarantees for exploration and operational commitments for a total of \$58.4 million (2019: \$75.5 million).

Restricted Cash

As at September 30, 2020, the Company has total restricted cash of \$161.3 million (2019: \$127.4 million) in trust accounts primarily to cover future abandonment obligations, insurance collateral for certain contingencies and other matters. The increase in restricted cash from December 31, 2019, was primarily due to the collateral for abandonment funds and as consequence of the acquisition of IVI (Note 3).

iii) Market and Interest Risk

Market and interest risk is the risk associated with fluctuations in oil prices, foreign exchange rates and interest rates. To manage this risk, the Company uses derivative commodity instruments to manage exposure to price volatility by hedging a portion of its oil production, foreign exchange hedging instruments to manage foreign currency fluctuations, and interest rate swaps to hedge its interest relating to the borrowings (Note 13).

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	Carrying Amount	
				Put / Call; Call Spreads	Assets	Liabilities
3-ways	October 2020 to June 2021	Brent	3,023,000	25.9/35.9/50.7	\$ 152	\$ 1,437
Put Spreads	October 2020 to June 2021	Brent	4,508,300	25.5/35.5	3,253	—
Total as at September 30, 2020					\$ 3,405	\$ 1,437
Total as at December 31, 2019					\$ 7,341	\$ 36

Risk Management Contracts - Foreign Exchange

Type of Instrument	Term	Benchmark	Notional Amount / Volume (Thousands of U.S.\$)	Avg Put / Call; Par forward (COP\$)	Carrying Amount			
					Assets	Liabilities		
Total as at December 31, 2019					\$	2,768	\$	—

As at September 30, 2020, the Company does not have foreign exchange hedging instruments.

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Risk Management Contracts - Interest swaps

As a part of the acquisition of IVI, the Company consolidated a financial derivative to manage exposure to risks due to the fluctuation of the interest rate expressed in LIBOR, over the 2025 Puerto Bahia Debt. IVI monitors and manages its exposure through the swaps. As at September 30, 2020, the Company has a swap contract from October 2020 to June 2025:

Type of Instrument	Term	Benchmark	Notional Amount \$M	Avg. Strike Prices	Floating rate	Carrying Amount	
						Assets	Liabilities
Swap	October 2020 to June 2025	LIBOR + 180	\$ 149,100		3.9 %	\$ —	\$ 15,046
Total as at September 30, 2020						\$ —	\$ 15,046
						Assets	Liabilities
Current portion						\$ 3,405	\$ 6,566
Non-current portion						\$ —	\$ 9,917
Total risk management contracts as at September 30, 2020						\$ 3,405	\$ 16,483
Total risk management contracts as at December 31, 2019						\$ 10,109	\$ 36

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Realized gain (loss) on risk management contracts	\$ (6,246)	\$ (2,135)	\$ 21,833	\$ (5,714)
Realized gain on unwinding of risk management contracts ⁽¹⁾	—	—	27,296	—
Unrealized (loss) gain on risk management contracts	(351)	4,338	(7,222)	4,611
Total	\$ (6,597)	\$ 2,203	\$ 41,907	\$ (1,103)

⁽¹⁾ During the second quarter of 2020, the Company recognized a gain of \$27.3 million as result of the early termination of Brent crude oil risk management contracts which were fully in-the-money.

b. Fair Value of Financial Instruments

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

The following table summarizes the Company's remaining financial instruments that are carried or disclosed at fair value in accordance with the classification under the fair value hierarchy as at September 30, 2020 and December 31, 2019:

			Fair Value			
	Period	Carrying Value	Level 1	Level 2	Level 3	
Financial Assets Measured at Fair Value through Profit & Loss						
Risk management assets	2020	\$ 3,405	\$ —	\$ 3,405	\$ —	
	2019	10,109	—	10,109	—	
Financial Assets Measured at Fair Value through Other Comprehensive Income						
Investments in equity instruments	2020	\$ 815	\$ —	\$ —	\$ 815	
	2019	1,298	—	—	1,298	
Financial Assets Measured at Amortized Cost						
Long-term receivables	2020	\$ 49,682	\$ —	\$ —	\$ 49,682	
	2019	126,060	—	—	126,060	
Financial Liabilities Measured at Fair Value through Profit & Loss						
Risk management liabilities	2020	\$ (16,483)	\$ —	\$ (16,483)	\$ —	
	2019	(36)	—	(36)	—	
Financial Liabilities Measured at Amortized Cost						
Long-term debt	2020	\$ (334,432)	\$ —	\$ (288,323)	\$ —	
	2019	(331,118)	—	(369,278)	—	
Financial Liabilities Measured at Amortized Cost						
Borrowings (Note 13)	2020	\$ (203,095)	\$ —	\$ (203,095)	\$ —	
	2019	—	—	—	—	

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Level 3 financial assets measured at amortized cost

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

c. Capital Management

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

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

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

	As at September 30 2020	As at December 31 2019
Equity attributable to equity holders of the Company	\$ 647,374	\$ 1,210,258
Long-term debt	334,432	331,118
Working capital deficit (surplus) ⁽¹⁾	78,911	(71,356)
Total	\$ 1,060,717	\$ 1,470,020

⁽¹⁾ Working capital deficit (surplus) represents the net of Total Current Assets after deducting Total Current Liabilities, including the Borrowings.

18. Supplemental Disclosure on Cash Flows

Changes in non-cash working capital are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Decrease in accounts receivable	\$ 20,791	\$ 46,726	\$ 89,996	\$ 10,814
Decrease (increase) in inventories	1,100	(24,867)	33,573	(6,216)
(Increase) decrease in income taxes receivable	(3,933)	(5,159)	25,215	(20,083)
(Increase) decrease in prepaid expenses and deposits	(3,116)	(559)	(1,112)	189
Decrease in accounts payable and accruals liabilities	(49,667)	(35,446)	(145,920)	(143,582)
Increase (decrease) in income taxes payable	(888)	22,508	(4,384)	22,063
Changes in non-cash working capital	\$ (35,713)	\$ 3,203	\$ (2,632)	\$ (136,815)
Attributable to				
Operating activities	\$ (26,698)	\$ 39,026	\$ 41,643	\$ (36,717)
Investing activities	(9,015)	(35,823)	(44,275)	(100,098)
Changes in non-cash working capital	\$ (35,713)	\$ 3,203	\$ (2,632)	\$ (136,815)

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19. Commitments and Contingencies

Commitments

The Company's commitments as at September 30, 2020, undiscounted and by calendar year, are presented below:

As at September 30, 2020	2020	2021	2022	2023	2024	2025 and Beyond	Total
Transportation and storage commitments							
Ocensa P-135 ship-or-pay agreement	\$ 18,164	\$ 70,064	\$ 70,064	\$ 70,064	\$ 70,064	\$ 35,153	\$ 333,573
ODL agreements	2,252	4,533	—	—	—	—	6,785
Other transportation agreements	1,590	2,566	3,314	2,482	938	624	11,514
Exploration commitments							
Minimum work commitments	58,940	124,801	116,933	41,749	—	—	342,423
Other commitments							
Operating purchases, leases and community obligations	11,965	19,603	8,239	7,909	7,041	8,205	62,962
Total	\$ 92,911	\$ 221,567	\$ 198,550	\$ 122,204	\$ 78,043	\$ 43,982	\$ 757,257

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

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

As of September 30, 2020, the amount of tariffs claimed by CENIT under the CLC Transportation Agreements would be \$124.5 million plus interest, and would be approximately \$70.3 million per annum, subject to tariff adjustments from time to time, until 2028. As of September 30, 2020, the aggregate amount of monthly service payments claimed by Bicentenario under the BIC Transportation Agreements would be \$156.9 million (net of credits note and SBLCs) plus interest, and would be approximately \$130.6 million per annum, subject to tariff adjustments from time to time, until 2024.

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

During the first quarter of 2020, the Company asserted rights to stop making payments under the BIC Ancillary Agreements and the CLC Ancillary Agreements. The Company's position is that there are no further payment commitments under the agreements, and as a result, the Company has excluded \$254.5 million of total commitments from the table above. As of September 30, 2020, the Company has rejected invoices for \$19.6 million relating to these ancillary agreements and intends to reject all invoices hereinafter. Both Bicentenario and CENIT dispute the grounds for the termination of these contracts and the cessation of payment, but they have not filed any formal claim yet over this specific dispute.

The Company 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. On October 22, 2020, Bicentenario withdrew their arbitration proceedings. Instead, they have given notice of a

Notes to the Interim Consolidated Financial Statements

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future filing of a counterclaim under the international arbitration initiated by the Company. Such counterclaim has not yet been filed.

Costs Under Terminated Pipeline Contracts

During the three and nine months ended September 30, 2020, the Company has recorded non-cash disputed charges of \$8.4 million and \$19.6 million, respectively, in relation to the BIC Ancillary Agreements and CLC Ancillary Agreements. Prior to the cessation of payments under these agreements, the Company had recorded these charges as transportation costs totalling \$8.1 million during the third quarter of 2019, and \$25.0 million for the nine months ended September 30, 2019

Exploration commitments

The Company has minimum work commitments related to some exploration activities in Colombia, Peru, Ecuador, and Guyana.

Letters of Credit

The Company has various uncommitted bilateral letter of credit lines (the “**Uncommitted LCs**”). As of September 30, 2020, the Company had \$48.1 million of issued and outstanding Uncommitted LCs for exploratory commitments and abandonment funds in Colombia, Ecuador and Peru. The lenders under the Uncommitted LCs receive a fee equal to 3% per annum.

In addition to the Uncommitted LCs, as at September 30, 2020, the Company has outstanding letters of credit of \$8.8 million under a master agreement with Banco BTG Pactual S.A. (“**BTG**”). Under the terms of this agreement, BTG has the right to demand the return and cancellation of the letters of credit, or require the Company to deposit an equivalent amount if it breaches certain covenants, including receiving a credit rating downgrade two notches or more by any rating agency. The Fitch downgrade of the Company’s credit rating on March 20, 2020, by two notches resulted in a breach of this covenant. On August 19, 2020, the Company’s credit rating was upgraded by Fitch which remedied this breach.

On October 9, 2020, the ANH approved a reduction of \$4.9 million, to the Rio Ariari abandonment fund, allowing a reduction to the outstanding letters of credit with BTG. As a result, the Company currently has \$3.9 million letters of credit outstanding with BTG.

Contingencies

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