

MANAGEMENT DISCUSSION & ANALYSIS

May 5, 2020

For the three months ended March 31, 2020

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Frontera Energy Corporation ("**Frontera**" or 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, and is committed to working hand in hand with all its stakeholders to conduct business in a socially and environmentally responsible manner. The Company's Common Shares ("**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, P.O. Box 11117, Vancouver, British Columbia, Canada V6E 4N7.

Legal Notice – Forward-Looking Information and Statements

This Management Discussion and Analysis ("**MD&A**") is management's assessment and analysis of the results and financial condition of the Company and should be read in conjunction with the accompanying Interim Condensed Consolidated Financial Statements and related notes for the three months ended March 31, 2020 and 2019 ("**Interim Financial Statements**"). Additional information with respect to the Company, including the Company's quarterly and annual financial statements and the AIF, have been filed with Canadian securities regulatory authorities and is available on SEDAR at www.sedar.com and on the Company's website at www.fronteraenergy.ca. Information contained in or otherwise accessible through the Company's website does not form a part of this MD&A and is not incorporated by reference into this MD&A.

The preparation of financial information is reported in United States dollars and is in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board, unless otherwise noted. This MD&A contains certain 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 and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures are described in greater detail under the heading "Non-IFRS Measures" section on page 13.

Certain statements in this MD&A constitute forward-looking statements or "forward-looking information (collectively, "forward-looking statements") within the meaning of applicable securities legislation, which involve known and unknown risks, uncertainties, and other factors that may because the actual results, performance or achievements of the Company or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Often, but not always, forward-looking statements use words or phrases such as "expects," "does not expect," "is expected," "anticipates," "does not anticipate," "plans," "planned," "estimates," "estimated," "projects," "projected," "forecasts," "forecasted," "believes," "intends," "likely," "possible," "probable," "scheduled," "positioned," "goal" or "objective." In addition, forward-looking statements often state that certain actions, events or results "may," "could," "would," "might" or "will" be taken, may occur or be achieved. Such forward-looking statements, including, but not limited to, statements with respect to estimates and/or assumptions in respect of the impact of the COVID-19 pandemic and the actions of the Organization of Petroleum Exporting Countries ("**OPEC**") and non-OPEC countries and the impact of the measures taken by the Company in response to these events, the reduction in demand for and price of oil and natural gas products, production levels, capital expenditures (including plans and projects related to drilling, exploration activities, and infrastructure), cost savings and General and Administrative ("**G&A**") savings and the impact thereof, and obtaining regulatory approvals, involve known and unknown risks, uncertainties and other factors that may cause the actual levels of production, costs and results to be materially different from the estimated levels expressed or implied by such forward-looking statements.

The Company currently believes the expectations reflected in these forward-looking statements are reasonable, but the Company cannot assure that such expectations will prove to be correct, and thus, such statements should not be unduly relied upon. These forward-looking statements are made as of the date of this MD&A and the Company disclaims any intent or obligation to update any forward looking statements, whether as a result of new information, future events or otherwise, unless required pursuant to applicable laws. Risk and assumptions that could cause actual results to differ materially from those anticipated in these forward-looking statements are described under the headings "Forward-Looking Information" and "Risk Factors" in the Company's Annual Information Form ("**AIF**") for the year ended December 31, 2019, dated March 5, 2020 and under the heading "Risks and Uncertainties" in this MD&A. Although the Company has attempted to take into account important factors that could cause actual costs or operating results to differ materially, there may be other unforeseen factors and therefore results may not be as anticipated, estimated or intended.

Certain information included or incorporated by reference in this MD&A may contain future oriented financial information ("**FOFI**") within the meaning of applicable securities laws. The FOFI has been prepared by management to provide an outlook of the Company's activities and results and may not be appropriate for other purposes. Management believes that the FOFI has been prepared on a reasonable basis, reflecting reasonable estimates and judgments; however, actual results of the Company's operations and the financial outcome may vary from the amounts set forth herein. Any FOFI speaks only as of the date on which it was made and the Company disclaims any intent or obligation to update any FOFI, whether as a result of new information, future events or otherwise, unless required by applicable laws.

1. PERFORMANCE HIGHLIGHTS

Financial and Operational Summary

		Q1 2020	Q4 2019	Q1 2019
Operational Results				
Oil production	(bbl/d)	61,535	68,681	65,323
Natural gas production	(boe/d)	2,037	2,224	2,651
Production ⁽¹⁾	(boe/d) ⁽²⁾	63,572	70,905	67,974
Oil and gas sales	(\$/boe)	41.65	58.95	58.08
Realized gain (loss) on risk management contracts	(\$/boe)	2.65	(0.66)	(0.30)
Royalties	(\$/boe)	(1.18)	(0.98)	(1.74)
Diluent costs	(\$/boe)	(1.45)	(1.09)	(1.71)
Net sales realized price ⁽³⁾	(\$/boe)	41.67	56.22	54.33
Production costs ⁽⁴⁾	(\$/boe)	(12.48)	(13.76)	(11.40)
Transportation costs ⁽⁵⁾	(\$/boe)	(12.98)	(12.84)	(12.70)
Operating netback ⁽⁶⁾	(\$/boe)	16.21	29.62	30.23
Financial Results				
Oil and gas sales	(\$M)	243,838	356,922	313,459
Realized gain (loss) on risk management contracts	(\$M)	15,490	(4,006)	(1,593)
Royalties	(\$M)	(6,900)	(5,904)	(9,376)
Diluent costs	(\$M)	(8,471)	(6,581)	(9,217)
Net sales ⁽⁶⁾	(\$M)	243,957	340,431	293,273
Net (loss) income ⁽⁷⁾	(\$M)	(387,809)	69,408	46,187
Per share – basic	(\$)	(4.04)	0.71	0.47
Per share – diluted	(\$)	(4.04)	0.70	0.47
General and administrative	(\$M)	15,015	22,897	16,492
Operating EBITDA ⁽⁶⁾	(\$M)	44,143	137,052	144,855
Cash provided by operating activities ⁽⁸⁾	(\$M)	46,541	151,575	83,155
Capital expenditures ⁽⁹⁾	(\$M)	64,676	132,452	69,219
Cash and cash equivalents – unrestricted	(\$M)	265,009	328,433	340,671
Restricted cash short and long-term	(\$M)	96,260	127,378	146,517
Total cash	(\$M)	361,269	455,811	487,188
Total debt and lease liabilities	(\$M)	390,259	402,660	417,751

1. Represents working interest production before royalties and total volumes produced from service contracts. Refer to the “Further Disclosures” section on page 21.

2. Boe has been expressed using the 5.7 to 1 Colombian Mcf/bbl conversion standard required by the Colombian Ministry of Mines & Energy.

3. Per boe is calculated using sales volumes from development and producing (“D&P”) assets.

4. Per boe is calculated using production.

5. Per boe is calculated using net production after royalties.

6. Refer to the “Non-IFRS Measures” section on page 13. This section also includes a description and details for all per boe metrics included in operating netback.

7. Net income (loss) attributable to equity holders of the Company.

8. First quarter of 2019 amounts have been revised to reflect the change in the accounting policy of interest paid as a financing activity instead of an operating activity. For further information on this adjustment, refer to Note 3b of the 2019 Annual Consolidated Financial Statements.

9. Capital expenditures includes costs, net of income from exploration and evaluation (“E&E”) assets.

Performance Highlights

First Quarter of 2020

The significant decline in global oil prices resulting from the impacts of the COVID-19 pandemic and related supply-demand market imbalances, negatively impacted the Company's financial results for the first quarter of 2020, including oil and gas sales, operating loss, net loss, operating cash flows and netbacks. The Brent crude oil price averaged \$50.82/bbl during this quarter, 20% lower than the first quarter of 2019. The Company's net sales realized price in the first quarter fell by 23% compared with the same quarter of 2019 as lower demand and rising storage levels caused wider price differentials for the Company's production. The decline in global oil prices also triggered impairment reviews over the Company's assets during the quarter which resulted in a non-cash impairment charge of \$150.8 million on non-current assets, the derecognition of \$168.0 million in deferred tax assets, and a \$19.8 million write-down of oil inventory.

The Company's hedging program successfully mitigated some of the impact of the drop in oil prices as realized gains of \$15.5 million were recognized on settled positions during the quarter. The Company currently has outstanding Brent-linked risk management contracts protecting approximately 21,000 bbl/d of average production for the remainder of 2020. Assuming a flat Brent oil price of \$30/bbl, the current value of the Company's oil hedge position is approximately \$57 million. In addition to a disciplined hedging program, the Company has taken additional steps to manage through this challenging environment in order to preserve its financial flexibility. Enacted measures include significantly reducing its 2020 capital budget, as well as operating and administrative costs, including a reduction in contractor services, streamlining corporate overhead costs and optimizing its workforce to better align with revised spending plans. These actions are designed to protect the balance sheet and better position the Company to succeed when market conditions improve.

Given the uncertainty surrounding the duration and magnitude of COVID-19 and its related impact on oil and gas prices, the Company is withdrawing its previously announced full-year 2020 guidance for average production, production costs per boe, transportation costs per boe, operating EBITDA, and capital expenditures as originally published on December 5, 2019, and subsequently revised on March 23, 2020.

Financial and Operational Results

- Net loss was \$387.8 million (\$4.04/share), compared with net income of \$46.2 million (\$0.47/share) in the first quarter of 2019.
- Cash provided by operating activities was \$46.5 million, compared with \$83.2 million in the first quarter of 2019. The Company reported a total cash position of \$361.3 million at March 31, 2020, including \$96.3 million of restricted cash.
- Capital expenditures were \$64.7 million, a decrease of 7% compared with \$69.2 million in the first quarter of 2019.
- Production averaged 63,572 boe/d, compared with 70,905 boe/d in the prior quarter and 67,974 boe/d in the first quarter of 2019.
- Operating EBITDA was \$44.1 million, compared with \$137.1 million in the prior quarter and \$144.9 million in the first quarter of 2019.
- Operating netback was \$16.21/boe, compared with \$29.62/boe in the prior quarter and \$30.23/boe in the first quarter of 2019.
- A quarterly dividend of C\$0.205/share, or \$14.0 million, was paid on April 16, 2020. The dividend resulted in the issuance of 1,679,065 Common Shares to shareholders electing to participate under the Company's Dividends Reinvestment Program ("DRIP").
- Under the Company's normal course issuer bid ("NCIB") program, 1,392,314 Common Shares were purchased for cancellation for \$10.1 million.

2. GUIDANCE

The long-term impacts of the COVID-19 pandemic and related supply-demand market imbalances, including the extent of the impact on the Company's operations, financial position, results of operations or liquidity, remain uncertain. Due to the rapidly evolving situation and this high degree of uncertainty, the Company is withdrawing its previously issued guidance for 2020. Investors and analysts should no longer rely on this guidance. Overall, the Company's operational performance for the first quarter of 2020 was relatively in line with expectations, except for operating EBITDA which was most significantly impacted by lower than projected oil prices.

3. FINANCIAL AND OPERATIONAL RESULTS

Production

The following table summarizes the average production before royalties from the Company's operations in Colombia and Peru. Refer to the "Further Disclosures" section on page 21 for details of the Company's net production.

Production (in boe/d)			
	Q1 2020	Q4 2019	Q1 2019
Producing blocks in Colombia			
Heavy oil	31,996	32,586	30,658
Light and medium oil	24,154	25,931	32,394
Natural gas	2,037	2,224	2,651
Total production Colombia	58,187	60,741	65,703
Producing blocks in Peru			
Light and medium oil	5,385	10,164	2,271
Total production Peru	5,385	10,164	2,271
Total production	63,572	70,905	67,974

Colombia

Production averaged 58,187 boe/d in Colombia for the first quarter of 2020, a decrease of 4% compared to the prior quarter and 11% in comparison to the first quarter 2019. Production was relatively stable in heavy oil blocks as declines in Quifa resulting from fewer development wells was partially offset by higher production from the CPE-6 Block resulting from improved water handling programs. Lower production in light and medium oil and natural gas blocks was primarily due to less development drilling and natural declines in the Guatiquia and La Creciente blocks, partially offset by incremental production generated from the testing of the La Belleza-1 well in the VIM-1 Block.

Peru

Production averaged 5,385 boe/d in Peru for the first quarter of 2020, compared to 10,164 boe/d in the prior quarter, and 2,271 boe/d in comparison to the first quarter of 2019. Production levels in Peru continue to be volatile and unpredictable, and are primarily correlated with the number of operational days on Block 192. The number of operational days has fluctuated significantly as force majeure events relating to the NorPeruano pipeline and community issues have caused the Company to intermittently suspend production from the block.

Force majeure was once again declared and accepted by Perupetro S.A ("Perupetro"), Peru's state oil and gas company effective February 27, 2020. The force majeure is a result of a community blockade which had disrupted the power supply to the operations within Block 192. As of this date, the block remains closed and operations are suspended. As a result, the Company's contract for Block 192, which is currently set to expire on September 2, 2020, will be extended until at least October 2020.

Production Reconciled to Sales Volumes

The following table reconciles the Company's average production to net production after payment of in-kind royalties and summarizes other factors that impacted total sales volumes.

		Q1 2020	Q4 2019	Q1 2019
Production	(boe/d)	63,572	70,905	67,974
Royalties in-kind Colombia	(boe/d)	(4,351)	(4,584)	(4,806)
Royalties in-kind Peru ⁽¹⁾	(boe/d)	(890)	(1,631)	(275)
Net production	(boe/d)	58,331	64,690	62,893
Oil inventory drawn	(boe/d)	8,526	3,941	962
Overlift positions ⁽²⁾	(boe/d)	(27)	(19)	—
Sales volumes from E&E assets ⁽³⁾	(boe/d)	(324)	(33)	(63)
Other inventory movements ⁽⁴⁾	(boe/d)	(2,175)	(2,770)	(3,824)
Sales volumes	(boe/d)	64,331	65,809	59,968
Oil sales volumes	(bbl/d)	62,360	63,638	57,363
Natural gas sales volumes	(boe/d)	1,971	2,171	2,605
Inventory balance				
Colombia	(bbl)	666,378	904,648	518,857
Peru	(bbl)	852,998	1,382,754	1,456,054
Inventory ending balance	(bbl)	1,519,376	2,287,402	1,974,911

1. The Company reports the share of production retained by the government of Peru as royalties paid in-kind. Refer to the "Peru Royalties - Block 192 Contract" section on page 5.

2. Refer to the "Further Disclosures" section on page 21.

3. Volumes from E&E assets are excluded from total sales volumes, as the related revenue and costs are capitalized under IFRS.

4. Mainly corresponds to operational consumption and quality volumetric compensation.

Despite lower production in Colombia and Peru during the three months ended March 31, 2020 compared with the prior quarter and the first quarter of 2019, the Company continued drawing down inventory in Peru and Colombia. Compared with the first quarter of 2019, sales volumes increased by 7% as the Company realized sales from Peru cargoes during the first quarter of 2020. Oil and gas sales volumes for the first quarter of 2020 were 2% lower than the fourth quarter of 2019, partially as a result of the force majeure events experienced on the NorPeruano pipeline during the quarter.

Colombia Royalties - PAP

The Company makes high-price clause participation ("PAP") payments to Ecopetrol S.A. and the ANH on production from the Quifa, Cubiro, Corcel, Guatiquia, Cravoviejo and Arrendajo blocks. The PAP is paid in cash for all blocks except for those relating to the Quifa block, which are paid using in-kind volumes from production. The PAP is applicable once accumulated production has exceeded 5 MMbbl (commercial area for the Quifa block and exploitation area for exploration and production contracts) and escalates as oil prices increase above a minimum contractual baseline WTI price, which is adjusted yearly by the U.S. Producer Price Index. Increases in oil prices can trigger higher PAP obligations, payable both in-kind (reducing the Company's net production) and in cash (increasing royalties).

		Three months ended March 31	
		2020	2019
PAP in cash	(bbl/d)	764	1,362
PAP in kind	(bbl/d)	260	84
PAP	(bbl/d)	1,024	1,446
% Production		1.6%	2.1%

For the three months ended March 31, 2020, PAP decreased by 422 bbl/d compared to the same period of 2019 due to lower WTI oil benchmark prices and lower production from the Guatiquia block.

Peru Royalties - Block 192 Contract

The Company does not hold a license or working interest on Block 192 in Peru, as it operates the block through a service contract. Under this contract, Perupetro owns the volumes produced, and the Company is entitled to in-kind payments on production, which can range from 44% to 84% of production on the block. This percentage is determined by the "R" Factor, related to income and expenses in accordance with the service contract. The Company reports the share of production retained by the government as royalties paid in-kind.

As at March 31, 2020, the Company has received in-kind payments for its services equivalent to 83% of the production from the block, with the balance being retained by Perupetro. Perupetro retained in-kind volumes averaging 890 bbl/d, during the three months ended March 31, 2020, compared with 275 bbl/d in the same period of 2019 as a result of higher average production in the first quarter of 2020.

Realized and Reference Prices

		Q1 2020	Q4 2019	Q1 2019
Reference price				
Brent	(\$/bbl)	50.82	62.42	63.83
Average realized prices				
Realized oil price	(\$/bbl)	42.28	60.27	59.85
Realized natural gas price	(\$/boe)	21.90	20.04	19.05
Net sales realized price				
Oil and gas sales	(\$/boe)	41.65	58.95	58.08
Realized gain (loss) on risk management contracts	(\$/boe)	2.65	(0.66)	(0.30)
Royalties	(\$/boe)	(1.18)	(0.98)	(1.74)
Diluent costs	(\$/boe)	(1.45)	(1.09)	(1.71)
Net sales realized price	(\$/boe)	41.67	56.22	54.33

The average Brent crude oil benchmark prices for the first quarter of 2020, were 19% lower compared to the prior quarter and 20% lower than the same quarter of 2019. The reduction in crude oil prices was mostly attributable to a weaker global economic outlook and lower crude oil demand resulting from the COVID-19 pandemic and the market oversupply as a result of OPEC and Russia failing to reach an agreement on production cuts during the quarter.

For the three months ended March 31, 2020, the Company's net sales realized price was \$41.67/boe, which was lower by 26% compared to the prior quarter and 23%, compared to the first quarter of 2019. A lower net sales realized price was primarily due to the reduction in the benchmark Brent oil price and wider differentials. The impact of lower oil prices was partially offset by \$2.65/boe from realized gains on risk management contracts which settled during the first quarter of 2020.

Operating Netback

The following table provides a summary of the Company's quarterly operating netback:

	Q1 2020		Q4 2019		Q1 2019	
	\$M	(\$/boe)	\$M	(\$/boe)	\$M	(\$/boe)
Net sales realized price ⁽¹⁾	243,957	41.67	340,431	56.22	293,273	54.33
Production costs ⁽²⁾	(72,210)	(12.48)	(89,789)	(13.76)	(69,758)	(11.40)
Transportation costs ⁽³⁾	(68,891)	(12.98)	(76,428)	(12.84)	(71,906)	(12.70)
Operating Netback ⁽⁴⁾	102,856	16.21	174,214	29.62	151,609	30.23
		(boe/d)		(boe/d)		(boe/d)
Sales volumes (D&P) ⁽⁵⁾		64,331		65,809		59,968
Production ⁽⁶⁾		63,572		70,905		67,974
Net production ⁽⁷⁾		58,331		64,690		62,893

1. Per boe is calculated using sales volumes from D&P assets. Refer to the "Realized and Reference Prices" section above.

2. Per boe is calculated using production.

3. Per boe is calculated using net production after royalties.

4. Refer to the "Non-IFRS Measures" section on page 13 for details and a description of the operating netback calculation.

5. Sales volumes D&P assets exclude volumes from E&E assets as the related sales and costs are capitalized under IFRS.

6. Refer to the "Production" section on page 4.

7. Refer to the "Further Disclosures" section on page 21.

Operating netback for the first quarter of 2020 was \$16.21/boe compared to \$29.62/boe in the fourth quarter of 2019, and \$30.23/boe in the first quarter of 2019. The decrease was primarily due to the reduction in the Company's net sales realized price. Production costs decreased by \$1.28/boe compared to the fourth quarter of 2019 primarily due to lower contractor costs, well servicing activities, maintenance expenses and lower production in Peru. In comparison to the first quarter of 2019, production costs increased by \$1.08/boe primarily as a result of higher production in Peru partially offset by lower energy and contractor costs in Colombia. Transportation costs on a per boe basis in the first quarter of 2020 slightly increased compared to the fourth quarter of 2019 and first quarter of 2019.

Sales

(\$M)	Three months ended March 31	
	2020	2019
Oil and gas sales ⁽¹⁾	243,838	313,459
Realized gain (loss) on risk management contracts	15,490	(1,593)
Royalties	(6,900)	(9,376)
Diluent costs	(8,471)	(9,217)
Net sales	243,957	293,273
\$/boe using sales volumes from D&P assets	41.67	54.33

1. In Colombia, for the three months ended March 31, 2020, oil and gas sales were \$217.6 million compared with \$309.0 million in the same period of 2019. In Peru, for the three months ended March 31, 2020, oil and gas sales were \$26.3 million, compared with \$4.5 million in the same period of 2019.

Oil and gas sales for the three months ended March 31, 2020, decreased by \$69.6 million compared to the same period of 2019, mainly due to lower oil and gas prices partially offset by increased sales volumes from the drawdown of inventory volumes.

Net sales for the three months ended March 31, 2020, decreased by \$49.3 million, compared with the same period of 2019. The following table describes the various factors that impacted net sales:

(\$M)	Three months ended March 31
Net sales for the quarter ended March 31, 2019	293,273
Decrease due to 28% lower oil and gas price	(88,655)
Increase due to higher volumes sold of 4,362 boe/d or 7%	19,034
Higher realized gain on risk management contracts	17,083
Decrease in royalties	2,476
Decrease in diluent costs	746
Net sales for the quarter ended March 31, 2020	243,957

Royalties

(\$M)	Three months ended March 31	
	2020	2019
Royalties Colombia	6,857	9,156
Royalties Peru	43	220
Royalties	6,900	9,376
\$/boe using sales volumes from D&P assets	1.18	1.74

Royalties include cash payments for PAP, royalties and amounts paid to previous owners of certain blocks in Colombia. For the three months ended March 31, 2020, royalties decreased by \$2.5 million, compared to the same period in 2019. The decrease in royalties in the first quarter was primarily due to lower production from the Guatiquia block combined with lower global benchmark oil prices. Refer to the "Production Reconciled to Sales Volumes" section on page 5 for further details of royalties paid in-cash and in-kind.

Oil and Gas Operating Costs

(\$M)	Three months ended March 31	
	2020	2019
Production costs	72,210	69,758
Transportation costs	68,891	71,906
Diluent costs	8,471	9,217
Overlift	150	20
Inventory valuation	43,115	(7,072)
Total oil and gas operating costs	192,837	143,829

For the three months ended March 31, 2020, total oil and gas operating costs increased compared to the same period in 2019 due to the following:

- Production costs increased by 4% mainly due to higher production levels in Peru. This increase was partially offset by a 5% decrease in production costs in Colombia compared to the same quarter of 2019 due to lower production, fuel consumption and energy costs, as well as operational cost control efforts which have reduced personnel expenses and contractor services.
- Transportation costs decreased by 4% primarily due to fewer barrels transported in Colombia as a result of lower production. The decrease was partially offset by higher transportation costs in Peru on sales from the drawdown of inventory volumes.
- Diluent costs and overlift were both comparable with the first quarter of 2019.
- Inventory valuation expense increased by \$50.2 million as a result of lower volumes of oil inventory at quarter end and \$19.8 million write-down of the carrying value of oil inventory due to lower global oil prices.

Depletion, Depreciation and Amortization

(\$M)	Three months ended March 31	
	2020	2019
Depletion, depreciation and amortization	88,020	93,146

For the three months ended March 31, 2020, depletion, depreciation and amortization expense ("DD&A") decreased by 6% compared to the same period of 2019, mainly due to a lower depletable base as a result of a reduction in abandonment cost estimates and lower capital expenditures, as well as a decrease in production.

Impairment, Exploration Expenses and Other

(\$M)	Three months ended March 31	
	2020	2019
Impairment of properties plant and equipment	77,864	—
Impairment of intangible assets	54,881	—
Impairment of exploration and evaluation assets	17,124	—
Other impairment	888	—
Total impairment	150,757	—
Exploration expenses	433	—
Recovery of asset retirement obligations	(2,623)	—
Total impairment, exploration expenses and other	148,567	—

For the three months ended March 31, 2020, the Company recorded an impairment charge of \$150.8 million primarily as a result of lower forecasted oil prices which reduced the expected future cash flows of its CGUs. As a result of the impairment test, the carrying amounts of certain assets relating to the Colombia CGUs were reduced to their recoverable amounts. The recoverable amount of each CGU was determined based on the Company's updated projections of future cash flows generated from proved and probable reserves. For further information refer to Note 6 of the Interim Financial Statements.

Other Operating Costs

(\$M)	Three months ended March 31	
	2020	2019
General and administrative	15,015	16,492
Share-based compensation	1,217	572
Restructuring, severance and other costs	6,408	1,440

General and Administrative

For the three months ended March 31, 2020, general and administrative expenses decreased by 9% compared to the same period of 2019, mainly due to cost efficiencies, reduced discretionary spending and lower employee-related costs from organization restructuring activities.

Share-based Compensation

For the three months ended March 31, 2020, share-based compensation increased to \$1.2 million compared to \$0.6 million in the same period of 2019, primarily due to the consolidation impact of equity compensation in CGX since its acquisition in March 2019.

Restructuring, Severance and Other Costs

For the three months ended March 31, 2020, restructuring, severance and other costs increased by \$5.0 million compared with the same period of 2019, primarily due to higher severance charges as part of the Company's efforts to streamline operations in response to the lower oil price environment.

Non-Operating Costs

(\$M)	Three months ended March 31	
	2020	2019
Finance income	4,678	6,030
Finance expenses	(15,260)	(13,675)
Foreign exchange (loss) gain	(20,597)	602
Other (loss) income, net	(2,991)	11,294

Finance Income and Expenses

For the three months ended March 31, 2020, finance income decreased by 22% compared to the same period of 2019, as a result of lower average cash balances. For the three months ended March 31, 2020, finance expenses increased by 12% compared to the same period of 2019, mainly due to the discount to present value of dividends declared by Bicentenario during the first quarter of 2020.

Foreign Exchange (Loss) Gain

For the three months ended March 31, 2020, the Company recognized a foreign exchange loss of \$20.6 million, compared to a gain of \$0.6 million in the same period of 2019, primarily due to the impact of the 24% depreciation in the COP against the USD on the translation of the Company's net working capital balances denominated in COP.

Other (Loss) Income, net

For the three months ended March 31, 2020, the Company recognized other losses of \$3.0 million primarily relating to the recognition of contingencies compared to other income of \$11.3 million in the same period of 2019 which included a non-cash gain of \$10.9 million resulting from the fair value adjustment to its equity on the acquisition of CGX.

Gain (Loss) on Risk Management Contracts

(\$M)	Three months ended March 31	
	2020	2019
Realized gain (loss) on risk management contracts ⁽¹⁾	15,490	(1,593)
Unrealized gain (loss) on risk management contracts ⁽²⁾	29,140	(6,187)
Total gain (loss) on risk management contracts	44,630	(7,780)

1. Represents risk management contracts that have settled during the period.

2. Represents the mark-to-market change in the fair value of outstanding contracts and the reversal of prior unrealized amounts on contracts that settled in the period.

For the three months ended March 31, 2020, realized gain on risk management contracts was \$15.5 million compared to a loss of \$1.6 million in the same period of 2019, primarily from positive cash receipts on put options and zero cost collars which were settled during the quarter at an average price of \$50.88/bbl. For further information refer to the risk management strategy described in the "Risk Management Contracts - Brent Crude Oil" section below.

For the three months ended March 31, 2020, the Company recognized an unrealized gain on risk management contracts of \$29.1 million, due to the decrease in the Brent crude oil benchmark forward prices over the contract periods.

Risk Management Contracts - Brent Crude Oil

As part of its risk management strategy, the Company uses derivative commodity instruments to manage exposure to price volatility by hedging a portion of its oil production. Consistent with the Company's risk management goals and priorities, the hedging strategy is designed to protect the Company's capital program and debt service requirements. In 2020, the Company executed a risk management strategy using a variety of derivatives instruments, including 3 - ways, put options and put spreads primarily to protect against downward oil price movements.

Type of Instrument	Term	Benchmark	Notional Amount / Volume (bbl)	Avg. Strike Prices	Carrying Amount (\$M)	
				Put / Call; Call Spreads \$	Assets	Liabilities
Put Options	April 2020	Brent	685,000	40.26	9,441	—
3-ways	April to September 2020	Brent	3,567,000	48.60/58.60/74.50	32,938	—
Put Spread	April to December 2020	Brent	1,170,000	48.50/58.50	10,842	—
Total as at March 31, 2020					53,221	—

Risk Management Contracts - Foreign Exchange

The Company is exposed to foreign currency fluctuations. Such exposure arises primarily from expenditures that are incurred in COP and its fluctuation against the USD. The Company monitors its exposure to such foreign currency risks. As at March 31, 2020, the Company has entered into foreign currency derivatives contracts using zero cost collars from April to September 2020 in order to reduce its foreign currency exposure associated with operating and capital expenditures incurred in COP.

Type of Instrument	Term	Benchmark	Notional Amount / Volume USD \$M	Avg. Put / Call; Par forward COP	Carrying Amount (\$M)	
					Assets	Liabilities
Zero cost collars	April 2020 to September 2020	COP / USD	\$ 129,000	3,300 / 3,683	—	12,740
Total as at March 31, 2020					—	12,740

Income Tax Expense

(\$M)	Three months ended March 31	
	2020	2019
Current income tax expense	(5,095)	(3,533)
Deferred income tax expense	(167,979)	(18,153)
Total income tax expense	(173,074)	(21,686)

The current income tax expense for the first quarter of 2020 was \$5.1 million, compared to \$3.5 million in the same quarter of 2019, mainly due to higher income taxes on dividends declared from investments in associates partially offset by a lower presumptive tax rate in Colombia.

The deferred income tax expense for the first quarter of 2020 was \$168.0 million, compared to \$18.2 million in the same quarter of 2019, primarily due to the derecognition of deferred tax assets in Colombia driven by the reduction in global crude oil prices. For further information refer to Note 8 of the Interim Financial Statements.

Net (Loss) Income

(\$M)	Three months ended March 31	
	2020	2019
Net (loss) income attributable to equity holders of the Company	(387,809)	46,187
Per share – basic and diluted (\$)	(4.04)	0.47

For the three months ended March 31, 2020, the Company reported a net loss of \$387.8 million which included a loss from operations of \$215.1 million (including a non-cash impairment charge of \$150.8 million), and the derecognition of deferred tax assets of \$168.0 million. This compared to a net income of \$46.2 million in the first quarter of 2019, which included \$51.3 million of income from operations and no impairment charges.

Capital Expenditures

(\$M)	Three months ended March 31	
	2020	2019
Maintenance and development drilling	41,258	46,000
Exploration activities ⁽¹⁾	16,770	15,126
Facilities and infrastructure	6,537	7,638
Other	111	455
Total capital expenditures	64,676	69,219

1. Includes expenditures, net of income from E&E assets.

For the three months ended March 31, 2020, capital expenditures were 7% lower than the same period of 2019 primarily due to lower development drilling activities which was partially offset by higher exploration spending on the Asai-1 well drilled on the Guama block. During the first quarter of 2020, the Company drilled 18 development wells and one exploration well, compared with 29 development and two exploration wells drilled during the same period of 2019.

Selected Quarterly Information

Operational and financial results		2020	2019				2018		
		Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Oil production	(bbl/d)	61,535	68,681	67,930	71,931	65,323	68,661	62,271	67,522
Natural gas production	(boe/d)	2,037	2,224	2,283	2,454	2,651	3,263	4,122	4,504
Production	(boe/d)	63,572	70,905	70,213	74,385	67,974	71,924	66,393	72,026
Oil and gas natural gas sales volumes	(boe/d)	64,331	65,809	54,378	66,105	59,968	50,298	61,071	67,822
Brent price	(\$/bbl)	50.82	62.42	62.03	68.47	63.83	68.60	75.84	74.97
Oil and gas sales	(\$/boe)	41.65	58.95	57.90	65.01	58.08	60.06	68.02	67.82
Realized gain (loss) on risk management contracts	(\$/boe)	2.65	(0.66)	(0.43)	(0.33)	(0.30)	(5.55)	(10.02)	(11.12)
Royalties	(\$/boe)	(1.18)	(0.98)	(2.41)	(2.40)	(1.74)	(2.94)	(2.83)	(2.19)
Diluent costs ⁽¹⁾	(\$/boe)	(1.45)	(1.09)	(1.85)	(2.17)	(1.71)	(2.22)	(1.89)	(1.74)
Net sales realized price	(\$/boe)	41.67	56.22	53.21	60.11	54.33	49.35	53.28	52.77
Production costs ⁽¹⁾	(\$/boe)	(12.48)	(13.76)	(11.60)	(11.17)	(11.40)	(12.76)	(13.84)	(12.44)
Transportation costs ⁽¹⁾	(\$/boe)	(12.98)	(12.84)	(12.00)	(12.49)	(12.70)	(12.89)	(13.77)	(11.81)
Operating netback ⁽¹⁾	(\$/boe)	16.21	29.62	29.61	36.45	30.23	23.70	25.67	28.52
Revenue	(\$M)	236,938	351,027	277,676	377,347	377,527	265,109	366,511	405,198
Net (loss) income	(\$M)	(387,809)	69,408	(49,117)	227,809	46,187	(116,631)	45,105	(184,436)
Per share – basic (\$)	(\$)	(4.04)	0.71	(0.50)	2.32	0.47	(1.17)	0.45	(1.84)
Per share – diluted (\$)	(\$)	(4.04)	0.70	(0.50)	2.29	0.47	(1.17)	0.45	(1.84)
General and administrative ⁽¹⁾	(\$M)	15,015	22,897	18,476	18,207	16,492	21,839	22,962	26,168
Operating EBITDA ⁽¹⁾	(\$M)	44,143	137,052	124,586	179,665	144,855	109,471	92,676	124,667
Capital expenditures	(\$M)	64,676	132,452	70,761	73,487	69,219	156,400	124,029	86,813

1. Effective January 1, 2019, the Company adopted IFRS 16 - Leases on a modified retrospective basis and therefore the 2018 quarters have not been restated and may not be comparable. Refer to Note 3b of the 2019 Annual Consolidated Financial Statements.

Over the past eight quarters, the Company's sales have fluctuated due to changes in production and inventory volumes, timing of cargo shipments, movements in the Brent benchmark oil price and fluctuations in realized oil price differentials. The Company's production levels in Colombia have increased in heavy oil blocks partially offset by natural declines on light and medium oil and natural gas blocks. The Company has had fluctuating production in Peru since operations at Block 192 have experienced periods of suspension under force majeure due to issues on the NorPeruano pipeline. Trends in the Company's net (loss) income are also impacted most significantly by the recognition of deferred income taxes, DD&A, impairment charges of oil, gas and other assets, and total gain (loss) from risk management contracts that fluctuate with changes in hedging strategies and forward oil prices.

Please refer to the Company's previously issued annual and interim Management Discussion and Analysis available on SEDAR at www.sedar.com for further information regarding changes in prior quarters.

Midstream Activities

The Company has investments in certain infrastructure and midstream assets. These assets include the Company's investments in pipelines, storage and other facilities relating to the distribution and exportation of crude oil products in Colombia. The Company's significant midstream investments are accounted for using the equity method of accounting, which requires that the carrying value of the investment be increased to reflect the Company's proportionate share of net income, or reduced to reflect its share of net losses and dividends declared. As the midstream investments have a COP functional currency, the COP depreciation against the USD generally results in lower reported carrying values in the Company's financial statements. The following section provides a summary and update of these investments.

Pacific Midstream Limited ("PML")

The Company holds a 59.9% interest in PML, which has a 35% equity investment in Oleoducto de los Llanos Orientales S.A. ("ODL"). ODL owns the ODL pipeline, which connects the Rubiales and Quifa fields to the Monterrey Station or Cusiana Station in the Casanare Department.

For the three months ended March 31, 2020, the Company recognized \$12.2 million as its share of income from ODL which was \$1.4 million lower than the same period of 2019 primarily due to a decrease in the transportation tariff in 2020 and the impact of foreign exchange fluctuations, partially offset by higher volumes transported in the Llanos region during the quarter. During the three months ended March 31, 2020, the Company recognized its share of dividends declared by ODL totalling \$24.5 million.

Bicentenario

The Company holds a 43.0% interest in Bicentenario, which owns the Bicentenario pipeline ("**BIC Pipeline**") that connects the Araguaney Station in the Casanare Department to the Banadia Station in the Arauca Department. At the Banadia Station, the BIC Pipeline connects to the Caño Limon Coveñas pipeline ("**CLC Pipeline**"), which connects to the Coveñas terminal on Colombia's Caribbean coastline in the Sucre Department.

For the three months ended March 31, 2020, the Company recognized \$4.5 million as its share of income from Bicentenario which was \$5.4 million lower than the same period of 2019 primarily due to the impact of foreign exchange fluctuations. For the three months ended March 31, 2020, the Company recognized its share of dividends declared by Bicentenario totalling \$17.0 million. As at March 31, 2020, the carrying value of dividends receivable from Bicentenario on a discounted basis was \$44.6 million (\$52.3 million undiscounted).

Infrastructure Ventures Inc. ("IVI")

The Company holds a 39.2% interest in Sociedad Portuaria Puerto Bahia ("**Puerto Bahia**") through its interest in IVI. Puerto Bahia operates a multipurpose port facility in the Bay of Cartagena. The port, which consists of a hydrocarbon terminal and a dry cargo terminal, is adjacent to the Bocachica access channel of the Cartagena Bay, and is strategically located near the Cartagena Refinery and the Panama Canal.

As part of the agreement to fund the construction of Puerto Bahia, 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 "**Puerto Bahia ECA Loans**"). Amounts advanced under the ECA are designated to the repayment of principal and interest from debt obligations of Puerto Bahia. The Puerto Bahia ECA Loans are subordinated to the Puerto Bahia bank debt facility and bear interest of 14%. To date, the Company has advanced a total of \$65.9 million under the ECA with a carrying value of \$74.8 million.

For the three months ended March 31, 2020, the Company recognized \$25.1 million as its share of losses from IVI which was \$24.7 million higher than the same period of 2019, mainly due to a higher unrealized foreign exchange loss on the revaluation of IVI's USD-denominated bank debt. As the carrying amount of the Company's equity investment in IVI was reduced to \$Nil at the end of 2018, its share of losses have since been recorded as a reduction to other asset balances with IVI. As of March 31, 2020, the carrying value of the Company's net investment in IVI (which includes loans and long-term receivables) has decreased to \$74.8 million compared to \$98.2 million as of December 31, 2019, primarily due to the recognition of these equity method losses.

Financial Statement Impacts - Midstream

The Company's Interim Financial Statements include the following amounts relating to midstream activities:

Statements of Cash Flows	Three months ended March 31,							
	2020				2019			
(\$M)	ODL	Bicentenario	IVI	Total	ODL	Bicentenario	IVI	Total
Dividends received from associates	—	—	—	—	9,408	—	—	9,408
Dividends paid to NCI	—	—	—	—	(3,770)	—	—	(3,770)
Cash flow from midstream dividends	—	—	—	—	5,638	—	—	5,638
Net cash flow from midstream investments	—	—	—	—	5,638	—	—	5,638

Statements of Financial Position	As at March 31, 2020				As at December 31, 2019			
(\$M)	ODL	Bicentenario	IVI	Total	ODL	Bicentenario	IVI	Total
Dividends receivable	22,040	—	—	22,040	—	—	—	—
Accounts receivable	22,040	—	—	22,040	—	—	—	—
Dividends receivable	—	44,573	—	44,573	—	39,081	—	39,081
Puerto Bahia ECA Loans	—	—	74,809	74,809	—	—	75,688	75,688
Puerto Bahia other loan and receivables	—	—	—	—	—	—	22,545	22,545
Long-term receivable⁽¹⁾	—	44,573	74,809	119,382	—	39,081	98,233	137,314
Investment in associates (equity)	79,622	36,847	—	116,469	115,855	81,106	—	196,961
Net book value of midstream investments	101,662	81,420	74,809	257,891	115,855	120,187	98,233	334,275

1. Included within Other Assets.

Non-IFRS Measures

This MD&A contains the following terms that do not have standardized definitions in IFRS: “operating EBITDA,” “operating netback” and “net sales.” These financial measures, together with measures prepared in accordance with IFRS, provide useful information to investors and shareholders, as management uses them to evaluate the operating performance of the Company. The Company's determination of these non-IFRS measures may differ from other reporting issuers and are therefore unlikely to be comparable to similar measures presented by other companies. Furthermore, these non-IFRS measures should not be considered in isolation or as a substitute for measures of performance or cash flows as prepared in accordance with IFRS.

Operating EBITDA

EBITDA is a commonly used measure that adjusts net (loss) income as reported under IFRS to exclude the effects of income taxes, finance income and expenses, and DD&A.

Operating EBITDA represents the operating results of the Company's primary business, excluding the items noted above, restructuring, severance and other costs, certain non-cash items (such as impairments, foreign exchange, unrealized risk management contracts, and share-based compensation) and gains or losses arising from the disposal of capital assets. In addition, other unusual or non-recurring items are excluded from operating EBITDA, as they are not indicative of the underlying core operating performance of the Company.

The following table provides a complete reconciliation of net (loss) income to Operating EBITDA:

(\$M)	Three months ended March 31	
	2020	2019
Net (loss) income	(387,809)	46,187
Finance income	(4,678)	(6,030)
Finance expenses	15,260	13,675
Income tax expense	173,074	21,686
Depletion, depreciation and amortization	88,020	93,146
Impairment	148,134	—
Share-based compensation	1,217	572
Restructuring, severance and other costs	6,408	1,440
Share of income from associates	8,406	(23,498)
Foreign exchange loss (gain)	20,597	(602)
Unrealized (gain) loss on risk management contracts	(29,140)	6,187
Other loss (income), net	2,991	(11,294)
Non-controlling interests	1,663	3,386
Operating EBITDA	44,143	144,855

Net Sales

Net sales is a non-IFRS subtotal that adjusts revenue to include realized gains and losses from risk management contracts while removing the cost of dilution activities. This is a useful indicator for management, as the Company hedges a portion of its oil production using derivative instruments to manage exposure to oil price volatility. This metric allows the Company to report its realized net sales after factoring in these risk management activities. The deduction for diluent costs is helpful to understand the Company's sales performance based on the net realized proceeds from the production net of diluent, the cost of which is partially recovered when the blended product is sold. Net sales do not include the sales and purchases of oil and gas for trading, as the gross margins from these activities are not considered significant or material to the Company's operations. Refer to the reconciliation in the "Sales" section on page 7.

Operating Netback

Operating netback is used to assess the net margin of the Company's production after subtracting all costs associated with bringing one barrel of oil to the market. It is also commonly used by the oil and gas industry to analyze financial and operating performance expressed as profit per barrel and is an indicator of how efficient the Company is at extracting and selling its product. For netback purposes, the Company removes the effects of trading activities from its per barrel metrics. Refer to the reconciliation in the "Operating Netback" section on page 6.

The following is a description of each component of the Company's operating netback and how it is calculated.

Net sales realized price per boe is calculated using net sales (including oil and gas sales, realized gains and losses from risk management contracts less royalties and diluent costs) divided by the total sales volumes from D&P assets. A reconciliation of this calculation is provided below:

	Three months ended March 31	
	2020	2019
Net sales (\$M)	243,957	293,273
Sales volumes (D&P) - (boe)	5,854,121	5,397,120
Net sales realized price (\$/boe)	41.67	54.33

Production cost per boe is calculated using production cost divided by production (before royalties). A reconciliation of this calculation is provided below:

	Three months ended March 31	
	2020	2019
Production costs (\$M)	72,210	69,758
Production (boe)	5,785,052	6,117,648
Production costs (\$/boe)	12.48	11.40

Transportation cost per boe is calculated using transportation cost divided by net production after royalties. A reconciliation of this calculation is provided below:

	Three months ended March 31	
	2020	2019
Transportation costs (\$M)	68,891	71,906
Net production (boe)	5,308,121	5,660,381
Transportation costs (\$/boe)	12.98	12.70

4. LIQUIDITY AND CAPITAL RESOURCES

The Company's principal liquidity and capital resource requirements consist of the following:

- Capital expenditures for exploration, production and development, including growth plans;
- Costs and expenses relating to operations, commitments and existing contingencies;
- Debt service requirements relating to existing and future debt; and
- Enhancing shareholder returns through dividends and share repurchases.

The Company funds its anticipated cash requirements and strategic objectives using current cash and working capital balances, cash flows from operations, and available debt and credit facilities. In accordance with the Company's investment policy, available cash balances are held in interest-bearing savings accounts, term deposits and Colombian mutual funds with high credit ratings and liquidity.

As at March 31, 2020, the Company had a total cash balance of \$361.3 million (including \$96.3 million in restricted cash), which is \$94.5 million lower than December 31, 2019, primarily due to net cash outflows of \$64.5 million in capital expenditures and other investing activities in excess of \$46.5 million in cash generated from operating activities, \$34.8 million reduction due to foreign exchange (including restricted cash), and \$20.0 million in dividends paid to shareholders and common shares repurchased under its NCIB.

Restricted cash includes amounts that have been set aside and are not available for immediate disbursement. As at March 31, 2020, the main components of restricted cash were long-term abandonment funds as required by the ANH and cash collateral required in certain legal processes. Abandonment funds will satisfy abandonment obligations and are expected to be released in the long-term as assets are abandoned. Abandonment funding requirements are updated annually, typically during the second quarter, and can be satisfied through additional allocations of restricted cash, designation of letters of credit, or a combination of both. Cash collateral for legal processes are expected to be released as the related processes are closed. As at March 31, 2020, total restricted cash of \$96.3 million, decreased by \$31.1 million from December 31, 2019 primarily due to the impact from foreign exchange and additional letters of credit issued as a guarantee for abandonment obligations.

As at March 31, 2020, the Company had a working capital surplus of \$67.7 million compared with \$71.4 million at the prior year-end. The Company regularly reviews its capital structure and liquidity sources with a focus on ensuring that capital resources will be sufficient to meet operational needs and other obligations.

In response to the current low oil price environment, the Company has taken several steps to manage its liquidity and balance sheet, such as:

- Reducing the 2020 capital program by approximately 60% from planned 2020 activity. Capital expenditures for the balance of the year will be focused on activities that remain economic at low oil prices, primarily essential maintenance, well-workovers and sustaining production from higher netback fields.
- Deferring exploration commitments on certain of its blocks by an additional twelve months and working with regulatory agencies to obtain further deferrals of commitments.
- Actively managing its letter of credit requirements for future exploration commitments. The Company is in discussions with regulatory agencies to reduce such commitments and to permit the use of alternate instruments to secure commitments.
- Reducing operating costs, transportation costs and G&A through negotiated tariff reductions, cancellation of non-essential services and reduction of head-count.

Based on the foregoing, including the expected future impact of such measures, the Company expects that working capital in conjunction with future cash flows from operations, available credit facilities, and alternate financing arrangements, allowing for any associated cash collaterals will be sufficient to support operations, capital expenditures and financial commitments on an ongoing basis. The Company will remain flexible with respect to capital allocation decisions as the current commodity price environment

evolves and can make additional changes to its business and operations as warranted. See also the “Risks and Uncertainties” section below.

Unsecured Notes

The Company’s long-term borrowing consists of \$350.0 million of unsecured notes issued on June 25, 2018 (the “**Unsecured Notes**”). The Unsecured Notes bear interest at a rate of 9.7% per year, payable semi-annually in arrears on June 25 and December 25 of each year. The Unsecured Notes will mature on June 25, 2023, unless earlier redeemed or repurchased.

Letter of Credit Facility

On May 17, 2018, the Company entered into a \$100.0 million unsecured letter of credit facility with a maturity date of May 17, 2020 (the “**Unsecured LC Facility**”). The Unsecured LC Facility accrues interest at 3.0% per annum on any undrawn letters of credit, while amounts drawn under the facility accrue interest at 6% per annum. In November 2018, the Unsecured LC Facility was reduced to \$60.0 million. As of March 31, 2020, the Company had \$52.4 million of issued and outstanding letters of credit under the Unsecured LC Facility for exploratory, transportation and operational commitments. The Company is actively working with regulatory agencies to reduce the guarantee requirements to be covered by letters of credit. The Company is also in the process of replacing the Unsecured LC Facility prior to its expiry date with various uncommitted bilateral lines of credit.

Other Guarantees

The Company has various guarantees in place in the normal course of business. As at March 31, 2020, in addition to letters of credit issued under the Unsecured LC Facility, the Company has \$25.9 million of outstanding letters of credit to guarantee exploration and abandonment commitments. The lenders under these additional credit lines receive a fee equal to 3.0% per annum.

Included within the \$25.9 million of issued and outstanding letters of credit is \$14.2 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. As of May 5, 2020, the Company has not received a demand from BTG to arrange the return and cancellation of the letters of credit or the return of an equivalent amount of the letters of credit, and is working closely with BTG to review alternatives.

Credit Ratings Downgrade

On March 20, 2020, Fitch Ratings Inc. (“**Fitch**”) lowered its ratings on the Company’s corporate and Unsecured Notes to “B-” from “B+”, with a negative outlook. On March 27, 2020, Standard & Poor’s Financial Services, downgraded the Company’s corporate and issuer level credit ratings to “B+” from “BB-”, and has revised the outlook to negative from stable. These downgrades could, amongst other things, increase the cost of borrowing under new debt or credit facilities, and require the posting of additional collateral under operational agreements, risk management contracts and guarantees. In addition, any further downgrades to our credit ratings could have a negative impact on our liquidity and capital position. The Company does not have any rating downgrade triggers that would accelerate the maturity of amounts under its Unsecured Notes or Unsecured LC Facility.

Covenants

The Unsecured Notes are senior, unsecured and rank equal in right of payment with all existing and future senior unsecured debt and are guaranteed by the Company’s principal subsidiaries. Under the terms of both the Unsecured Notes and the Unsecured LC Facility, the Company may (excluding its unrestricted subsidiaries), among other things, incur indebtedness provided that the consolidated debt to consolidated adjusted EBITDA ratio⁽¹⁾ is less than or equal to 3.0:1.0 and the consolidated fixed charge ratio⁽²⁾ is greater than or equal to 2.5:1.0. In the event that these financial tests are not met, the Company may still incur indebtedness under certain permitted baskets, including an aggregate amount that does not exceed the higher of \$100.0 million and 10% of consolidated net tangible assets. The Unsecured Notes also contain covenants that limit the Company’s ability to, among other things, make certain investments or restricted payments, including dividends and share buybacks. As at March 31, 2020, the Company is in compliance with all such covenants.

1. Consolidated Debt to Consolidated Adjusted EBITDA Ratio is defined in the indenture governing the Unsecured Notes (the “**Indenture**”) as the Consolidated Total Indebtedness as of such date divided by Consolidated Adjusted EBITDA for the most recently ended period of four consecutive fiscal quarters. Consolidated Adjusted EBITDA is defined as the Consolidated Net Income (as defined in the Indenture) plus: i) consolidated interest expense; ii) consolidated income tax and equity tax; iii) consolidated depletion and depreciation expense; iv) consolidated amortization expense; and v) consolidated impairment charge, exploration expense and abandonment costs.

2. Consolidated Fixed Charge Ratio is the Consolidated Adjusted EBITDA for the most recent ended period of four consecutive fiscal quarters divided by the consolidated interest expense for such period as defined in the Indenture.

Commitments and Contractual Obligations

The Company's commitments and contractual obligations as at March 31, 2020, undiscounted by calendar year, are presented below:

As at March 31, 2020 (\$M)	2020	2021	2022	2023	2024	2025 and Beyond	Total
Financial obligations							
Long-term debt, including interest payments	33,950	33,950	33,950	366,975	—	—	468,825
Lease liabilities	31,170	22,740	7,240	4,636	—	—	65,786
Total financial obligations	65,120	56,690	41,190	371,611	—	—	534,611
Transportation and storage commitments							
Ocensa P-135 ship-or-pay agreement	\$ 68,551	\$ 68,551	\$ 68,551	\$ 68,551	\$ 68,551	\$ 17,358	\$ 360,113
Puerto Bahia take-or-pay agreement	26,934	20,422	—	—	—	—	47,356
ODL ship-or-pay agreement	17,258	291	—	—	—	—	17,549
Other transportation agreements	17,554	3,476	3,176	2,570	2,570	10	29,356
Exploration commitments							
Minimum work commitments	129,240	120,547	70,438	20,843	—	—	341,068
Other commitments							
Operating purchases, leases and community obligations	12,801	6,119	6,100	6,424	4,677	7,034	43,155
Total Commitments	\$ 272,338	\$ 219,406	\$ 148,265	\$ 98,388	\$ 75,798	\$ 24,402	\$ 838,597

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 intends to vigorously defend 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 March 31, 2020, the amount of tariffs claimed by CENIT under the CLC Transportation Agreements would be \$86.6 million plus interest, and would be approximately \$70.3 million per annum, subject to tariff adjustments from time to time, until 2028. As of March 31, 2020, the aggregate amount of monthly service payments claimed by Bicentenario under the BIC Transportation Agreements would be \$81.6 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 \$262.4 million of total commitments from the table above. As of March 31, 2020, the Company has rejected invoices for \$2.8 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.

Ocensa - P-135 Ship-or-Pay Agreement

As part of the Ocensa P-135 ship-or-pay agreement, the Company is required to maintain a minimum credit rating of BB- (Fitch) and Ba3 (Moody's) or to provide evidence of compliance with the net assets and working capital test included in such agreement. The Company does not comply with the minimum credit rating criteria or capital ratio tests which could give Ocensa early termination and prepayment rights under the contract if letters of credit are not provided by the Company.

On April 29, 2020, Ocensa and the Company entered into a pledge agreement pursuant to which the Company guaranteed payment to Ocensa through a pledge of the crude oil transported in the Ocensa Pipeline. The term of the pledge agreement is initially for a period of four months and can be extended by both parties in the event the minimum credit rating criteria or capital ratio tests are not satisfied at the time of expiration. During the term of the pledge agreement, Ocensa has agreed not to exercise its early termination and prepayment rights. The pledge agreement will automatically terminate if the Company subsequently meets any of the minimum credit requirements as set forth in the ship-or-pay agreement.

Exploration Commitments

The Company has minimum work commitments related to some exploration activities in Colombia, Peru, Ecuador, and Guyana. Given the current socio-economic environment due to the recent and rapid development of the COVID-19 pandemic and the decrease in oil prices, the Company has been reviewing its exploration commitments and alternatives with regulatory agencies, including deferring commitments and permitting alternate security arrangements to limit the amount of restricted cash required to secure commitments.

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 Consolidated Financial Statements.

5. OUTSTANDING SHARE DATA

The Company has the following outstanding share data as at May 4, 2020:

	Number
Common shares	97,194,576
Deferred share units ("DSUs") ⁽¹⁾	392,262
Restricted share units ("RSUs") ⁽²⁾	1,585,421

1. DSUs represent a future right to receive Common Shares (or the cash equivalent) at the time of the holder's retirement, death or the holder otherwise ceasing to provide services to the Company. Each DSU awarded by the Company approximates the fair market value of a Common Share at the time the DSU is awarded. The value of a DSU increases or decreases as the price of the Common Shares increases or decreases, thereby promoting alignment of interests of a DSU holder with shareholders. DSU settlements are determined by the sole discretion of the Compensation and Human Resources Committee of the Board, in Common Shares, cash or a combination thereof. Only directors are entitled to receive DSUs.

2. RSUs represent a right to receive Common Shares (or the cash equivalent) at a future date as determined by the established vesting conditions. RSUs are granted with vesting conditions that are based on continued service and the achievement of corporate objectives. The value of a RSU increases or decreases as the price of the Common Shares increases or decreases, thereby promoting alignment of interests of an RSU holder with shareholders. RSU settlements are determined by the sole discretion of the Compensation and Human Resources Committee of the Board, in Common Shares, cash or a combination thereof. Vesting of RSUs is determined by the Compensation and Human Resources Committee of the Board in its sole discretion and specified in the award agreement pursuant to which the RSU is granted.

Dividends

The Company has a policy to pay a regular quarterly dividend of approximately \$15 million during quarters in which the Brent oil price averages \$60/bbl or higher. Consistent with this dividend policy, the Company has suspended its regular quarterly dividend payment. The declaration and payment of any specific dividend, including the actual amount, declaration date and record date are subject to the discretion of the Board of Directors.

The Company's dividends paid or declared during the three months ended March 31, 2020, are presented below:

Declaration Date	Record Date	Payment Date	Dividend (C\$/Share)	Dividends Amount (\$M)	Number of DRIP Shares ⁽¹⁾
November 7, 2019	January 3, 2020	January 17, 2020	0.205	15,125	474,568
March 5, 2020	April 2, 2020	April 16, 2020	0.205	13,966	1,679,065
Total			0.410	29,091	2,153,633

1. The Company has a DRIP to provide shareholders who are resident in Canada with the option to have the cash dividends declared on their Common Shares reinvested automatically back into additional Common Shares, without the payment of brokerage commissions or service charges.

Normal Course Issuer Bid

On October 16, 2019, the TSX approved the Company's notice to renew its NCIB, which had expired on July 17, 2019. Pursuant to the renewed NCIB, the Company can purchase for cancellation up to 6,532,400 of its Common Shares during the twelve-month period commencing October 18, 2019 and ending October 17, 2020. As at March 31, 2020, the Company had repurchased a total of 2,941,128 Common Shares under its renewed NCIB since October 18, 2019. Given current oil prices, the Company does not expect to make further share repurchases under its NCIB until conditions improve.

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

	Three months ended March 31 2020
Number of common shares repurchased	1,392,314
Total amount of common shares repurchased (\$M)	10,075
Weighted-average price per share (\$)	7.24

6. RELATED-PARTY TRANSACTIONS

The following tables provide the transaction amounts, total balances outstanding and commitments with related parties, as at March 31, 2020 and December 31, 2019, and for the three months ended March 31, 2020 and 2019, respectively:

As at March 31, 2020, and December 31, 2019		Accounts Receivable	Accounts Payable and Lease Obligation	Commitments ⁽¹⁾	Cash Advance ^{(2) (3)}	Long-term Receivable ^{(2) (3)}	Interest Receivable ^{(2) (3)}
ODL	2020	22,040	260	17,549	—	—	—
	2019	—	4,181	30,125	—	—	—
Bicentenario	2020	7,577	102	—	87,278	52,333	—
	2019	9,677	—	36,539	87,278	45,732	—
IVI	2020	—	28,792	47,356	17,741	149,004	56,778
	2019	—	31,193	52,238	17,741	151,452	52,267

1. Refer to the "Commitments and Contractual Obligations" section on page 17.

2. Items included as Other Assets in the Interim Condensed Consolidated Statement of Financial Position.

3. Amounts presented based on contractual payment obligations undiscounted and prior to impairments.

(\$M)		Three Months Ended March 31		
		Sales	Purchases / Services	Interest Income ⁽¹⁾
ODL	2020	—	11,963	—
	2019	—	12,682	—
Bicentenario	2020	—	1,229	—
	2019	—	1,857	—
IVI	2020	—	9,818	4,511
	2019	—	8,151	3,403

1. Amounts presented based on contractual payment obligations undiscounted and prior to impairments.

7. RISKS AND UNCERTAINTIES

The Company is exposed to a variety of known and unknown risks in the pursuit of its strategic objectives. The impact of any risk may adversely affect, among other things, the Company's business, reputation, financial condition, results of operations and cash flows, which may affect the market price of its securities.

The Company has an enterprise risk management program that plans, identifies, evaluates, prioritizes and monitors risk across the organization and supports decision-making. This program identifies critical strategic risk to its people, the environment, its assets, regulatory environment and reputation, and systematically mitigates these risks to an acceptable level. In addition, we continuously monitor our risk profile as well as industry best practices.

The Company attempts to mitigate its financial, operational and strategic risks to an acceptable level through a variety of policies, systems and processes. For a comprehensive discussion of the risks and uncertainties that could have an effect on the business and operations of the Company, investors are urged to review the AIF and Consolidated Financial Statements as of December 31, 2019, copies of which are available on SEDAR at www.sedar.com.

In addition since December 31, 2019, there has been a rapid decline in global oil prices as a result of the ongoing COVID-19 pandemic as well as the actions taken by the OPEC and non-OPEC oil and gas exporting countries that have impacted global supply. These events and the procedures imposed by governments in response thereto have resulted in, and may continue to result in: a reduction in the demand for and price of oil and natural gas products; business closures and shutdowns; travel restrictions; reduction in the availability of sufficient storage and transportation capacity; disruption in operations; operating restrictions and restrictions in the communities in which the Company operates; increased volatility in financial markets and foreign currency exchange rates; reduced labour capacity; and supply shortages.

The impact of the COVID-19 pandemic and related supply-demand market imbalances continues to evolve and the extent to which such events impact the Company's business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted with any degree of confidence. Such events have had and could continue to have a material adverse effect on the Company's business, financial condition and results of operations. As a result, certain risks factors described in the AIF have been increased or amplified, including but not limited to, risks relating to the ability of the Company to: maintain its credit ratings; access additional financing; meet its financial obligations and minimum commitments; fund capital expenditures; comply with covenants contained in the agreements that govern indebtedness; and risks related to impairment charges, deferred tax assets and payment of dividends.

The Company has mitigated the impact of these risks by significantly reducing its planned capital expenditures in 2020, shutting in production on uneconomic fields and reducing operating and G&A costs. See the "Liquidity and Capital Resources" section for additional detail on the steps the Company has taken to mitigate or manage some of these risks. However, the situation is dynamic and highly uncertain, and the effectiveness and adequacy of such measures cannot be determined at this time. Even after the COVID-19 pandemic has subsided, the Company may continue to experience materially adverse impacts to its business as a result of the pandemic's global economic impact.

8. ACCOUNTING POLICIES, CRITICAL JUDGMENTS AND ESTIMATES

The Interim Financial Statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board, and with interpretations of the International Financial Reporting Interpretations Committee, which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook - Accounting. A summary of significant accounting policies applied is included in Note 3a of the 2019 Annual Consolidated Financial Statements. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Recent accounting pronouncements of significance or potential significance are described in Note 3b of the 2019 Annual Consolidated Financial Statements, including management's evaluation of impact and implementation progress.

The preparation of the Interim Financial Statements in accordance with IFRS requires the Company to make judgments in applying its accounting policies, estimates and assumptions about the future. These judgments, estimates and assumptions affect the reported amounts of assets, liabilities, revenues and other items in net operating earnings or loss and the related disclosure of contingent assets and liabilities included in the Interim Financial Statements. The Company evaluates its estimates on an ongoing basis.

The estimates are based on historical experience and on various other assumptions that the Company believes are reasonable under the circumstances. These estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amounts of revenues and other items.

The recent rapid decline in oil prices and the effect of the COVID-19 pandemic on the world economy have impacted and continue to impact the Company and has significantly increased economic uncertainty. The Company continues to monitor this rapidly changing environment, but the duration and magnitude of these events remains unknown at this time. As a result, it is difficult to reliably assess the full impact this will have on the Company's business, financial conditions and results of operations which presents uncertainties and risks in management's judgments, estimates, and assumptions used in the preparation of the Interim Financial Statements.

The results of the economic downturn and any potential resulting direct and indirect impact to the Company has been considered in management's judgments and estimates as described above for the quarter end; however there could be further prospective material impacts in future periods. As such, actual results may differ from these estimates under different assumptions or conditions. A summary of the significant judgments and estimates made by management in the preparation of its financial information is provided in Note 2 of the Interim Financial Statements.

9. INTERNAL CONTROL

In accordance with National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("**NI 52-109**") of the Canadian Securities Administrators, the Company issues a "Certification of Interim Filings". This Certification requires certifying officers to certify, among other things, that they are responsible for establishing and maintaining Disclosure Controls and Procedures ("**DC&P**") and Internal Controls over Financial Reporting ("**ICFR**") as those terms are defined in NI 52-109. The control framework used to design the Company's ICFR is based on the framework established in Internal Control - Integrated Framework (2013) by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company's ICFR are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's ICFR may not prevent or detect all misstatements because of inherent limitations.

There have been no changes in the Company's ICFR during the quarter ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, its ICFR.

The Company's DC&P is designed to provide reasonable assurance that material information relating to the Company is made known to the Company's certifying officers by others, particularly during the period in which the interim filings are being prepared, and that information required to be disclosed by the Company in its annual filings, interim filings and other reports filed or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

10. FURTHER DISCLOSURES

Production Reporting

Production volumes are reported on a Company working interest before royalties basis, including total volumes produced from service contracts. The latter refers to the total volumes produced under an oil extraction services contract with Perupetro on Block 192 in Peru. Under this contract, the volumes produced are owned by Perupetro and the Company is entitled to in-kind payments on production, which can range from 44% to 84% of production on the block. This percentage is determined by the "R" Factor, which is related to income and expenses in accordance with the service contract. The Company reports the share of production retained by the government under the contract as royalties paid in-kind in this MD&A.

The following table includes the average net production:

Net Production (in boe/d)			
	Q1 2020	Q4 2019	Q1 2019
Producing blocks in Colombia			
Heavy oil	29,350	29,778	28,037
Light and medium oil	22,449	24,155	30,209
Natural gas	2,037	2,224	2,651
Net production Colombia	53,836	56,157	60,897
Producing blocks in Peru			
Light and medium oil	4,495	8,533	1,996
Net production Peru	4,495	8,533	1,996
Total net production	58,331	64,690	62,893

Overlift and Settlement

Overlift and settlement corresponds to a short-term imbalance between the Company's production and sales volumes. In these instances, the Company lifts barrels from the pipeline system resulting in more volumes sold than produced, which is considered "overlift." Overlift represents an obligation for the Company to deliver the equivalent future production. Settlement occurs when this production is delivered to settle the overlift liability. During overlift, the Company recognizes the sales and an equivalent cost with no margin or operating EBITDA impact during the quarter. When the overlift is settled, this expense is reversed to recognize the gross margin and operating EBITDA earned on the related sale in the period of production. Refer to the "Oil and Gas Operating Costs" section on page 7.

Boe Conversion

The term “boe” is used in this MD&A. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of cubic feet to barrels is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In this MD&A, boe has been expressed using the Colombian conversion standard of 5.7 Mcf: 1 bbl required by the Colombian Ministry of Mines and Energy.

Abbreviations

The following abbreviations are frequently used in the Company's MD&A.

bbl	Oil Barrels	Mcf	Thousand cubic feet
bbl/d	Barrels of oil per day	PAP	High-price clause participation
boe	Barrels of oil equivalent	Q	Quarter
boe/d	Barrels of oil equivalent per day	USD	United States dollars
COP	Colombian pesos	WTI	West Texas Intermediate
C\$	Canadian dollars	\$	U.S. dollars
D&P	Development and producing	\$M	Thousand U.S. dollars
E&E	Exploration and evaluation	\$MM	Million U.S. dollars
MMbbl	Millions of oil barrels		