

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

*For the three months ended
March 31, 2018 and 2017*



Interim Condensed Consolidated Statements of Income

(Unaudited; in thousands of U.S.\$, except per share information)	Notes	Three Months Ended March 31	
		2018	2017
Oil and gas sales and other revenue		\$ 289,534	\$ 300,153
Sales of oil and gas for trading		2,327	25,271
Total sales	4	291,861	325,424
Oil and gas operating costs	5	156,703	165,110
Purchase of oil and gas for trading		1,743	24,972
Overlift (settlement)		(17,019)	6,408
Fees paid on suspended pipeline capacity		35,904	27,100
Depletion, depreciation and amortization		72,673	101,794
General and administrative		22,053	27,706
Impairment (reversal)	6	20,341	(10,447)
Share-based compensation	16	1,054	20
Restructuring, severance and other costs	7	2,838	5,946
Loss from operations		(4,429)	(23,185)
Finance costs, net	15	(4,247)	(4,897)
Share of income from associates	13	35,759	23,988
Equity tax		—	(11,694)
Foreign exchange gain		19,005	11,246
Realized loss on risk management contracts		(42,393)	(8,786)
Unrealized gain on risk management contracts	19	17,313	40,145
Other (loss) income		(604)	2,498
Net income before income tax		20,404	29,315
Current income tax expense	8	(10,329)	(10,034)
Deferred income tax expense	8	(417)	—
Income tax expense		(10,746)	(10,034)
Net income for the period		\$ 9,658	\$ 19,281
Attributable to:			
Equity holders of the Company		(3,121)	8,498
Non-controlling interests		12,779	10,783
		\$ 9,658	\$ 19,281
Basic (loss) earnings per share attributable to equity holders of the Company	9	\$ (0.06)	\$ 0.17
Diluted (loss) earnings per share attributable to equity holders of the Company	9	\$ (0.06)	\$ 0.17

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

Interim Condensed Consolidated Statements of Comprehensive Income

<i>(Unaudited; in thousands of U.S.\$)</i>	Three Months Ended March 31	
	2018	2017
Net income for the period	\$ 9,658	\$ 19,281
Other comprehensive income to be reclassified to net income in subsequent periods (nil tax effect)		
Foreign currency translation	31,398	15,641
Total comprehensive income for the period	\$ 41,056	\$ 34,922
Attributable to:		
Equity holders of the Company	20,096	20,465
Non-controlling interests	20,960	14,457
	\$ 41,056	\$ 34,922

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

Interim Condensed Consolidated Statements of Financial Position

As at (Unaudited; in thousands of U.S.\$)	Notes	March 31 2018	December 31 2017
ASSETS			
Current			
Cash and cash equivalents		\$ 515,811	\$ 511,685
Restricted cash		94,371	65,787
Accounts receivable	19	312,607	288,205
Inventories		74,899	60,273
Income tax receivable		9,770	10,539
Prepaid expenses		1,398	1,971
Assets held for sale	10	43,223	52,925
Total current assets		1,052,079	991,385
Non-current			
Oil and gas properties	11	891,098	889,636
Exploration and evaluation assets	12	39,231	22,229
Plant and equipment		32,112	34,373
Intangible assets		2,079	4,435
Investments in associates	13	419,429	420,983
Other assets	14	122,738	129,166
Deferred tax asset		20,413	20,830
Restricted cash		85,741	66,614
Total assets		\$ 2,664,920	\$ 2,579,651
LIABILITIES			
Current			
Accounts payable and accrued liabilities	19	\$ 590,669	\$ 547,900
Risk management liabilities	19	86,434	103,747
Income tax payable		6,271	5,328
Obligations under finance lease		4,440	4,284
Asset retirement obligations		21,106	20,109
Total current liabilities		708,920	681,368
Non-current			
Long-term debt	15	250,000	250,000
Obligations under finance lease		13,797	14,945
Asset retirement obligations		253,648	236,957
Total liabilities		\$ 1,226,365	\$ 1,183,270
Commitments and contingencies	20		
EQUITY			
Common shares		4,745,440	4,745,440
Contributed surplus		128,469	127,351
Other reserves		(208,891)	(232,108)
Retained deficit		(3,358,054)	(3,354,933)
Equity attributable to equity holders of the Company		\$ 1,306,964	\$ 1,285,750
Non-controlling interests		131,591	110,631
Total equity		\$ 1,438,555	\$ 1,396,381
Total liabilities and equity		\$ 2,664,920	\$ 2,579,651

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

Interim Condensed Consolidated Statements of Changes in Equity

<i>(Unaudited; in thousands of U.S.\$)</i>	Attributable to Equity Holders of the Company							Non-Controlling Interests	Total Equity
	Number of Common Shares	Common Shares	Contributed Surplus	Foreign Currency Translation	Fair Value Investment	Retained Deficit	Total		
As at January 1, 2018	50,005,832	\$ 4,745,440	\$ 127,351	\$ (226,906)	\$ (5,202)	\$ (3,354,933)	\$ 1,285,750	\$ 110,631	\$ 1,396,381
Net (loss) income for the period	—	—	—	—	—	(3,121)	(3,121)	12,779	9,658
Other comprehensive income	—	—	—	23,217	—	—	23,217	8,181	31,398
Total comprehensive income	—	—	—	23,217	—	(3,121)	20,096	20,960	41,056
Share-based compensation (Note 16)	—	—	1,118	—	—	—	1,118	—	1,118
As at March 31, 2018	50,005,832	\$ 4,745,440	\$ 128,469	\$ (203,689)	\$ (5,202)	\$ (3,358,054)	\$ 1,306,964	\$ 131,591	\$ 1,438,555

<i>(Unaudited; in thousands of U.S.\$)</i>	Attributable to Equity Holders of the Company							Non-Controlling Interests	Total Equity
	Number of Common Shares	Common Shares	Contributed Surplus	Foreign Currency Translation	Fair Value Investment	Retained Deficit	Total		
As at January 1, 2017	50,002,363	\$ 4,745,355	\$ 123,525	\$ (229,678)	\$ (5,202)	\$ (3,138,230)	\$ 1,495,770	\$ 105,265	\$ 1,601,035
Net income for the period	—	—	—	—	—	8,498	8,498	10,783	19,281
Other comprehensive income	—	—	—	11,967	—	—	11,967	3,674	15,641
Total comprehensive income	—	—	—	11,967	—	8,498	20,465	14,457	34,922
Share-based compensation	—	—	748	—	—	—	748	—	748
As at March 31, 2017	50,002,363	\$ 4,745,355	\$ 124,273	\$ (217,711)	\$ (5,202)	\$ (3,129,732)	\$ 1,516,983	\$ 119,722	\$ 1,636,705

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

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited; in thousands of U.S.\$)	Notes	Three Months Ended March 31	
		2018	2017
OPERATING ACTIVITIES			
Net income for the period		\$ 9,658	\$ 19,281
Items not affecting cash:			
Depletion, depreciation and amortization		72,673	101,794
Impairment (reversal)	6	20,341	(10,447)
Accretion expense		1,971	901
Unrealized gain on risk management contracts		(17,313)	(40,145)
Share-based compensation		1,054	20
Deferred income tax recovery	8	417	—
Unrealized foreign exchange gain		(21,674)	(14,860)
Share of income from associates	13	(35,759)	(23,988)
Other		54	964
Dividends from associates	13	—	27,600
Settlement of asset retirement obligations		(50)	—
Equity tax		—	11,694
Changes in non-cash working capital	17	(1,107)	(5,888)
Net cash provided by operating activities		\$ 30,265	\$ 66,926
INVESTING ACTIVITIES			
Additions to oil and gas properties and plant and equipment, net		\$ (64,555)	\$ (26,674)
Additions to exploration and evaluation assets, net		(13,492)	887
Additions to other assets, net		—	(2,138)
Advance on sale of powerline transmission assets	21	20,000	—
(Increase) decrease in restricted cash		(44,527)	27,071
Proceeds from the sale of assets held for sale	10	6,434	15,500
Proceeds from the sale of interests in Papua New Guinea	17	57,000	—
Net cash (used) provided by investing activities		\$ (39,140)	\$ 14,646
FINANCING ACTIVITIES			
Payment of debt and leases		(1,672)	(1,670)
Net cash used in financing activities		\$ (1,672)	\$ (1,670)
Effect of exchange rate changes on cash and cash equivalents		14,673	973
Increase in cash and cash equivalents during the period		4,126	80,875
Cash and cash equivalents, beginning of the period		511,685	389,099
Cash and cash equivalents, end of the period		\$ 515,811	\$ 469,974
Cash		\$ 182,697	\$ 259,657
Cash equivalents		333,114	210,317
Total cash and cash equivalents		\$ 515,811	\$ 469,974
Supplementary cash flow information			
Cash income tax paid		4,562	1,544
Cash interest paid		6,250	6,250
Cash interest received		\$ 4,935	\$ 2,511

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

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited; in thousands of U.S.\$, unless otherwise stated)

1. Corporate Information

Frontera Energy Corporation (the “**Company**”) is an oil and gas company incorporated and domiciled in British Columbia, Canada, that is engaged in the exploration, development, and production of crude oil and natural gas in Colombia and Peru. The Company’s common shares are listed and publicly traded on the Toronto Stock Exchange under the trading symbol “FEC”. The Company’s head office is located at 333 Bay Street, Suite 1100, Toronto, Ontario, Canada, M5H 2R2 and its registered office is 1188 West Georgia Street, Suite 650, Vancouver, British Columbia, Canada, V6E 4A2.

These interim condensed consolidated financial statements of the Company, which comprise those of the Company and its subsidiaries, were approved and authorized for issuance by the Audit Committee of the Board of Directors on May 10, 2018.

2. Basis of Preparation and Significant Accounting Policies

a. Statement of Compliance

These interim condensed consolidated financial statements for the three months ended March 31, 2018 and 2017 (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, 2017 (the “**2017 Annual Financial Statements**”). The comparative period amounts have been reclassified from the ones previously presented to conform to the presentation of the Interim Financial Statements.

b. Significant Accounting Policies

The accounting policies used in preparation of the Interim Financial Statements are consistent with those disclosed in the 2017 Annual Financial Statements, except as outlined below. The Company has not early adopted any standard, interpretation, or amendment that has been issued but is not yet effective.

Changes in Accounting Policies and Disclosures

There were certain new standards, amendments and interpretations effective from January 1, 2018, that the Company applied for the first time. The most significant are outlined below.

Adoption of IFRS 15 Revenue from Contracts with Customers (“IFRS 15”)

Effective January 1, 2018, the Company adopted IFRS 15, which supersedes all previous accounting standards for revenue including IAS 18 Revenue, using the modified retrospective method without the use of any practical expedients. Under this method, prior year financial statements have not been restated and the cumulative effect of any change to net income would have been recognized at January 1, 2018. The adoption of IFRS 15 resulted in no changes to the timing or amount of revenue recognized from the Company’s major revenue streams and significant contracts and as a result, no adjustment to retained earnings was recorded on transition.

Oil and gas revenues from contracts with customers are determined by reference to consideration specified in the contracts and recognized when control of the product is transferred to the customer. For crude oil and natural gas sales, control of the product transfers when the customer obtains legal title to the product, which is when the Company satisfies the performance obligations. This transfer of control typically occurs 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. Significant estimates and judgments for revenue recognition are consistent with those described in the 2017 Annual Financial Statements.

IFRS 15 requires revenue recognized from contracts with customers to be disclosed separately from other sources of revenue. As a result, the Company has changed its presentation of realized risk management gains and losses, which are not derived from contracts with customers. These amounts are now presented as “realized gain (loss) on risk management contracts,” whereas previously they were included within oil and gas sales. This change in presentation has no impact on net income for the period and no impact on the Interim Condensed Consolidated Statements of Cash Flows. The comparative period has been reclassified to reflect the updated presentation for risk management contracts. IFRS 15 also requires additional disclosures for interim reporting including the disaggregation of revenues from customers, included in Note 4.

Adoption of IFRS 9 Financial Instruments (“IFRS 9”)

The Company previously adopted IFRS 9 (2013) and has adopted the amendments to IFRS 9 (2014) as of the effective date of January 1, 2018. The most relevant impact of the amendments relates to a new forward-looking “expected credit loss” (“**ECL**”) impairment model replacing the previous incurred loss model.

Notes to the Interim Condensed Consolidated Financial Statements

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

Upon adoption, the Company did not recognize any additional ECL allowance adjustments at the transition date on short-term trade receivables with customers and partners in joint operations given the negligible historical level of default and that such receivables are almost exclusively to large organizations and governmental entities with strong credit ratings. For long-term receivable balances within the scope of IFRS 9, the Company did not recognize any additional ECL allowance adjustments at the transition date.

The Company has included additional disclosures as per the requirements of the new standard, including an ECL allowance continuity schedule that reflects incurred losses already recognized in previous years as part of the opening January 1, 2018 balance (Note 19).

Adoption of IFRS 2 Share-based Payment Transactions (“IFRS 2”) Amendments

The IASB issued amendments to IFRS 2, effective January 1, 2018, that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction, the classification of a share-based payment transaction with net settlement features for withholding tax obligations, and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. The Company adopted these amendments as at January 1, 2018 without significant impact on existing share-based payment arrangements and activity.

Standards Issued But Not Yet Effective

Standards issued but not yet effective up to the date of issuance of the Interim Financial Statements that are likely to have an impact on the Company are listed below.

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 current standard IAS 17 Leases (“IAS 17”). IFRS 16 will apply for annual periods beginning on or after January 1, 2019. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective transition approach. The Company will adopt the standard on January 1, 2019, and is currently in the process of identifying and compiling all existing lease and service contracts as part of the scoping and diagnostic phase of the implementation project.

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. The Company is assessing the impact of IFRIC 23 on its consolidated financial statements.

IAS 28 Long-term Interests 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 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. The amendments are effective from January 1, 2019, with early application permitted. The Company is assessing the impact of the amendments on its consolidated financial statements.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Interim Financial Statements in accordance with IFRS requires the Company to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates, and assumptions affect the reported amounts of assets, liabilities, revenues and other items in operating income or loss, and the related disclosure of contingent liabilities included in the consolidated financial statements. The Company's estimates are evaluated on an ongoing basis and are based on historical experience and on various other assumptions that the Company believes are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. In preparing the Interim Financial Statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were consistent with those applied in the 2017 Annual Financial Statements.

3. 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 corporate office and other non-operating entities that have been aggregated, as they do not generate revenues for the Company.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited; in thousands of U.S.\$, unless otherwise stated)

The following table provides segmented information as at March 31, 2018, and December 31, 2017:

	Colombia		Peru		Canada & Other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Non-current assets	1,558,249	1,537,377	46,829	30,930	7,763	19,959	1,612,841	1,588,266

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

For the Three Months Ended March 31	Colombia		Peru		Canada & Other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Oil and gas sales and other income	\$ 248,428	\$ 285,860	\$ 41,106	\$ 14,293	\$ —	\$ —	\$ 289,534	\$ 300,153
Sales of oil and gas for trading	2,327	25,271	—	—	—	—	2,327	25,271
Total sales	250,755	311,131	41,106	14,293	—	—	291,861	325,424
Oil and gas operating costs	130,780	150,192	25,923	14,918	—	—	156,703	165,110
Purchase of oil and gas for trading	1,743	24,972	—	—	—	—	1,743	24,972
Overlift (settlement)	(17,019)	6,408	—	—	—	—	(17,019)	6,408
Fees paid on suspended pipeline capacity	35,904	27,100	—	—	—	—	35,904	27,100
Depletion, depreciation and amortization	72,404	98,033	79	3,484	190	277	72,673	101,794
General and administrative	16,876	19,334	1,421	1,479	3,756	6,893	22,053	27,706
Impairment (reversal)	20,341	(1,071)	—	(10,362)	—	986	20,341	(10,447)
Share-based compensation	824	—	—	—	230	20	1,054	20
Restructuring, severance and other costs	1,344	4,658	—	1,008	1,494	280	2,838	5,946
Income (loss) from operations	(12,442)	(18,495)	13,683	3,766	(5,670)	(8,456)	(4,429)	(23,185)
Non-operating income items							24,833	52,500
Income tax expense							(10,746)	(10,034)
Net income for the period							\$ 9,658	\$ 19,281

4. Total Sales

The following table provides the disaggregation of the Company's revenue from contracts with customers:

	Three Months Ended March 31	
	2018	2017
Colombia		
Colombian crude oil sales	228,386	\$ 265,383
Sales of oil and gas for trading	2,326	25,271
Gas sales	10,032	11,731
Colombia oil and gas sales	240,744	302,385
Power line transmission and other revenues	10,011	8,746
Colombia total	250,755	311,131
Peru total - crude oil sales	41,106	14,293
Total sales	\$ 291,861	\$ 325,424

5. Oil and Gas Operating Costs

	Three Months Ended March 31	
	2018	2017
Transportation costs	\$ 75,578	\$ 91,252
Production costs	74,322	61,527
Diluent costs	8,865	6,869
High-price participation payments and cash royalties	7,751	5,873
Inventory valuation	(9,813)	(411)
Total oil and gas operating costs	\$ 156,703	\$ 165,110

Notes to the Interim Condensed Consolidated Financial Statements

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

6. Impairment

	Three Months Ended March 31	
	2018	2017
Impairment (reversal) of oil and gas properties, exploration and evaluation assets, and plant and equipment	\$ —	\$ (11,625)
Impairment of assets held for sale - PEL	9,125	—
Impairment of investments and other receivables	11,216	1,178
Total impairment	\$ 20,341	\$ (10,447)

During the three months ended March 31, 2018, an impairment charge of \$9.1 million was recognized with respect to the Company's transmission line assets of Petroleoelctrica de los Llanos Ltd. ("PEL") (Note 10), and an impairment of \$11.2 million was recognized related to the Company's associate investee Interamerican Energy Corp. (Note 13).

During the three months ended March 31, 2017, in updating the assessment of the fair value of assets being reclassified to held for sale, the Company reversed the following impairment charges previously recognized: exploration and evaluation ("E&E") assets in the Peru cash generating unit ("CGU") by \$10.4 million and oil and gas properties in the Colombia Central CGU by \$1.3 million. The Company also recognized an impairment \$1.2 million related to certain accounts receivable balances with doubtful recovery, which were fully written off.

7. Restructuring, Severance, and Other Costs

During the three months ended March 31, 2018, the Company incurred \$2.8 million (2017: \$5.9 million) in costs related to continuing restructuring and severance for personnel reductions incurred as a result of the 2016 restructuring transaction, and other costs with respect to 2018 transformation activities to deliver process improvements and operational efficiencies.

Additional information on the 2016 restructuring transaction, which was completed on November 2, 2016, is included in "Note 1 - Corporate Information" of the 2017 Annual Financial Statements.

8. Income Taxes

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

	Three Months Ended March 31	
	2018	2017
Net income before income tax	\$ 20,404	\$ 29,315
Colombian statutory income tax rate	37%	40%
Income tax expense at statutory rate	7,549	11,726
Other non-deductible (non-taxable income) expenses	(3,230)	1,243
Share-based compensation	61	5
Differences in tax rates in foreign jurisdictions	(7,520)	(2,644)
(Gains) losses for which no tax benefit is recognized	(1,676)	2,803
Minimum income tax (presumptive income tax)	7,615	5,949
Change in unrecognized deferred income tax	7,947	(9,048)
Income tax expense	10,746	10,034
Current income tax expense	10,329	10,034
Deferred income tax recovery:		
Relating to origination and reversal of temporary differences	417	—
Income tax expense	\$ 10,746	\$ 10,034

The Canadian statutory combined income tax rate was 26.5% as at March 31, 2018 (2017: 26.5%).

The Colombian statutory income tax rate was 37% as at March 31, 2018 (2017: 40%). The Peruvian statutory income tax rate was 29.5% as at March 31, 2018 (2017: 29.5%). The Peruvian income tax rate for Block Z-1 was 22% as at March 31, 2018 (2017: 22%).

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited; in thousands of U.S.\$, unless otherwise stated)

The following table summarizes the Company's non-capital and capital losses, and other tax pools by jurisdiction as at March 31, 2018:

	Amount
Canada	\$ 891,000
Colombia	2,760,000
Peru	620,000
Total	\$ 4,271,000

The following summarizes the non-capital and capital losses of the Company as at March 31, 2018, and December 31, 2017:

- *Canada*: non-capital losses totalled \$801.8 million (2017: \$761.8 million) and expire between 2028 and 2038. Capital losses, which do not expire, totalled \$89.5 million (2017: \$185.4 million).
- *Colombia*: non-capital losses totalled \$956.2 million (2017: \$761.4 million) of which \$670.1 million in losses do not expire, and \$286.1 million expire between 2020 and 2029.
- *Peru*: non-capital losses totalled \$181.2 million (2017: \$178.0 million) and expire between 2018 and 2022.

No deferred tax assets have been recognized in respect of these losses.

9. (Loss) Earnings per Share

	Three Months Ended March 31	
	2018	2017
Net (loss) income attributable to equity holders of the Company	\$ (3,121)	\$ 8,498
Basic weighted average number of shares outstanding	50,005,832	50,002,363
Effect of dilution from restricted and deferred share units	—	23,388
Diluted weighted average number of shares outstanding	50,005,832	50,025,751
Basic (loss) earnings per share attributable to equity holders of the Company	\$ (0.06)	\$ 0.17
Diluted (loss) earnings per share attributable to equity holders of the Company	\$ (0.06)	\$ 0.17

10. Assets Held for Sale

	Oil and Gas Properties	Other Assets	Total
As at January 1, 2018	\$ 46,540	\$ 6,385	\$ 52,925
PEL additions to assets held for sale	—	4,756	4,756
Disposals	(6,434)	—	(6,434)
Impairment	—	(9,125)	(9,125)
Reversal (Note 11)	(244)	—	(244)
Currency translation adjustment	1,345	—	1,345
As at March 31, 2018	\$ 41,207	\$ 2,016	\$ 43,223

Sale of Petroeléctrica de los Llanos Ltd.

On October 25, 2017, the Company entered into an agreement to sell its interest in PEL to an affiliate of Electricas de Medellin - Ingenieria y Servicios S.A.S, for total cash consideration of \$56.0 million. At December 31, 2017, oil and gas properties of \$36.1 million and \$6.4 million in other assets of PEL (excluding \$16.3 million in cash, which was reclassified to Restricted Cash) were classified as held for sale. There was no change in classification as at March 31, 2018. The Company continued to consolidate the results of PEL until March 31, 2018, including additional assets of \$4.8 million (classified as held for sale), as the sale was completed on April 19, 2018 (Note 21). Accordingly, the Company recognized an additional impairment expense of \$9.1 million during the three months ended March 31, 2018.

Disposals

The Company commenced a plan to divest non-core assets in 2016, including land in Colombia. The associated assets were classified as held for sale as at December 31, 2017. On February 28, 2018, the Company completed the title transfer of certain

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited; in thousands of U.S.\$, unless otherwise stated)

land packages to Ecopetrol S.A., and accordingly recognized \$6.4 million in disposals during the three months ended March 31, 2018. No additional gains or losses were recognized upon disposition.

11. Oil and Gas Properties

Cost	Amount
As at January 1, 2018	\$ 7,028,969
Additions	61,965
Transferred from assets held for sale	244
Change in asset retirement obligations	8,930
Disposal of properties	(927)
Currency translation adjustment	8,687
As at March 31, 2018	\$ 7,107,868
Accumulated Depletion and Impairment	Amount
As at January 1, 2018	\$ 6,139,333
Charge for the period	73,251
Currency translation adjustment	4,186
As at March 31, 2018	\$ 6,216,770
Net Book Value	Amount
As at January 1, 2017	889,636
As at March 31, 2018	\$ 891,098

12. Exploration and Evaluation Assets

	Amount
As at January 1, 2018	\$ 22,229
Additions, net of income from long-term testing	13,492
Change in asset retirement obligations	3,510
As at March 31, 2018	\$ 39,231

For the three months ended March 31, 2018, the Company recognized, within additions an offsetting reduction of \$6.5 million in sales resulting from long-term testing at exploration properties.

13. Investments in Associates

	ODL	Bicentenario	PII	Interamerican	CGX	Total
As at January 1, 2018	\$ 130,602	\$ 206,188	\$ 64,729	\$ 17,856	\$ 1,608	\$ 420,983
Share of income (loss) from associates	10,111	17,222	8,955	139	(668)	35,759
Dividends	(19,880)	(28,569)	—	—	—	(48,449)
Impairment of equity investments	—	—	—	(11,216)	—	(11,216)
Currency translation adjustment	7,605	13,269	926	552	—	22,352
As at March 31, 2018	\$ 128,438	\$ 208,110	\$ 74,610	\$ 7,331	\$ 940	\$ 419,429
Company's interest as at March 31, 2018	35.00%	43.03%	39.22%	21.19%	45.61%	
As at January 1, 2017	\$ 123,244	\$ 190,502	\$ 81,350	\$ 16,086	\$ 4,016	\$ 415,198
Share of income (loss) from associates	8,194	12,561	4,217	(353)	(631)	23,988
Dividends	(16,803)	(10,797)	—	—	—	(27,600)
Currency translation adjustment	8,294	7,810	594	—	—	16,698
As at March 31, 2017	\$ 122,929	\$ 200,076	\$ 86,161	\$ 15,733	\$ 3,385	\$ 428,284
Company's interest as at March 31, 2017	35.00%	43.03%	41.77%	21.09%	45.61%	

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited; in thousands of U.S.\$, unless otherwise stated)

Dividends - Oleoducto de los Llanos Orientales S.A. (“ODL”) and Oleoducto Bicentenario de Colombia S.A.S. (“Bicentenario”)

During the three months ended March 31, 2018, the Company recognized dividends of \$48.4 million (2017: \$27.6 million) from ODL and Bicentenario, of which \$48.4 million was receivable as at March 31, 2018 (2017: \$Nil). During the three months ended March 31, 2018, \$Nil in dividends was distributed to the minority non-controlling interests (2017: \$Nil).

Pacific Infrastructure Ventures Inc. (“PII”)

The Company has loans receivable from PII that are guaranteed by PII’s pipeline project (Note 14) and has an equity contribution arrangement with PII relating to their Puerto Bahia port facility project (Note 20).

Interamerican Energy Corp. (“Interamerican”)

The Company recognized an impairment charge of \$11.2 million during the three months ended March 31, 2018 (2017: \$Nil), when it determined the carrying value of its investment in Interamerican was in excess of the fair value calculated with reference to market-based transaction data, including an unsolicited bid offer (categorized as level 2 inputs under the fair value hierarchy).

CGX Energy Inc. (“CGX”)

Subsequent to the reporting date of March 31, 2018, on April 25, 2018, the Company amended and restated the 2017 secured bridge loan facility with CGX and increased the aggregate principal amount available to \$14.1 million. The loan carries an annual interest rate of 5%, matures on July 31, 2018, and is secured by the assets of CGX. As at March 31, 2018, the Company had advanced \$5.6 million under the previous facility (2017: \$3.7 million). No impairment or expected credit loss impacts were identified for the amended and restated bridge loan facility as at March 31, 2018. The Company also extended the maturity date of a series of loans and facilities previously issued in 2014 and 2016 (which were fully impaired as at December 31, 2017) to July 31, 2018. Additional information on the Company’s CGX loans are included in “Note 15 - Investments in Associates” of the 2017 Annual Financial Statements.

Summarized financial information for the Company’s significant investments in associates, on a 100% basis, as at March 31, 2018, and December 31, 2017, and for the three months ended March 31, 2018 and 2017:

As at	ODL		Bicentenario		PII	
	2018	2017	2018	2017	2018	2017
Total assets	\$ 704,807	\$ 637,752	\$ 1,322,577	\$ 1,202,995	\$ 667,445	\$ 638,675
Total liabilities	337,840	264,603	838,938	723,822	477,210	473,635
Equity	\$ 366,967	\$ 373,149	\$ 483,639	\$ 479,173	\$ 190,235	\$ 165,040
Company’s interest in associate	35.00%	35.00%	43.03%	43.03%	39.22%	39.22%
Carrying amount of the investment	\$ 128,438	\$ 130,602	\$ 208,110	\$ 206,188	\$ 74,610	\$ 64,729
For the Three Months Ended March 31	2018	2017	2018	2017	2018	2017
Revenue	\$ 79,443	\$ 77,063	\$ 99,252	\$ 85,489	\$ 43,670	\$ 32,152
Expenses	(50,554)	(53,651)	(59,229)	(56,298)	(20,838)	(21,400)
Net income	28,889	23,412	40,023	29,191	22,832	10,752
Company’s share of net income for the period	\$ 10,111	\$ 8,194	\$ 17,222	\$ 12,561	\$ 8,955	\$ 4,217

14. Other Assets

As at	March 31 2018	December 31 2017
Long-term receivables (Note 19)	\$ 44,272	\$ 59,079
Long-term recoverable VAT	30,989	24,743
Long-term withholding tax	28,275	26,473
Advances	17,741	17,741
Investments	1,461	1,130
Total	\$ 122,738	\$ 129,166

Notes to the Interim Condensed Consolidated Financial Statements

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

Long-Term Receivables

The Company has a loan receivable from PII of \$76.6 million with a carrying value of \$43.7 million (representing the present value) as at March 31, 2018 (2017: \$43.0 million). The loan receivable from PII is guaranteed by PII's pipeline project and bears interest that ranges from LIBOR + 2% to 7% per annum. Accretion income of \$0.7 million was recognized during the three months ended March 31, 2018 (2017: \$0.6 million).

As at March 31, 2018, the Company reclassified the remaining \$17.5 million owing from from Transporte Incorporado S.A.S., in respect of the Company's 2014 sale of its share of the Oleoducto Central S.A. ("OCENSA") pipeline system transportation rights, from Other Assets (as at December 31, 2017) to short-term Accounts Receivable as the balance is due in March 2019.

15. Loans and Borrowings

Long-term Debt

As at	Maturity	Principal	Currency	Interest Rate	March 31	December 31
					2018	2017
Senior Secured Notes	November 2021	\$ 250,000	U.S. dollars	10%	\$ 250,000	\$ 250,000

Finance Costs, net

The following table summarizes the main components of finance costs for the period:

	Three Months Ended March 31	
	2018	2017
Interest on Senior Secured Notes	\$ 6,250	\$ 6,250
Accretion of asset retirement obligations	1,802	2,366
Letters of credit fees and other bank charges	1,078	872
Lease financing costs	680	815
Accretion income of other assets, net	(513)	(2,280)
Interest income	(5,050)	(3,126)
Total	\$ 4,247	\$ 4,897

16. Share-Based Arrangements

Share-Based Compensation

The Company recognized total share-based compensation of \$1.1 million during the three months ended March 31, 2018 (2017: \$0.02 million) related to restricted share units ("RSUs") and deferred share units ("DSUs"), of which \$0.1 million was capitalized to the Company's property assets (2017: \$Nil), and \$1.0 million was recorded as Share-Based Compensation Expense (\$0.02 million). The \$1.0 million in compensation recognized in the three months ended March 31, 2018, comprised \$0.2 million in compensation related to DSUs (2017: \$0.02 million) as a result of new grants in the period, and \$0.8 million in compensation related to RSUs (2017: \$Nil).

Restricted Share Units ("RSUs")

Share-based compensation expense for RSUs is recognized using the graded vesting method, where the estimated fair value of RSUs is amortized, by tranche, on a straightline basis over the vesting period. There were 348,859 RSUs outstanding as at March 31, 2018 (2017: 376,086), of which 39,477 units were vested (2017: Nil).

	Number of RSUs Outstanding	Weighted Average Value per Unit (C\$)
As at January 1, 2018	376,086	\$ 38.74
Forfeited during the period	(25,639)	36.23
Settled during the period	(1,588)	39.60
As at March 31, 2018	348,859	\$ 36.30

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited; in thousands of U.S.\$, unless otherwise stated)

17. Supplemental Disclosure on Cash Flows

Changes in non-cash working capital are as follows:

	Three Months Ended March 31	
	2018	2017
(Increase) decrease in accounts receivable	\$ (11,658)	\$ 3,041
Decrease in income taxes receivable	1,517	4,728
Increase (decrease) in accounts payable and accrued liabilities	14,259	(8,629)
Increase in inventories	(6,842)	(7)
Increase (decrease) in income taxes payable	1,044	(6,380)
Decrease in prepaid expenses	573	1,359
Total	\$ (1,107)	\$ (5,888)

Proceeds from Sale of Certain Interests in Papua New Guinea

In 2017, the Company executed an Assignment Deed and Termination Deed with the purchaser of certain interests located in Papua New Guinea for \$57.0 million, recorded as a short-term Accounts Receivable. The Company received the \$57.0 million on February 20, 2018.

18. Related-Party Transactions

The following tables provide the transaction amounts, total balances outstanding (before impairments), and commitments with related parties as at March 31, 2018, and December 31, 2017, and for the three months ended March 31, 2018, and 2017:

		Accounts Receivable ⁽¹⁾	Accounts Payable	Commitments	Cash Advance	Loans Receivable ⁽²⁾	Interest Receivable ⁽²⁾	Convertible Debentures ⁽²⁾
ODL ⁽¹⁾	2018	\$ 21,085	\$ 209	\$ 117,609	\$ —	\$ —	\$ —	\$ —
	2017	421	231	130,303	—	—	—	—
Bicentenario ⁽¹⁾	2018	44,257	251	871,968	87,278	—	—	—
	2017	12,660	469	902,375	87,278	—	—	—
PII - Sociedad Portuaria Puerto Bahia S.A	2018	7,453	1,687	180,685	17,741	76,552	28,384	—
	2017	5,926	1,598	158,179	17,741	76,552	26,331	—
Interamerican - Consorcio Genser Power - Proelectrica - Termomorichal	2018	158	3	—	—	2,224	446	—
	2017	145	72	—	—	2,224	362	—
CGX	2018	128	—	—	—	15,467	1,848	1,500
	2017	\$ 120	\$ —	\$ —	\$ —	\$ 14,622	\$ 1,516	\$ 1,500

For the Three Months Ended March 31,		Sales	Purchases / Services	Interest Income ⁽²⁾
ODL	2018	\$ 1,009	\$ 11,962	\$ —
	2017	997	12,265	—
Bicentenario	2018	—	28,098	—
	2017	—	36,006	—
PII - Sociedad Portuaria Puerto Bahia S.A	2018	—	6,333	2,053
	2017	—	7,296	1,987
Interamerican - Consorcio Genser Power - Proelectrica - Termomorichal	2018	3	2	84
	2017	333	16	83
CGX	2018	151	—	332
	2017	\$ —	\$ —	158

(1) Accounts receivable balances for ODL and Bicentenario include \$48.4 million of dividends receivable (December 31, 2017: \$Nil) (Note 13).

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

Notes to the Interim Condensed Consolidated Financial Statements

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

19. Financial Instruments

a. Fair Value of Financial Instruments

The fair value of the Company's cash and cash equivalents, restricted cash, accounts receivable, accounts payable, and accrued liabilities is approximated by the carrying value and categorized under level 2 of the fair value hierarchy.

The following table summarizes the Company's remaining financial instruments that are carried or disclosed at fair value in accordance with the classification of fair value input hierarchy in IFRS 7 Financial Instruments: Disclosures as at March 31, 2018 and December 31, 2017:

		Carrying Value	Fair Value			Total
			Level 1	Level 2	Level 3	
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)						
Investments in equity instruments (Note 14)	2018	\$ 1,461	\$ —	\$ —	\$ 1,461	\$ 1,461
	2017	1,130	—	—	1,130	1,130
Financial Assets Measured at Amortized Cost						
Long-term receivables (Note 14)	2018	\$ 44,272	\$ —	\$ 596	\$ 43,676	\$ 44,272
	2017	59,079	—	16,107	42,972	59,079
Financial Liabilities Measured at Fair Value Through Profit or Loss (FVTPL)						
Risk management liabilities	2018	\$ (86,434)	\$ —	\$ (86,434)	\$ —	\$ (86,434)
	2017	(103,747)	—	(103,747)	—	(103,747)
Financial Liabilities Measured at Amortized Cost						
Long-term debt	2018	\$ (250,000)	\$ —	\$ (280,743)	\$ —	\$ (280,743)
	2017	(250,000)	—	(280,803)	—	(280,803)
Obligations under finance lease	2018	(18,237)	—	(22,976)	—	(22,976)
	2017	\$ (19,229)	\$ —	\$ (24,226)	\$ —	\$ (24,226)

A detailed description of the Company's financial assets and financial liabilities and its associated risk management in respect thereof is provided in "Note 23 - Financial Instruments" to the 2017 Annual Financial Statements. There have been no significant changes in the business and economic circumstances and the related financial risks that affect the Company's valuation of financial assets and financial liabilities since December 31, 2017.

b. Risk Management Contracts

The Company uses derivative commodity instruments as economic hedges to manage exposure to price volatility by hedging a portion of crude oil production. The terms of the outstanding instruments and expected settlement periods are as follows:

Type of Instrument	Term	Benchmark	Notional Amount / Volume (bbl/d)	Strike Prices Put /Call; Call Spreads	Carrying Amount	
					Assets	Liabilities
Zero-cost collars	April 2018 to October 2018	Brent	8,400,000	50.77 / 61.63	\$ —	\$ (84,558)
Call spreads	October 2018	Brent	600,000	59.00, 63.88	—	(1,876)
Total March 31, 2018					\$ —	\$ (86,434)
Zero-cost collars	January 2018 to October 2018	Brent	12,000,000	49.11 / 61.63	\$ —	\$ (102,104)
Call spreads	October 2018	Brent	600,000	59.00, 63.88	—	(1,643)
Total December 31, 2017					\$ —	\$ (103,747)

c. Risks Associated with Financial Assets and Liabilities

i) Credit Risk

As at March 31, 2018, three of the Company's customers had accounts receivable that were greater than 10% of the total trade accounts receivable. The Company's credit exposure to these customers was \$31.2 million, \$17.3 million, and \$8.5 million or 38%, 21%, and 10% of trade accounts receivable, respectively (2017: two customers with \$31.2 million and \$30.2 million or 34% and 33% of trade accounts receivable). Revenues from these customers for the three months ended March 31, 2018, were \$31.2 million, \$36.0 million, and \$28.6 million, or 11%, 14%, and 11% of revenue.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited; in thousands of U.S.\$, unless otherwise stated)

The following table shows the maximum credit risk exposure of financial assets:

As at	March 31	December 31
	2018	2017
Trade receivables	\$ 98,549	\$ 106,262
Short-term advances/deposits	18,585	15,822
Other receivables	89,516	79,624
Receivables from joint arrangements	61,768	52,658
Withholding tax and others	64,410	54,060
Allowance for doubtful trade receivables	(15,676)	(15,676)
Allowance for other receivables	(4,545)	(4,545)
Accounts receivable	\$ 312,607	\$ 288,205
Long-term receivables (Note 14)	44,272	59,079
Total	\$ 356,879	\$ 347,284
Withholding tax and others, short-term advances/deposits - not considered for credit risk	(82,995)	(69,882)
Total current and non-current receivables exposed to credit risk	\$ 273,884	\$ 277,402

Expected Credit Losses ("ECLs") Allowances

For short-term trade receivables, the Company has applied the simplified approach under IFRS 9 and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on historical normalized credit loss experience, and no additional impairment loss allowance was recognized on the transition date of January 1, 2018, and as at March 31, 2018.

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, internal and external information related to the counterparty, 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. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

Reconciliation of ECL allowance	Lifetime ECLs Not Credit Impaired	Lifetime ECLs Credit Impaired ⁽¹⁾	Lifetime ECLs Simplified Approach ⁽²⁾	Total
As at January 1, 2018 and March 31, 2018	\$ —	52,532	15,676	\$ 68,208

(1) Credit-impaired lifetime ECLs include balances related to long-term receivables with PII that were previously credit-impaired in 2016 (Note 14) and loans and facilities with CGX that were also credit-impaired in prior years (Note 13). These amounts are directly netted against long-term receivables within Other Assets.

(2) The Company is in legal proceedings against an unrelated customer, QV Trading LLC, in respect of an overdue accounts receivable in the amount of \$15.7 million for the sale of oil in August 2015. The receivable was fully impaired as at December 31, 2017 and 2016.

ii) Liquidity Risk

As at March 31, 2018, the Company had issued letters of credit and guarantees for exploration and operational commitments for a total of \$88.5 million (2017: \$86.3 million), of which \$81.9 million was committed under the November 2016 secured letter of credit facility maturing on June 22, 2018 ("Secured LC Facility") (2017: \$82.3 million).

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited; in thousands of U.S.\$, unless otherwise stated)

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

As at	March 31 2018	December 31 2017
Trade and other payables ⁽¹⁾	\$ 182,137	\$ 158,613
Accrued liabilities	189,246	190,778
Payables to joint ventures partners	2,410	2,145
Advances, warranties, and deposits	60,386	37,217
Provisions and withholding tax	156,490	159,147
Total	\$ 590,669	\$ 547,900

(1) Includes the liabilities of PEL, classified as held for sale, which totalled \$1.4 million as at March 31, 2018 (2017: \$1.6 million).

20. Commitments and Contingencies

Commitments

The Company's commitments as at March 31, 2018, undiscounted and by calendar year, are presented below:

As at March 31, 2018	2018	2019	2020	2021	2022	2023 and Beyond	Total
Transportation Commitments							
ODL Ship-or-Pay Agreement	\$ 37,175	\$ 49,052	\$ 30,073	\$ 1,144	\$ —	\$ 165	\$ 117,609
Bicentenario Ship-or-Pay Agreement	104,265	139,020	139,020	139,020	139,020	211,623	871,968
Transportation and processing commitments	206,023	234,509	233,763	232,939	192,022	723,325	1,822,581
Exploration Commitments							
Minimum work commitments	113,996	31,413	54,615	27,546	—	—	227,570
Other Commitments							
Operating purchases and leases	46,859	13,881	13,752	12,633	11,512	7,738	106,375
Community obligations	7,002	821	821	554	554	1,108	10,860
Total	\$ 515,320	\$ 468,696	\$ 472,044	\$ 413,836	\$ 343,108	\$ 943,959	\$ 3,156,963

Puerto Bahia Equity Contribution Agreement

On October 4, 2013, Pacinfra Holding Ltd. (a subsidiary of the Company), Pacific Infrastructure Ventures, Inc., Puerto Bahia (owned by PII, Note 13) and Wilmington Trust, National Association (as Collateral and Administrative Agent), entered into an equity contribution agreement, pursuant to which Pacinfra Holding Ltd. and PII agreed to jointly and severally cause equity contributions (via debt or equity) to Puerto Bahia up to the aggregate amount of \$130.0 million, when it is determined that there are certain deficiencies related to operation and maintenance of the port facility and Puerto Bahia's ability to make payments towards its bank debt obligations. On February 27, 2018, Wilmington Trust, National Association, issued a deficiency notice to Pacinfra Holding Ltd. and PII requesting both companies fund, or cause to be funded, a total amount of \$26.9 million to Puerto Bahia. Accordingly, the deficiency amount, due May 31, 2018, was included under "transportation and processing commitments" in the commitments table.

Contingencies

The Company is involved in various claims and litigation arising in the normal course of business. Since the outcome of these matters is uncertain, there can be no assurance that such matters will be resolved in the Company's favour. The Company does not currently believe that the outcome of adverse decisions in any pending or threatened proceedings related to these and other matters, or any amount which it may be required to pay by reason thereof, would have a material impact on its financial position, results of operations, or cash flows.

Except as noted above, no material changes have occurred with respect to the matters disclosed in "Note 24 - Commitments and Contingencies" of the 2017 Annual Financial Statements.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited; in thousands of U.S.\$, unless otherwise stated)

21. Subsequent Events

Sale of PEL

On October 25, 2017, the Company entered into an agreement to sell its interest in PEL to an affiliate of Electricas de Medellin-Ingenieria y Servicios S.A.S, for a total cash consideration of \$56.0 million. The Company received \$20.0 million in February 2018 as an advance on the purchase price and closed the transaction on April 19, 2018, with receipt of remaining funds, net of transaction costs, of \$27.6 million. In accordance with requirements under IFRS, the Company will recognize a non-cash loss on disposal of the foreign subsidiary from the reclassification of cumulative translation adjustments that must be recycled through net income from other comprehensive income.