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## The New Frontera

Third Quarter 2017 Earnings Call:  
November 14, 2017



# Advisories

This presentation contains forward-looking statements. All statements, other than statements of historical fact that address activities, events or developments that Frontera Energy Corporation (the "Company" or "Frontera") believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding estimates or assumptions in respect of production, revenue, cash flow and costs, reserve and resource estimates, potential resources and reserves and the Company's exploration and development plans and objectives) are forward-looking statements. These forward-looking statements reflect the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, the Company. Factors that could cause actual results or events to differ materially from current expectations include, among other things: uncertainty of estimates of capital and operating costs, production estimates and estimated economic return; uncertainties associated with estimating oil and natural gas reserves; failure to establish estimated resources or reserves; volatility in market prices for oil and natural gas; fluctuation in currency exchange rates; inflation; changes in equity markets; perceptions of the Company's prospects and the prospects of the oil and gas industry in Colombia and the other countries where the Company operates or has investments; uncertainties relating to the availability and costs of financing needed in the future; the uncertainties involved in interpreting drilling results and other geological data; and the other risks disclosed under the heading "Risk Factors" in the Company's annual information form dated March 14, 2017 filed on SEDAR at [www.sedar.com](http://www.sedar.com). Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein. In addition, reported production levels may not be reflective of sustainable production rates and future production rates may differ materially from the production rates reflected in this presentation due to, among other factors, difficulties or interruptions encountered during the production of hydrocarbon.

This presentation contains future oriented financial information and financial outlook information (collectively, "FOFI") (including, without limitation, statements regarding expected capital expenditures, production levels, oil prices and G&A), and are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraph. The FOFI has been prepared by management to provide an outlook of the Company's activities and results, and such information may not be appropriate for other purposes. The Company and management believe that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments, however, actual results of operations of the Company and the resulting financial results may vary from the amounts set forth herein. Any FOFI speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any FOFI, whether as a result of new information, future events or results or otherwise. This news release contains financial terms that are not considered in IFRS. These non-IFRS measures do not have any standardized meaning, and therefore are unlikely to be comparable to similar measures presented by other companies. These non-IFRS measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These financial measures are included because management uses this information to analyze operating performance and liquidity. They are different from those measures disclosed in prior periods, reflecting the Company's new strategic focus on operational efficiency and capital discipline.

All reserves estimates contained in this presentation were prepared in accordance with the definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook and *National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities* ("NI 51-101") and included in the F1 Report filed on SEDAR. Additional reserves information as required under NI 51-101 can also be found on SEDAR, under the: (i) Forms 51-101F2 – Report on Reserves Data by Independent Qualified Reserves Evaluator completed by each of RPS and D&M dated February 27, 2017; and (ii) Form 51-101F3 – Report of Management and Directors on Oil and Gas Disclosure dated March 14, 2017. All reserves presented are based on forecast pricing and estimated costs effective December 31, 2016 as determined by the Company's independent reserves evaluators. The Company's net reserves after royalties incorporate all applicable royalties under Colombia and Peru fiscal legislation based on forecast pricing and production rates, including any additional participation interest related to the price of oil applicable to certain Colombian blocks, as at year-end 2016. The values in this presentation are expressed in United States dollars and all production volumes are expressed net of royalties, and internal consumption, unless otherwise stated.

# Third Quarter 2017 Operational & Financial Highlights

## Strong Operating EBITDA and Cash Flow in Excess of Capital Expenditures

	Q3'17	Q2'17
Total Production Volumes <sup>(1)</sup>	71,068 boe/d	72,370 boe/d
Revenue	\$307MM	\$299MM
Cash Flow from Operations	\$110MM	\$12MM
Operating EBITDA <sup>(2,3)</sup>	\$106MM	\$87MM
Combined Realized Price	\$47.86/boe	\$46.28/boe
Operating Costs <sup>(2,4)</sup>	\$24.32/boe	\$25.97/boe
Operating Netback <sup>(3)</sup>	\$23.54/boe	\$20.31/boe
Adjusted FFO Netback <sup>(3)</sup>	\$12.64/boe	\$11.76/boe
Capital Expenditures	\$49MM	\$38MM
General & Administrative	\$4.06/boe	\$3.96/boe
Net loss <sup>(5)</sup>	(\$141MM)	(\$52MM)

### PRODUCTION / REVENUE / PRICE

Relatively flat production helped by increased light and medium oil from Peru, which offset declines in natural gas production in Colombia.

Brent oil prices increased 3% quarter over quarter, and tighter regional oil quality differentials helped realized price improve.

### OPERATING COSTS

Decreased as a result of lower transportation costs given downtime on Caño Limón offset by higher production costs in Peru.

### GENERAL & ADMINISTRATIVE ("G&A")

Continue to target ~\$4 per boe G&A costs as restructuring costs diminish going forward.

### STRONG OPERATING EBITDA & ADJUSTED FFO NETBACK PERFORMANCE

Operating EBITDA increased 22% and Adjusted FFO Netback increased 7% on a sequential basis helped by higher prices and lower transportation costs.



Operating and  
Adjusted FFO  
Netbacks Improve,  
Focused Capex  
Maintains Production



<sup>(1)</sup> Net after royalties and internal consumption

<sup>(2)</sup> Excludes Bicentenario off-time

<sup>(3)</sup> Non-IFRS Measures. See Advisors

<sup>(4)</sup> Refer to MD&A page 12, Operating Costs

<sup>(5)</sup> Net loss attributable to the equity holders of the parent

# Implementing Reservoir Study Findings

## The Benefit of Cross Functional Teams

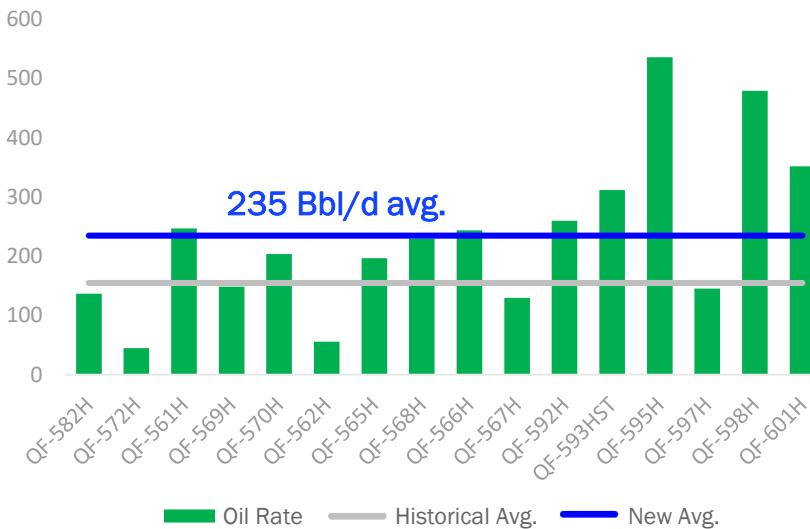
- New Team Based Approach Focused on Integrating People and Practices
  - Geological and Geophysical teams
  - Reservoir Management and Optimization Best Practices
  - Technical Studies and Dynamic Models
  - Drilling and Completions teams
- Enhanced Results are Attributable to:
  - Increased communication and cooperation between all development group disciplines
  - Deeper integration of all technical disciplines and data and studies before pre-drill well location selection
  - Tighter controls and improved experience/guidance with respect to the landing point (entry point and angle of well into reservoir)
  - Tighter controls in geo-steering in thinner reservoir sands
  - No geo-steering in reservoir thicker sands
  - Drilling and completions of wells with increased stand-off from oil water contact



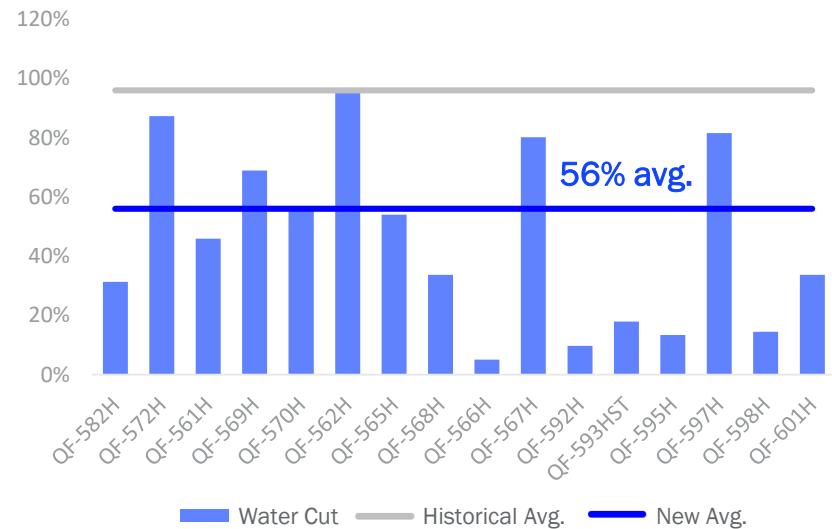
# Quifa Results Post-Reservoir Study

Higher Oil Rates, Lower Water Cuts Facilitate Production Growth

Recent Wells: Oil (Bbl/d)



Recent Wells: Water Cut (%)



- Comprehensive Quifa reservoir study completed
- Preliminary results are encouraging – higher oil rates, lower water cuts
- Improved drilling practices contributing to better results
  - Better geosteering
  - Higher oil water contact standoff
  - Better location selection

# Portfolio Enhancements

## Implementing Our Findings From Our Reservoir Review

- New Drilling Methodologies
  - Better placement of the horizontal section of the well in the reservoir improves initial production rates and reserves per well
  - Geosteering to the upper section of the reservoir avoids water breakthrough

Results: Quifa well IP rates of 235 bopd (>50% improvement on historic rates), ~56% water saturation (~68% previous rates)
- Implementation of Pressure Maintenance Projects (Waterfloods)
  - Waterflood projects reduce corporate production decline rates, improve oil recovery over time (adds reserves), improves overall company wide capital efficiencies

Results: Implementing waterflood project at Copa during the fourth quarter of 2017, with a further five assets to be placed under waterflood in the next 12 months
- Dual Completions
  - Completing two different reservoir sections at the same time, using two concentric completions increases production per well drilled (1.6x production at 1.3x the cost), and significantly reduces the number of development wells required to fully develop the field

Results: First dual completion currently running at Avispa 12
- Multilateral Drilling
  - Multilateral drilling enables better well placement throughout the field for better overall oil recoveries with fewer well pads.

Results: First multilateral development at Quifa expected in 2018



# The New Frontera Strategic Initiatives

## Significant Value with Catalysts

### 1. Near-term Catalysts to Unlock Value:

- Contract Renegotiations (Pipelines Tariffs and Peru)
- Exploration Drilling Opportunities (Alligator 1x, Llanos 25)
- Non-Core Asset Value of \$400-\$600 Million (PML, Puerto Bahia)

### 2. Capex Funded by Cash Flow from Operating Activities

### 3. Balance Sheet Strength

### 4. Successful EBITDA and Margin Expansion Strategy Pending Successful Contract Renegotiations (Pipeline Tariffs and Peru)

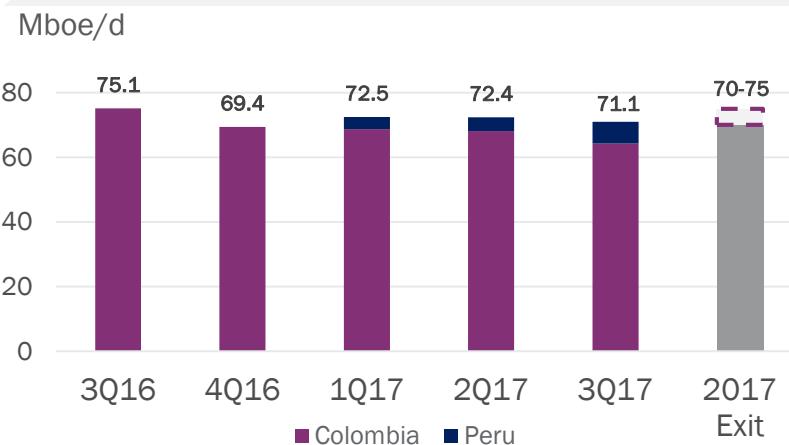
### 5. Experienced and Disciplined Management Team Focused on Value Over Volumes



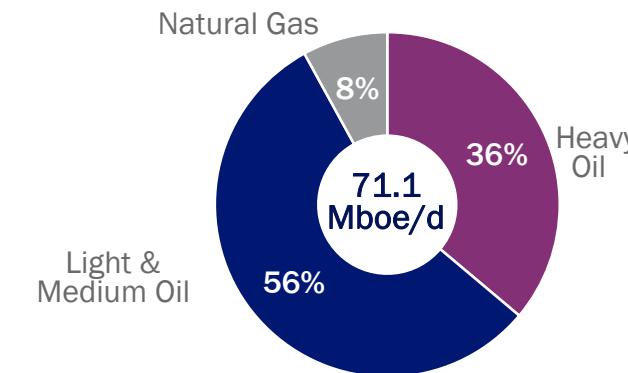
# 3Q 2017 Operational Highlights

## Lighter Production Mix, Lower Operating Costs

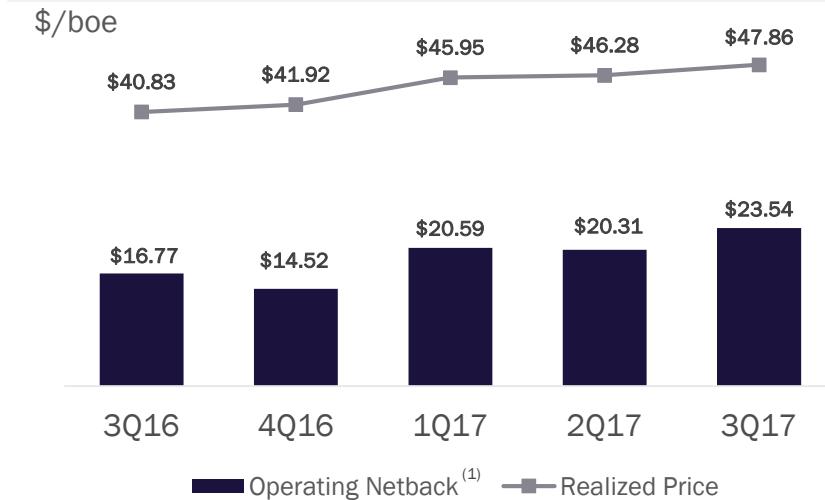
### ▶ Production Profile: Stable



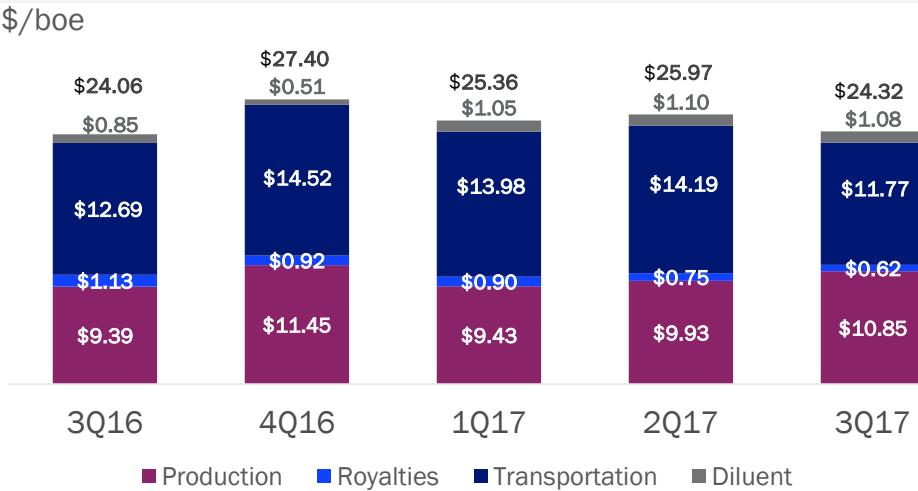
### ▶ Production Mix: Lighter Mix



### ▶ Realized Price and Operating Netback



### ▶ Operating Costs: Stable to Improving



<sup>(1)</sup> Non-IFRS Measures. See Advisories

# Unlocking Value: Strategic Initiatives

Over ~\$295 Million in Value Generated to Date

Asset Divested	Cash Proceeds	Exploratory Commitments <sup>(1)</sup>	SBLC / Collateral <sup>(2)</sup>
(\$ millions)			
Brazil Exploration Blocks	\$5.5	\$76.4	\$42.5
Colombia Exploration Blocks <sup>(3,4)</sup>	\$11.2	\$34.3	\$5.4
Colombia Production Blocks <sup>(5)</sup>	\$2.1	\$12.9	\$0.8
Peru Exploration Blocks <sup>(4)</sup>	\$17.3	\$22.7	\$2.8
Papua New Guinea <sup>(4)</sup>	\$57.0	\$0.0	\$0.0
Petroeléctrica de los Llanos <sup>(4)</sup>	\$56.0	\$0.0	\$0.0
<b>Total Divestments</b>	<b>\$149.1</b>	<b>\$146.3</b>	<b>\$51.5</b>

## Recent Strategic Highlights

- **100% Ownership of Pacific Midstream Limited ("PML"):** on October 16, 2017 the Company announced an agreement to acquire the remaining 36.36% equity interest in PML from the International Finance Corporation (the "IFC") and funds related to the IFC (jointly with the IFC, the "IFC Parties"). The acquisition consideration will be \$225 million in cash, paid in installments over a 36-month period. The completion of the transaction is subject to obtaining modifications to Frontera's take-or-pay contracts, which are expected to reduce tariffs, and other customary conditions of closing. In addition, the consent of the Company's noteholders and secured lenders is required to complete the transaction.
- **Sale of Petroelectrica de los Llanos ("PEL"):** on October 26, 2017, the Company announced that it had entered into an agreement to sell its interest in PEL to an affiliate of Electricas de Medellin - Ingenieria y S.A.S. for cash consideration of \$56 million, of which \$50 million will be used as the first payment to the IFC Parties in connection with the purchase of the IFC Parties' common shares of PML.

<sup>(1)</sup> Includes abandonment and environmental costs

<sup>(2)</sup> Standby Letter of Credit and Released Collateral

<sup>(3)</sup> Includes Major lands, Putumayo Basin, and San Jacinto 7 Block

<sup>(4)</sup> Agreements have been signed, subject to closing

<sup>(5)</sup> Includes Casanare Este and Cerrito

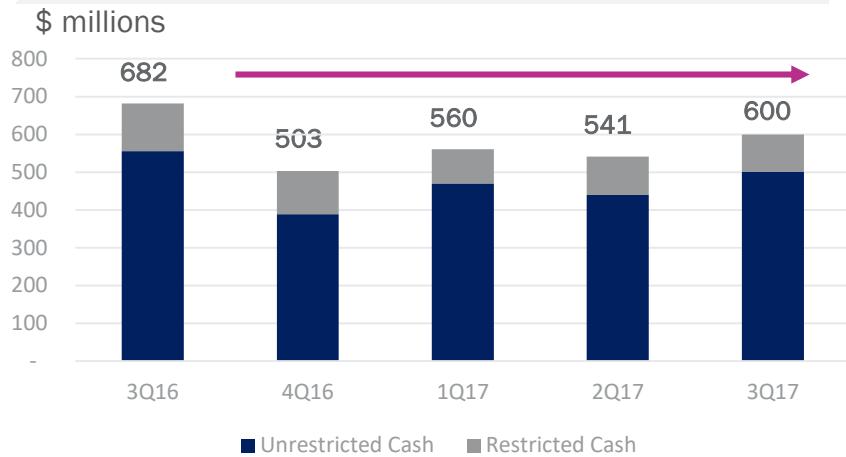
# Financial Highlights

## Strong Balance Sheet, Stabilized G&A Costs

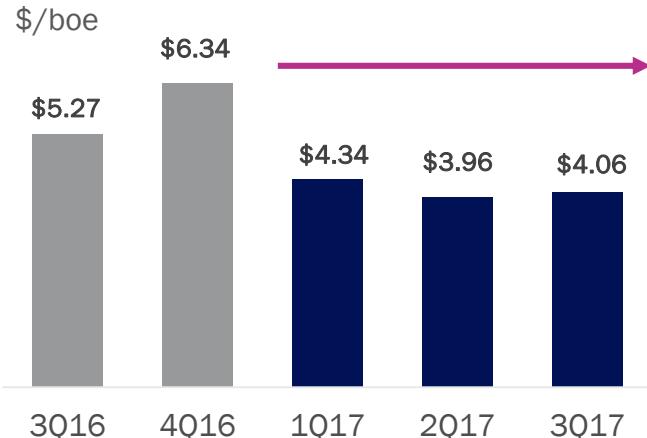
### Balance Sheet Metrics (September 30, 2017)

Total Cash <sup>(1)</sup>	\$600 million
Unrestricted Cash	\$501 million
Working Capital	\$313 million
Long Term Debt	\$250 million

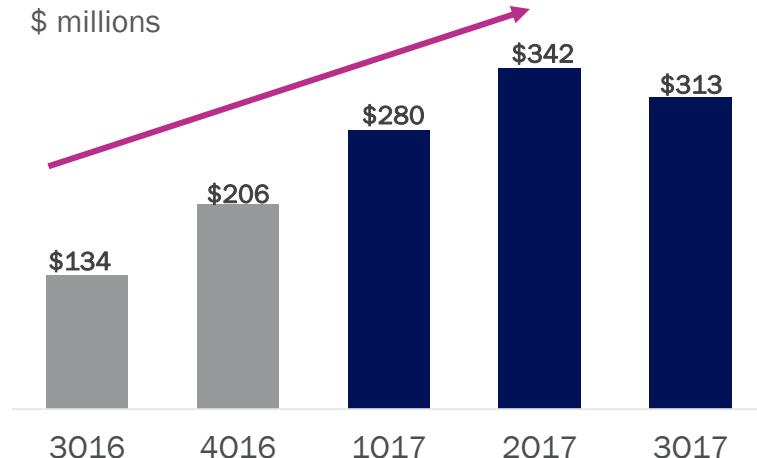
### ► Cash Balances: Stable



### ► G&A Costs: Stable



### ► Working Capital: Growing



<sup>(1)</sup> Includes cash and cash equivalents, and restricted cash

# Financial Highlights

## Strong Leverage Metrics, Recently Upgraded Credit Rating

### Leverage Metrics (September 30, 2017)

Debt to Book Cap <sup>(1)</sup>	15.9%
Gross Debt/EBITDA <sup>(2,3)</sup>	0.8x
Net Debt/EBITDA <sup>(2,3)</sup>	(0.8x)
Interest Coverage <sup>(2,4)</sup>	13.0x
No Long Term Debt Maturities until 2021	

### Credit Ratings

Fitch (upgrade Nov. 2, '17)	Outlook Stable
Issuer Rating: B+	Snr Notes: BB-/RR3
S&P	Outlook Stable
Issuer Rating: B+	Snr Notes: B+



<sup>(1)</sup> Debt to book cap is long term debt divided by long term debt plus shareholders equity

<sup>(2)</sup> EBITDA is a non-IFRS measure. See advisories

<sup>(3)</sup> Gross debt is long term debt, net debt is long term debt less unrestricted cash, EBITDA uses the midpoint of operating EBITDA guidance

<sup>(4)</sup> Interest coverage uses the midpoint of operating EBITDA guidance divided by the expected annual cash interest

# Revising Operating EBITDA Guidance Upwards Again!

Operational Focus and Discipline Drive Financial Outperformance

## 2017 Capital Expenditures and Other Forecasts

	Previous	New	Change
Operating EBITDA <sup>(1)</sup>	\$275 - \$300MM	\$300 - \$350MM	 13%
Total Capital Expenditure Budget	\$250 -300MM	\$250 - \$300MM	No Change
Estimated Total Exit Production	70 - 75Mboe/d	70 - 75Mboe/d	No Change
Brent Oil Price Assumption	\$50/bbl	\$53/bbl	 6%
Benchmark Price Differential	\$7.00 - \$7.50/bbl	\$5.50 - \$6.00/bbl	 21%

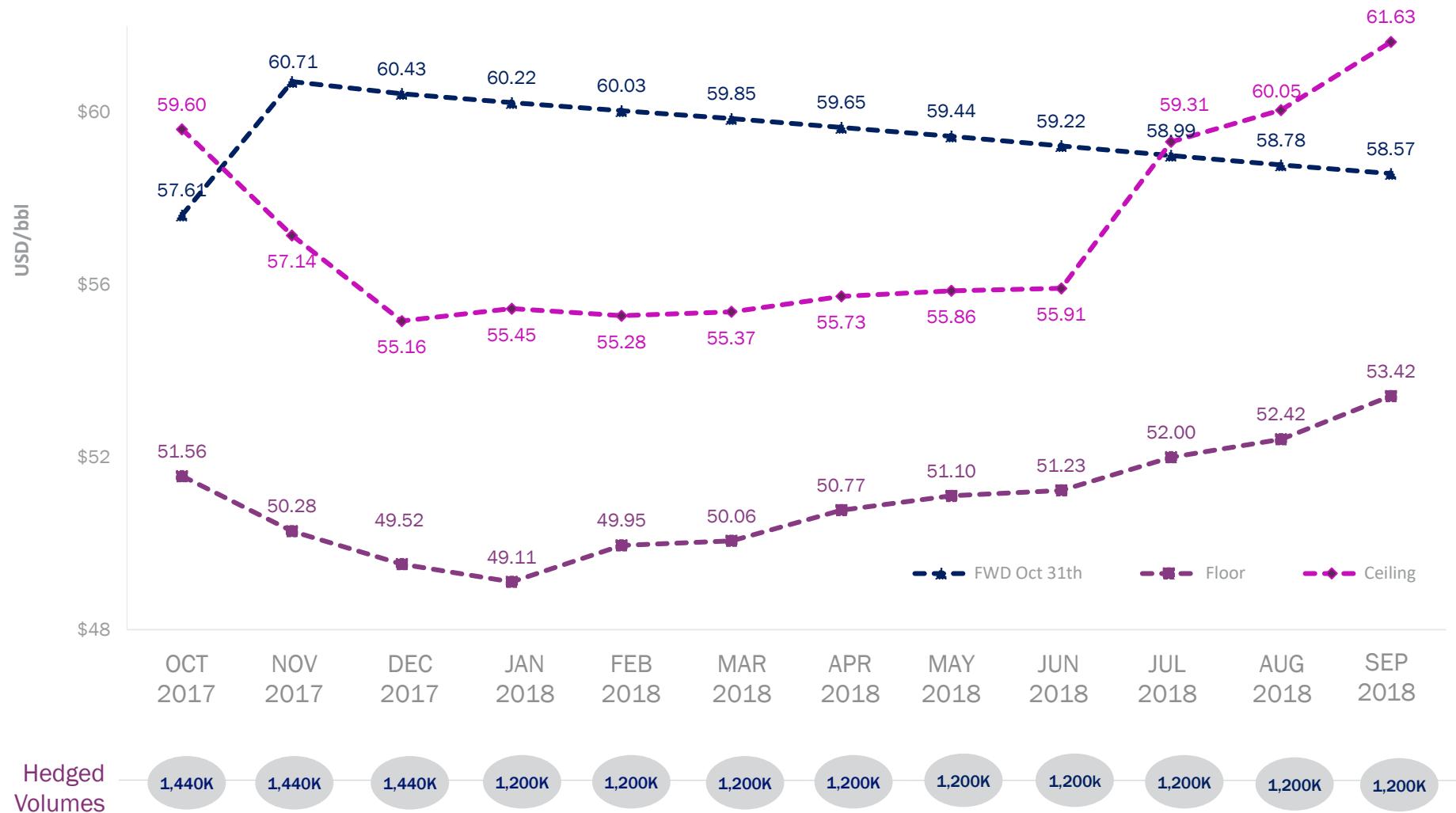


Improved Prices, Differentials and Operational Execution Drive Continued Financial Results

<sup>(1)</sup> Non-IFRS Measures. See Advisories

# Oil Hedging Summary 2017/2018<sup>(1)</sup>

## Downside Protection for the Next 12 Months



<sup>(1)</sup> Prices refer to Brent benchmark with hedging information and forward curve as of October 31, 2017.



# Q&A Session



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