FRONTERA ENERGY CORPORATION

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED

DECEMBER 31, 2018

DATED: MARCH 13, 2019

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NOTE TO READER

The information in this AIF (as defined below) is stated as at December 31, 2018 unless otherwise indicated. All dollar amounts are expressed in U.S. dollars and references to "$" are to U.S. dollars unless otherwise indicated. References to C$ are to Canadian dollars.

ABBREVIATIONS AND DEFINITIONS

bbl	barrels	MMbbl	million barrels
bbl/d	barrels per day	MMboe	million barrels of oil equivalent
boe	barrels of oil equivalent	Mcf	thousand cubic feet
boe/d	barrels of oil equivalent per day		

The term "boe" is used in this AIF. 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 AIF boe has been expressed using the Colombian conversion standard of 5.7 Mcf to 1 bbl required by the Colombian Ministry of Mines and Energy. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 5.7 to 1, utilizing a conversion on a 5.7 to 1 basis may be misleading as an indication of value.

The Company has changed its methodology of reporting production volumes to a Company working interest before royalty basis, from the prior practice of reporting net production volumes after royalties, to improve the comparability of reported operational and financial results amongst its Canadian, Colombian and Latin American focused peer group. The Company believes that reporting production on this new basis will result in greater alignment with its industry peers and will be more reflective of daily production activity and operational cost drivers.

GLOSSARY OF TERMS

Capitalized terms used, but not otherwise defined in this AIF, have the meanings set out below. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.

<u>Non-Technical Terms</u>

"AIF" means this Annual Information Form dated March 13, 2019 for the fiscal year ended December 31, 2018.

"ANH" means Agencia Nacional de Hidrocarburos, the governmental entity in Colombia responsible for the granting of exploration and exploitation agreements with respect to hydrocarbons.

"ANP" means the Agencia Nacional do Petróleo Gás Natural e Biocombustíveis, the Brazilian governmental entity responsible for the granting of exploration and exploitation agreements with respect to hydrocarbons.

"Audit Committee" means the audit committee of the Board.

"BCBCA" means the *Business Corporations Act* (British Columbia), S.B.C. 2002, C. 57, as amended, including the regulations promulgated thereunder.

"BIC Pipeline" means Oleoducto Bicentenario pipeline, a Colombian pipeline that runs from the Araguaney Station in Casanare Department to the Banadia Station in Arauca Department.

"Bicentenario" means Oleoducto Bicentenario de Colombia S.A.S., owner of the BIC Pipeline.

“Board” means the board of directors of the Company.

“Catalyst” means The Catalyst Capital Group Inc. or any funds managed or administered by it or its affiliates.

“CENIT” means Cenit Transporte y Logística de Hidrocarburos S.A.S.

“CGX” means CGX Energy Inc.

“CLC Pipeline” means Caño Limón– Coveñas pipeline, a Colombian pipeline that runs from the Banadia Station in Arauca Department to the Coveñas terminal on Colombia's Caribbean coastline in Sucre Department.

“CNE Oil” means CNE Oil & Gas S.A.S., a subsidiary of Canacol Energy Ltd.

“Common Shares” means the common shares in the capital of the Company.

“Company” or **“Frontera”** means Frontera Energy Corporation and includes, where the context dictates, its subsidiaries on a consolidated basis.

“**Compensation and Human Resources Committee**” means the compensation and human resources committee of the Board.

“D&M” means DeGolyer and MacNaughton, of Dallas, Texas, an independent petroleum engineering consulting firm.

“DIAN” means Dirección de Impuestos y Aduanas Nacionales de Colombia, which is the Colombian tax authority.

“Directors” means members of the Board.

“E&P” means exploration and production.

“**Ecopetrol**” means Ecopetrol S.A., the Colombian majority state-owned oil and gas company.

“**ELN**” means National Liberation Army, a left-wing rebel group operating in Colombia.

“FECC” means Frontera Energy Colombia AG, a company duly incorporated under the laws of Schaffhausen, Switzerland.

“IFC Parties” means International Finance Corporation and related funds.

“**Itau**” means Itaú BBA Colombia S.A. Corporación Financiera.

“**NCIB**” means normal course issuer bid.

“**NorPeruano Pipeline**” means the Peruvian pipeline that transports crude oil from Block 192 to the export terminal at Bayovar.

“Ocensa” means Oleoducto Central S.A., owner of the Ocensa Pipeline.

“Ocensa Pipeline” means the Oleoducto Central S.A. pipeline, a Colombian pipeline that runs from the Cuisana and Cupiagua fields in Casanare Department to the Coveñas terminal on Colombia's Caribbean coastline in Sucre Department.

“ODC Pipeline” means the Oleoducto de Colombia pipeline, a Colombian pipeline that runs from the Vasconia Station in Boyacá Department to the Coveñas terminal on Colombia's Caribbean coastline in Sucre Department.

"ODL" means Oleoducto de los Llanos Orientales S.A.

"ODL Pipeline" means Oleoducto de los Llanos pipeline, a Colombian pipeline that runs from the Rubiales field to the Monterrey Station or Cusiana Station in Casanare Department.

"OGD Pipeline" means the Guaduas-La Dorada pipeline, a Colombian pipeline that runs from the Guaduas Station in Cundinamarca Department to the La Dorada Station in Caldas Department.

"PEL" means Petroeléctrica de los Llanos Ltd. which owns an electrical power transmission line.

"Perupetro" means Perupetro S.A., the Peruvian governmental entity responsible for promoting, negotiating, underwriting and monitoring contracts for exploration and exploitation of hydrocarbons in Peru.

"PIV" means Pacific Infrastructure Ventures Inc., an entity in which the Company indirectly holds a 39.22% interest.

"PML" means Pacific Midstream Ltd., an entity in which the Company holds a 59.93% interest.

"Port Credit Agreement" means the credit agreement dated October 4, 2013, between Puerto Bahia, Itau, and other lenders for a debt facility of up to $370 million for the construction of the Port Facility.

"Port Facility" has the meaning given to such term under the heading "Description of the Business – Midstream Activities – Pacific Infrastructure Ventures."

"production" means working interest production before royalties, and total volumes produced from service contracts.

"Puerto Bahia" means Sociedad Portuaria Puerto Bahia S.A., a wholly-owned subsidiary of PIV.

"Shareholder" means a holder of Common Shares.

"Superintendencia" means Superintendencia de Sociedades, the Colombian authority responsible for monitoring and controlling business entities that may be, or are, insolvent or bankrupt.

"TSX" means the Toronto Stock Exchange.

"Unsecured Indenture" means the indenture governing the Unsecured Notes.

"Unsecured LC Facility" means the $100 million letter of credit and reimbursement agreement with a syndicate of banks.

"Unsecured Notes" means the $350 million unsecured notes issued pursuant to the Unsecured Indenture.

Technical Terms

"°API" means the American Petroleum Institute measure of specific gravity of crude oil measured on the institute's gravity scale. Liquid petroleum with a specified gravity of 28°API or higher is generally referred to as light crude oil.

"barrel" means the volume unit of measure of liquid hydrocarbons equivalent to forty-two (42) U.S. gallons, corrected to standard conditions (a temperature of sixty degrees Fahrenheit (60ºF) and one (1) atmosphere of absolute pressure).

"hydrocarbons" means all the organic compounds mainly composed of the natural mixture of carbon and hydrogen, as well as of those substances that accompany them or are derived from them.

"natural gas" means the mixture of hydrocarbons in a gaseous state, under standard conditions (a temperature of sixty degrees Fahrenheit (60º F) and one (1) atmosphere of absolute pressure), composed of the most volatile members of the paraffin series of hydrocarbons.

"WTI" means West Texas Intermediate.

FORWARD-LOOKING INFORMATION

This AIF may contain or incorporate by reference information that constitutes "forward-looking information" or "forward-looking statements" (collectively, "**forward-looking information**") within the meaning of applicable securities legislation, which involves known and unknown risks, uncertainties, and other factors that may cause 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 information. When used in this AIF, such information uses words such as "may," "will," "expect," "believe," "plan," "intend" and other similar terminology. Forward-looking information contained herein reflects current expectations regarding future events and operating performance and speaks only as of the date of this AIF.

Forward-looking information involves significant risks and uncertainties, and therefore, should not be read as a guarantee of future performance or results and will not necessarily be an accurate indication of whether or not such results will be achieved. Accordingly, undue reliance should not be placed on such statements. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information, including, but not limited to, the factors discussed under the heading entitled "Risk Factors." Although the forward-looking information contained in this AIF is based upon what management of the Company believes are reasonable assumptions, the Company cannot assure readers that actual results will be consistent with the forward-looking information.

In particular, this AIF contains, or incorporates by reference, forward-looking information pertaining to the following:

- performance characteristics of the Company's oil and natural gas properties;
- the Company's oil and natural gas production levels;
- the Company's future drilling activities and capital expenditures and the anticipated timing thereof;
- impact of facilities and infrastructure projects, hedging and cost savings initiatives;
- supply and demand for oil and natural gas;
- expectations regarding the ability to continually add to reserves through acquisitions, exploration and development;
- treatment under governmental regulatory regimes, labour, environmental and tax laws;
- limitations on the Company's access to sources of financing or competitive terms and compliance with covenants;
- the Company's expectations and plans with respect to any contractual contingencies and current litigation proceedings; and
- dividend policy and the future payment of dividends.

Forward-looking information is based on current expectations, estimates and projections that involve a number of risks that could cause actual results to vary and in some instances differ materially from those anticipated by the Company and described in this AIF. The material risk factors include, but are not limited to:

- volatility in market prices for oil and natural gas;
- uncertainties associated with estimating oil and natural gas reserves;
- liabilities inherent with the exploration, development, exploitation and reclamation of oil and natural gas;
- uncertainty of estimates of capital and operating costs, production estimates and estimated economic return;
- increases or changes to transportation costs;

- expectations regarding the Company's ability to raise capital and to continually add to reserves through acquisitions and development;
- political developments in Colombia and Peru;
- geological, technical, drilling and processing problems;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- the outcome of litigation and arbitration proceedings;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- delays in obtaining required environmental and other licences and permits;
- the possibility that actual circumstances will differ from estimates and assumptions;
- changes in laws and regulations, including tax laws and accounting principles relating to the oil and gas industry; and
- the other factors discussed under the heading entitled "Risk Factors."

Statements relating to "reserves" or "resources" are by their nature forward-looking information, as they involve the implied assessment of such assets based on certain estimates and assumptions. The reserves information that is incorporated in this AIF are estimates only. In general, estimates of crude oil, natural gas liquids and natural gas reserves are based upon a number of variable factors and assumptions, such as production rates, ultimate reserves recovery, timing and amount of capital expenditures, ability to transport production, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results. For those reasons, estimates of the crude oil, natural gas liquids and natural gas reserves attributable to any particular group of properties, as well as the classification of such reserves prepared by different engineers (or by the same engineers at different times) may vary. The actual reserves of the Company may be greater or less than those calculated. In addition, the Company's actual production, revenues, development and operating expenditures will vary from estimates thereof and such variations could be material. In addition, the Company's actual production, revenues, development and operating expenditures may not be reflective of sustainable rates and future rates may vary from estimates thereof and such variations could be material.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking information contained in this AIF is expressly qualified by this cautionary statement. Forward-looking information contained herein is made as of the date of the AIF, and the Company assumes no obligation to update or revise it to reflect new events or circumstances, other than as required by applicable securities laws.

CORPORATE STRUCTURE

<u>General</u>

The Company was incorporated under the laws of the Province of British Columbia on April 10, 1985, pursuant to the *Company Act* (British Columbia). Subsequently, the Company was continued as a corporation of the Yukon Territories on May 22, 1996 and continued back into the Province of British Columbia on July 9, 2007 under the BCBCA. The Company has undergone a number of amalgamations as a result of various corporate transactions, including the acquisition of C&C Energia Ltd. in 2012 and Petrominerales Ltd. in 2013.

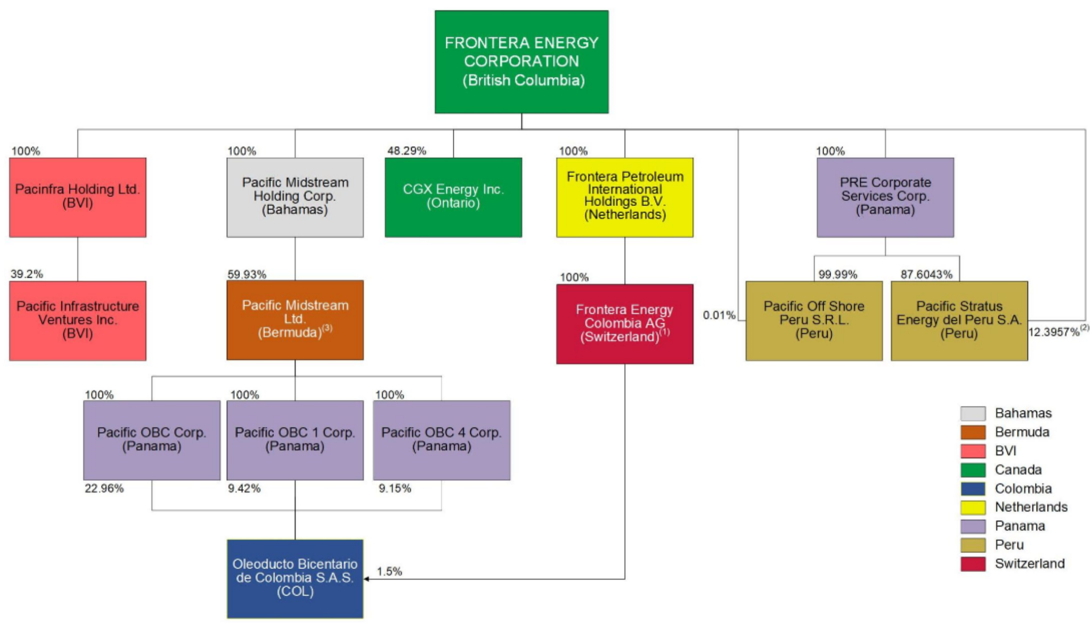
The Company has undergone a number of name changes. Effective August 14, 2015, the Company changed its name from "Pacific Rubiales Energy Corp." to "Pacific Exploration & Production Corporation." Subsequently, effective June 12, 2017, the Company changed its name from "Pacific Exploration & Production Corporation" to "Frontera Energy Corporation."

On November 2, 2016, the Company amended and restated its articles. For more information, see "General Development of the Business – Three Year History – Period ending December 31, 2016 – The Restructuring."

The Company's head office is located at Suite 1100, 333 Bay Street, Toronto, Ontario, M5H 2R2 and its registered office is located at Suite 650, 1188 West Georgia Street, Vancouver, British Columbia, V6E 4A2.

<u>Intercorporate Relationships</u>

The Company's organizational structure facilitates its business as a global company with operations primarily located in South America. The following chart illustrates certain subsidiaries of the Company, together with their respective jurisdictions of incorporation and the percentage of voting securities beneficially owned or over which control or direction is exercised by the Company as at December 31, 2018. The chart does not include all of the subsidiaries of the Company. The assets and revenues of excluded subsidiaries did not individually exceed 10%, and in the aggregate exceed 20%, of the total consolidated assets or total consolidated revenues of the Company as at December 31, 2018.



Notes:

(1) Revenue from this subsidiary accounts for more than 10% of the Company's revenue.
(2) Represents the Company's aggregate interest through its other wholly-owned subsidiaries.
(3) The Company's interest in PML was diluted to 59.93% (previously 63.64%) as a result of the IFC Parties exercising their right under the PML shareholders agreement to receive additional shares in PML.

GENERAL DEVELOPMENT OF THE BUSINESS

<u>Recent Developments</u>

Period beginning on January 1, 2019 and ending on March 13, 2019

On March 13, 2019, the Board declared a C$0.165 per share dividend, or approximately $12.5 million, to shareholders of record on April 2, 2019, payable on or about April 16, 2019.

On March 12, 2019, the Company and GeoPark Limited (NYSE: GPRK) as part of a consortium (Frontera 50%, GeoPark Limited 50%) were awarded production sharing contracts on two blocks in Ecuador's Intracampos Bid Round. The blocks were acquired under an initial four-year exploration period, with the option to extend the exploration period by an additional two years, for a total estimated commitment of $64 million ($32 million net to the Company). The final award is contingent upon regulatory approval which is expected in April 2019.

On January 31, 2019, the Company and CGX entered into a farmout agreement covering CGX's two shallow water offshore Petroleum Prospecting Licenses in Guyana. Concurrent with the signing of the farmout agreement, the Company entered into a standby commitment agreement with CGX whereby it agreed to back-stop the equity rights offering launched by CGX on February 1, 2019. CGX's rights offering is for a total of approximately $22 million. See "Description of the Business – Upstream Activities – CGX."

On January 29, 2019, Frontera signed a farm-in agreement with Parex Resources Inc. (TSX: PXT). Under the agreement, which is subject to ANH approval, Frontera will receive a 50% working interest in the VIM-1 block in the Lower Magdalena Valley basin in Colombia in exchange for funding 100% of the first $10 million of the drilling, testing and completion costs of the La Belleza-1 exploration well, after which costs on the block will be split 50/50 with Parex Resources (Colombia) Ltd.

Three Year History

The following is a description of major transactions and events that have influenced the general development of the Company's business during the years ended December 31, 2016, 2017 and 2018.

Period ending December 31, 2018

In 2018, the Company completed a total of 121 development wells (108 in the Quifa block, 11 in the Guatiquia block and one in each of the Cubiro and Cravoviejo blocks). The Company also completed eight exploration wells (two in the Quifa block, three in the Guatiquia block and one in each of the Llanos 25, Z-1 and Sabanero blocks).

In 2018, production totaled 71,032 boe/d, representing a reduction of 4,424 boe/d from 75,456 boe/d in 2017 primarily as a result of lower production in Colombia, partially offset by increased production in Peru on a year-over-year basis.

In 2018, the Company was released from its outstanding exploration commitments on two blocks by paying $8 million to the ANH. The Company also received ANH approval to transfer approximately $16 million in exploration commitments among its blocks.

On December 14, 2018, Pacinfra Holding Ltd. advanced $10.75 million to Puerto Bahia and on May 31, 2018, it advanced $30.46 million to Puerto Bahia in accordance with the Equity Contribution Agreement (as defined below). See "Description of the Business – Midstream Activities – Pacific Infrastructure Ventures – Equity Contributions."

On December 6, 2018, the Company announced that the water handling expansion project at Quifa was operational.

On December 5, 2018, a force majeure event was declared on Block 192 for the second time in 2018. Operations were suspended for a total of 116 days during 2018. See "Description of the Business – Upstream Activities – Exploration and Production Agreements – Block 192 Contract."

On December 5, 2018, the Company adopted a dividend policy and dividend reinvestment plan and declared a dividend of C$0.33 per share to shareholders of record on January 3, 2019, which was paid on January 17, 2019. See "Dividends and Distributions."

On November 28, 2018, the Company successfully completed a consent solicitation with respect to certain proposed amendments to the Unsecured Indenture and the Unsecured LC Facility. See “Description of Capital Structure – Material Debt Facilities – Unsecured Notes.”

On November 20, 2018, the Company sold its interest in Interamerican Energy Corp. to Faustia Development S.A. for an aggregate purchase price of $10 million, payable in 12 equal installments.

On November 7, 2018, Camilo Marulanda elected to resign from the Board and was replaced by Orlando Cabrales Segovia.

On November 7, 2018, Veronique Giry was appointed to the Board.

On October 9, 2018, the Company announced a light oil discovery from the Acorazado-1 exploration well located on Llanos 25 block in Colombia.

On September 28, 2018, the transfer of all participating interest in Block 116 from Les Etablissements Maurel & Prom, Maurel & Prom Colombia B.V. and M&P Peru Holdings S.A.S. to the Company was completed and the funding agreement relating to the exploration license contract for Block 116 and the Company’s parent company guarantee were terminated.

On September 11, 2018, the IFC Parties delivered a notice advising the Company of their intention to exercise the put option pursuant to the PML shareholders agreement. See “Description of the Business – Midstream Activities – BIC Pipeline and CLC Pipeline – IFC Put Option.”

On July 13, 2018, the Company announced that the TSX has accepted the Company’s notice of intention to initiate an NCIB. On December 18, 2018, the NCIB was amended to increase the maximum number of shares the Company is authorized to purchase under the NCIB. See “Description of Capital Structure – NCIB.”

On July 12, 2018, the Company and Ocensa reached a successful settlement agreement in an arbitration on tariffs and monetary conditions relating to transportation contracts entered into with Ocensa in connection with the Ocensa Pipeline expansion project, project P-135 See “Description of the Business – Midstream Activities – Ocensa.”

On July 12, 2018, the Company exercised its rights to terminate its existing contracts with Bicentenario and CENIT to transport oil through the BIC Pipeline and CLC Pipeline. See “Description of the Business – Midstream Activities – BIC Pipeline and CLC Pipeline.”

On July 6, 2018, the Company terminated the share sale agreement, dated October 13, 2017, with the IFC Parties to purchase the IFC Parties’ 36.36% interest in PML, which had an acquisition price of $225 million. On October 19, 2018, the IFC Parties received a $5 million break fee as a result of the termination.

On June 26, 2018, the Company completed a two-for-one share split with Common Shares trading on a post-split basis commencing on June 27, 2018.

On June 25, 2018, the Company completed an offering of the Unsecured Notes. A portion of the proceeds from the offering were used to repurchase, at a premium, the Company’s $250 million 10.0% Senior Secured Notes Due 2021 (as defined below) pursuant to a tender offer. The remaining proceeds were allocated to be used for general purposes. See “Description of Capital Structure – Material Debt Facilities – Unsecured Notes.”

On May 17, 2018, the Company replaced its amended and restated secured letter of credit facility with the Unsecured LC Facility. See “Description of Capital Structure – Material Debt Facilities – Letter of Credit Facility.”

In April 2018, the force majeure was lifted on the Sabanero block. The Company's interest in this block was declared in force majeure since May 2017 because an indigenous community blocked the access road.

On April 19, 2018, PML completed the sale of its interest in PEL to Transportadora Electrica del Oriente S.A.S., an affiliate of Electricas de Medellin-Ingenieria y Servicios S.A.S., for an aggregate purchase price of $56 million.

On April 2, 2018, Richard Herbert was appointed Chief Executive Officer and David Dyck was appointed Chief Financial Officer.

On February 20, 2018, the Company closed a transaction pursuant to which the Company transferred its interest in the petroleum prospect licence PPL 475 and petroleum retention licence PRL 39 in Papua New Guinea to ExxonMobil Canada Holdings ULC for a purchase price of $57 million.

On January 22, 2018, the Company experienced a temporary interruption at the Cubiro block due to a community blockade which was lifted on March 22, 2018.

Period ending December 31, 2017

In December 2017, the Company completed an internal reorganization of its Colombian business units in an effort to streamline its operations and eliminate legal entity redundancies. See "Description of the Business – Reorganizations."

On December 15, 2017, the Company and the ANH entered into a mutual termination agreement relating to the exploration and production contract governing the SSJN-3 block. With the termination of the contract, the Company reduced its exploration commitments related to this block by approximately $17.8 million.

On December 6, 2017, an arbitration panel delivered a ruling in favour of the Company's interpretation that the Corcel block is comprised of independent reservoirs. For more information, see "Legal Proceedings and Regulatory Actions – Disputes with Local Authorities in Colombia – ANH Disputes."

On October 20, 2017, the Company amended the CPO-14 field contracts to formalize the transfer of its 62.5% interest to Cepsa Colombia S.A. Pursuant to the transfer agreement, the Company agreed to (i) assume pending obligations under the CPO-14 license agreement corresponding to its participating interest by transferring them to another licence agreement with the ANH; and (ii) transfer its participating interest in CPO-14 field to Cepsa Colombia S.A. The pending obligations under the CPO-14 licence were subsequently transferred to the LLA-25 block.

On October 20, 2017, the Company transferred its 60% participating interest in the Putumayo-9 block, 50.5% participating interest in the Tacacho block and 100% participating interest in Terecay block to Amerisur Exploracion Colombia Limitada. Subsequently, on November 10, 2017, the Company transferred its 58% participating interest in the Mecaya block to Amerisur Exploracion Colombia Limitada. The aggregate purchase price for the transfers was $4.8 million, plus a monthly royalty of 2% from the hydrocarbons produced on the Terecay block and a monthly royalty of 1.2% from the hydrocarbons produced on the Putumayo-9 block.

On June 16, 2017, the Company entered into a framework agreement with Les Etablissements Maurel & Prom, Maurel & Prom Colombia B.V. and M&P Peru Holdings S.A.S., pursuant to which the parties agreed to: (i) transfer Maurel & Prom Colombia B.V.'s interest in the CPO-17 block to Hocol S.A, which was completed on May 30, 2018; (ii) convert the COR-15 technical evaluation agreement into an exploration and production agreement, which was executed on June 12, 2017; (iii) settle any dispute with respect to funding obligations; (iv) transfer all participating interest in Block 116 to the Company, which was completed on September 28, 2018; and (v) terminate various funding agreements and guarantee.

On June 2, 2017, the ANP approved the transfer of the Company's participating interest in the following contracts: (i) 30% of FZA-M-90; (ii) 50% of PAMA-M-337; and (iii) 70% of PAMA-M-265 (collectively, "**Queiroz Blocks**") in Brazil to

Queiroz Galvão Exploração e Produção S.A. In connection with the transfer of the Company's participating interest in the Queiroz Blocks, the Company also entered into a farm-out agreement with Queiroz Galvão Exploração e Produção S.A. pursuant to which the Company agreed to pay Queiroz Galvão Exploração e Produção S.A. the aggregate amount of approximately $26 million, including approximately $16 million for outstanding cash calls.

On May 12, 2017, the Company entered into an amendment agreement to the exploration and production contract governing Block 131 in Peru to formalize the transfer of its interest to Cepsa Peruana S.A.C. On April 26, 2017, the Company received Peruvian regulatory approval for the farm-out agreement with Cepsa Peruana S.A.C. dated November 30, 2016, pursuant to which the Company sold its 30% working interest in Block 131 for the aggregate purchase price of $17.8 million and the assumption of contractual exploration obligations of $7.2 million.

On March 13, 2017, the Superintendencia issued a decision to terminate the CCAA Proceedings (as defined below) under Ley 1116 in Colombia. As a result, all liens imposed by the Superintendencia on the Company's Colombian subsidiaries and branches were lifted, including the termination of the trust agreement in place for guaranteeing payment to trade creditors in Colombia. All remaining amounts held in trust under the trust agreement were released to the Company.

Effective March 13, 2017, the Block 135 contract was terminated. The block was previously in force majeure due to delays in receiving an approval of the environmental impact study conducted on the block. As a result of the termination, the Company reduced its exploration commitments by $15 million.

On February 1, 2017, the BIC Pipeline decreased its transportation tariff from $8.54/bbl to $7.56/bbl. In addition, in 2017, the Company was able to mitigate losses related to unused pipeline ship-or-pay transportation commitments by reversing the direction of the BIC Pipeline and transferring some of its required capacity to other shippers. As a result of these transfers, the Company received $11.3 million in cost reimbursements for 2017.

Period ending December 31, 2016

The Restructuring

On April 19, 2016, with the support of previous holders of $300 million 7.25% senior unsecured notes due 2021, $1 billion 5.125% senior unsecured notes due 2023, $1.3 billion 5.375% senior unsecured notes due 2019 and $750 million 5.625% senior unsecured notes due 2025 (collectively, "**Previous Senior Notes**") and lenders under its previous $1 billion revolving credit and guaranty agreement dated April 30, 2014, $250 million credit and guaranty agreement dated April 8, 2014, $75 million master credit agreement dated April 2, 2014 and $109 million credit and guaranty agreement dated May 2, 2013 (collectively, "**Previous Credit Facilities**"), the Company entered into an agreement with Catalyst with respect to a comprehensive recapitalization and financing transaction (the "**Restructuring**"). The Restructuring was implemented pursuant to a proceeding under the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**"), together with appropriate proceedings in Colombia under Ley 1116 of 2006 and in the United States under Chapter 15 of title 11 of the United States Code (collectively, the "**CCAA Proceedings**").

On November 2, 2016, the Company successfully implemented the plan of compromise and arrangement proposed by the Company pursuant to the Restructuring (the "**Plan**"). Upon implementation of the Plan, among other things:

i. All previously issued and outstanding Common Shares of the Company, together with the approximately 5,000,000,000,000 Common Shares issued to the holders of the Previous Senior Notes, lenders under the Previous Credit Facilities and all other creditors for which the Company commenced a claims process pursuant to the CCAA Proceedings (collectively, "**Affected Creditors**") and Catalyst pursuant to the Plan, were consolidated on the basis of 100,000 pre-consolidation Common Share to one-post consolidation Common Share. As a result, as of November 3, 2016, there were 50,002,363 fully diluted Common Shares, with Catalyst owning approximately 30.8% of the issued and outstanding Common Shares and the Affected Creditors owning approximately 69.2% of the issued and outstanding Common Shares.

ii. The series 2 notes issued pursuant to the $500 million debtor-in-possession note financing that closed on June 22, 2016 were amended and restated pursuant to an indenture dated November 2, 2016 (the "**10.0% Senior Secured Notes Due 2021**").

iii. The $115,532,794 letter of credit facility provided by certain lenders under the Company's Previous Credit Facilities on June 22, 2016 was amended and restated as a secured letter of credit facility maturing on June 22, 2018.

iv. The claims of all Affected Creditors were settled and effectively extinguished.

v. A new Board was affirmed, comprising Messrs. Gabriel de Alba (Chair), Luis F. Alarcon, W. Ellis Armstrong, Raymond Bromark, Russell Ford, Barry Larson and Camilo Marulanda. In connection with the appointment of the new Board, all previous members (Messrs. Serafino Iacono, Miguel de la Campa, Ronald Pantin, Augusto Lopez, Hernan Martinez, Dennis Mills, Francisco Solé and Ms. Monica de Greiff) resigned from the Board.

vi. The Company amended and restated its articles (the "**Amended Articles**"). The Amended Articles contain, among other things, certain special approval rights and provisions requiring that the Board be comprised of a majority of "Independent Directors" (as defined in the Amended Articles), which provisions shall apply until the earlier of (i) the date Catalyst owns less than 10% of the issued and outstanding voting securities of the Company and (ii) the date of the annual general meeting of Shareholders of the Company to be held in 2019.

vii. The Company entered into a voting agreement with Catalyst, pursuant to which Catalyst agreed to vote all of its Common Shares in favour of Russell Ford, the independent individual proposed by certain lenders under the Previous Credit Facilities, and Barry Larson, the independent individual proposed by certain holders of the Previous Senior Notes (if they consent to election) at the two annual general meetings of Shareholders immediately following November 2, 2016, which provisions shall also cease to apply if Catalyst owns less than 10% of the outstanding Common Shares. Barry Larson resigned from the Board on January 27, 2017 and subsequently served as Chief Executive Officer of the Company from February 20, 2017 to April 2, 2018.

Major Transactions and Events other than the Restructuring

On November 2, 2016, the Company deposited $39 million in a trust account established at the request of the Superintendencia to guarantee the payment of certain trade payables of the Company's Colombian branches. On March 13, 2017, the Superintendencia issued an order to terminate the proceedings under Ley 1116 in Colombia and lift any and all liens ordered during the CCAA Proceedings, including the trust account.

On October 18, 2016, Puerto Bahia obtained a waiver of its defaults under the Port Credit Agreement from Itau, among other lenders. The waivers were in relation to, among other things, Puerto Bahia's failure to complete the construction of the Port Facility by the agreed upon project and terminal completion dates. The construction of the Port Facility was subsequently completed on November 16, 2017.

On September 26, 2016, the Company and Karoon Petroleo & Gas Ltda. ("**Karoon**") entered into an agreement pursuant to which the Company agreed to sell Karoon its 35% participating interest in the joint operating agreements and contracts with respect to the Santos Basin, Brazil: S-M-1101, S-M-1102, S-M-1037, S-M-1165 and S-M-1166 exploration blocks (collectively, the "**Karoon Blocks**"), subject to certain terms and conditions. In connection with the disposition, Karoon agreed to pay the Company $15.5 million, and a contingent payment of $5 million payable upon gross production of the first MMboe from any of the contracts relating to the Karoon Blocks. The agreement was approved by the ANP on January 30, 2017.

On June 30, 2016, the Rubiales and Piriri fields were returned to Ecopetrol upon the expiration of the respective exploration and production contracts. At the time of the expiration, the Rubiales field was the Company's largest producing field. Upon termination of the Rubiales and Piriri contracts, all wells in production, all buildings and other assets associated with the Rubiales and Piriri fields reverted to Ecopetrol free of charge and without compensation to the Company. Certain real estate rights held by Major International Oil S.A connected to the Rubiales operation were also transferred to Ecopetrol.

On March 21, 2016, the Company elected to not make the interest payments due on March 28, 2016 under the indenture governing its previous $1 billion 5.125% senior unsecured notes due 2023. The Company had a 30-day period from the scheduled payment date to make such payment, after which the failure to make such payment would be an event of default under the respective indenture. On March 24, 2016, certain holders of these notes agreed to enter into forbearance agreements with the Company on substantially the same terms as the Forbearance Agreements (as defined below) until April 29, 2016.

On March 3, 2016, the Company and Exmar N.V. entered into a settlement agreement pursuant to which the Company agreed to pay Exmar N.V. the aggregate sum of $20 million in consideration for Exmar N.V. agreeing to terminate a liquefaction, storage and loading services agreement between Exmar N.V. and the Company's subsidiary, Pacific Stratus Energy Colombia Corp. The Company availed itself of its right to compromise the remaining balance owed to Exmar N.V. pursuant to the CCAA Proceedings. Consequently, Exmar N.V. received equity in the Company pursuant to the Plan.

In February 2016, operations in Block 192 were suspended and declared to be in force majeure due to a rupture of the NorPeruano Pipeline. Operations were reactivated on January 31, 2017.

On February 19, 2016, the Company announced that it had entered into forbearance agreements with certain holders of its Previous Senior Notes and lenders under the Previous Credit Facilities (the "**Forbearance Agreements**"). Pursuant to the Forbearance Agreements, certain holders of the Previous Senior Notes and lenders under the Previous Credit Facilities agreed to forbear from declaring the principal amounts of certain Previous Senior Notes or the Previous Credit Facilities, as the case may be, due and payable until March 31, 2016. The Forbearance Agreements were subsequently extended until April 29, 2016.

On or about January 14, 2016, the Company elected to utilize the 30-day grace period pursuant to the indentures governing certain Previous Senior Notes rather than make the scheduled interest payments due on such notes.

DESCRIPTION OF THE BUSINESS

<u>General</u>

The Company is a Canadian public company involved in the exploration, development, exploitation and production of oil and natural gas in South America. The Company currently has a diversified portfolio of assets with interests in over 30 exploration and production blocks in Colombia, Peru and Guyana. The Company is committed to conducting its business safely and in a socially, environmentally and ethically responsible manner.

In 2018, the Company's philosophy and business strategy was to grow its production and reserves through the development and optimization of its existing producing fields. The Company focused its development and appraisal drilling activities and expenditures in areas that the Company believed would provide the greatest economic return. In addition, the Company also targeted near-field, low risk exploration opportunities that assisted with increasing production and reserves.

The Company is the largest independent oil and gas operator in Colombia in terms of both assets and production. Through its wholly owned subsidiaries, the Company holds indirect interests in certain hydrocarbon properties in Colombia through contracts with Ecopetrol and the ANH. Total production from fields operated represented approximately 9.13% of total oil production and 2.83% of total gas production in Colombia during 2018.

In Colombia, the Company's diversified asset base includes 3.74 million net acres in the Llanos, Lower Magdalena Valley, Upper Magdalena Valley, Middle Magdalena Valley, Cesar Rancheria, Putumayo and Cordillera Oriental basins, which is divided into working interests in 34 blocks of which 12 are in the exploration phase, 15 are in the production phase and seven are in the exploration and production phase.

In Peru, the Company’s asset base includes over 3.11 million net acres in the Marañón basin onshore, the Santiago basin onshore and the Tumbes basin offshore, which is divided into working interests in three blocks of which one is in the exploration phase, one is in the exploration and production phase and one is operated by the Company through a service contract with Perupetro.

In Guyana, subject to government approval, the Company has a 33.333% interest in two shallow water offshore Petroleum Prospecting Licenses covering the Corentyne and Demerara Blocks.

Specialized Skill and Knowledge

The Company’s operations in the oil and natural gas industry require professionals with skills and knowledge in diverse fields of expertise. In the course of its exploration, development and production operations, the Company uses the expertise of drilling engineers, exploration geophysicists and geologists, petrophysicists, petroleum engineers, petroleum geologists and production and completion engineers. To date, the Company has not experienced any significant difficulties in attracting and retaining the professionals and experts it requires for its operations. See “Risk Factors – Ability to attract and retain qualified personnel.”

Competitive Conditions

The oil and natural gas industry is inherently competitive and the Company competes with other participants that may have greater technical and financial resources. Nonetheless, management believes that its competitive position is equivalent to that of other oil and gas issuers of similar size with operations in South America. See “Risk Factors – Competition.”

In order to enhance its competitive position, the Company has focused its development and appraisal drilling activities and expenditures in areas that the Company believes will provide the greatest economic return. In addition, the Company has identified value-added near-field, low risk production potential that will assist with increasing production and reserves. Finally, the Company is looking for opportunities to grow its asset base. Frontera recently participated in the Intracampos Bid Round in Ecuador and intends to participate in any bidding round initiated by the ANH in Colombia.

Business Cycles

The oil and natural gas business is subject to commodity price cycles. The Company’s operations and ability to market its oil and gas are sensitive to the market price of oil and natural gas. These prices fluctuate widely and are affected by numerous factors such as global supply, demand, inflation, exchange rates, interest rates, forward selling by producers, central bank sales and purchases, production, global or regional political, economic or financial situations and other factors beyond the control of the Company. See “Risk Factors – Risks Related to the Company conducting business in the Oil and Natural Gas Industry.”

Environmental Protection

The oil and natural gas industry in Colombia and Peru is subject to environmental laws and regulations. Prior to commencing exploration and production activities, the Company must obtain requisite environmental licenses and permits. Compliance with environmental obligations and requirements can require significant expenditures and impose constraints on the Company’s operations in the applicable jurisdiction. Breach of environmental obligations could lead to suspension or revocation of requisite environmental licences and permits, civil liability for damages caused and possible fines and penalties, all of which may significantly and negatively impact the Company’s position and competitiveness. The Company is exposed to potential environmental liability in connection with its operations. See “Risk Factors – Environmental Regulations and Risks.”

Employees

As at December 31, 2018, the Company had 32 employees in Canada, 999 employees in Colombia, 152 in Peru and one employee in Switzerland.

Foreign Operations

The Company’s hydrocarbon production activity is presently located in Colombia and Peru and therefore all of the Company’s revenues are generated from operations located outside of Canada.

Bankruptcy and Similar Procedures

In 2016, the Company implemented the Restructuring in accordance with the Plan in an effort to significantly reduce its debt, improve liquidity and position the Company to navigate the oil price environment at the time. The implementation of the Plan significantly changed the Company’s shareholder base and long-term debt structure. For more information, see “General Development of Business – Three Year History – Period ending December 31, 2016 – The Restructuring” and the Company’s annual audited financial statements and management discussion and analysis for the year ended December 31, 2016 filed on SEDAR at www.sedar.com.

Reorganizations

In 2017, the Company implemented a corporate initiative to optimize its organizational structure by streamlining its operations and eliminating legal entity redundancies. The Company merged several operating entities – Pacific Stratus Energy Colombia Corp, Petrominerales Colombia Corp. and Grupo C&C Energia Ltd. – into FECC. In addition, the Company consolidated four Colombian branches, which held the majority of the Company’s Colombian operational assets, into one Colombian branch. As a result of the reorganization, FECC and its Colombian branch hold the majority of the Company’s operational assets in Colombia.

Social and Environmental Policies

The Company has established guidelines and management systems to ensure compliance with all applicable laws. In 2017, the Company received recertification of its business continuity systems under ISO 22301, which certifies that the Company has implemented systems to address risks that may, without such systems, be detrimental to the Company’s operations. In 2018, the Company received recertification of its integrated management system under ISO 9001, ISO 14001 and OHSAS 18001 standards, which certify that the Company has successfully implemented the requirements related to quality, environmental, health and safety of the management systems to ensure compliance with applicable laws.

The Company continues to implement its social investment framework in a manner that encourages local community engagement and involvement. The Company’s social investment framework aims to protect, respect, preserve and strengthen traditional practices and cultural heritage. In 2018, the Company was named a Canadian Sustainable Development Goals award winner for the second consecutive year by the United Nations Global Compact Network of Canada for its engagement with indigenous communities and social investment strategy.

The Company has a sustainability policy in place that is based on its corporate values and the declarations on human rights and gender. The Company remains committed to the promotion and protection of human rights, including among other things, freedom of association, eradication of child and forced labour, security, and the economic, social and cultural rights of local communities. Similarly, the Company’s Diversity and Equality Declaration recognizes the importance of diversity and inclusion. See “Risk Factors – Risk Related to Operations in Colombia and the Company's other Markets" and "Risk Factors – Risks Relates to the Company Conducting Business in the Oil and Natural Gas Industry."

UPSTREAM ACTIVITIES

Oil and Natural Gas Contracts and Properties

The following is a description of the Company's oil and gas properties as at December 31, 2018.

	Working Interest	Status	Gross Acres	Net Acres	Annual Production[(1)] (boe/d)[(2)]
Colombia Central					
Operated Properties					
Abanico	25%	Production	62,560	15,640	166
Arrendajo	97.5%	Production	5,730	5,587	1,149
Buganvilles[(3)]	100%	Production	77,754	77,754	-
Cachicamo	100%	Production	10,091	10,091	1,022
Canaguaro	87.5%	Production	6,289	5,503	305
CPE-6[(4)]	100%	Production & Exploration	593,018	593,018	937
Corcel	100%	Production	11,158	11,158	1,830
Cordillera-24[(5)]	85%	Exploration	619,817	526,844	-
Casanare Este[(6)]	100%	Production & Exploration	18,479	18,479	359
Casimena	100%	Production	6,850	6,850	1,595
Cravo Viejo	100%	Production	23,836	23,836	2,273
Cubiro	100%	Production	31,029	31,029	3,559
Dindal	45%	Production	32,400	14,677	129
Guatiquia	100%	Production	11,086	11,086	15,346
Llanos 7	100%	Exploration	152,674	152,674	-
Llanos 55	100%	Exploration	101,466	101,466	-
Llanos 83	100%	Exploration	35,755	35,755	-
Llanos 25	100%	Exploration	169,805	169,805	3
Mapache	100%	Production & Exploration	26,412	26,412	166
Quifa	60%	Production & Exploration	265,987	159,592	27,560
Rio Ariari[(7)]	100%	Production & Exploration	307,036	307,036	-
Rio Seco	45%	Production	25,267	11,370	-
Sabanero	100%	Production & Exploration	67,897	67,897	392
Non-Operated Properties					
Cordillera-15[(8)]	50%	Exploration	141,308	70,654	-
Muisca[(8)]	50%	Exploration	585,126	292,563	-
Neiva	55.2%	Production	2,395	1,322	1,336
Colombia North					
Operated Properties					
CR-1	60%	Exploration	307,384	184,431	-
Guama	100%	Production & Exploration	70,993	70,993	67
La Creciente	100%	Production	16,711	16,711	4,067
Colombia South					
Operated Properties					
Caguan-5	50%	Exploration	919,321	459,661	-
Caguan-6	60%	Exploration	119,048	71,429	-

	Working Interest	Status	Gross Acres	Net Acres	Annual Production[1] (boe/d)[2]
Non-Operated Properties					
Orito	79%	Production	42,492	33,569	599
Portofino[9]	40%	Exploration	258,676	103,470	-
Tinigua	50%	Exploration	105,467	52,734	-
Peru					
Operated Properties					
Block Z1	49%	Exploration and Production	554,443	216,689	778
Block 116[10]	100%	Exploration	1,628,126	1,628,126	-
Block 192[11]	N/A	Production	1,266,037	1,266,037	7,393

Notes:

(1) Represents working interest production before royalties and total volumes produced from service contracts.
(2) boe has been expressed using the 5.7 to 1 Colombian Mcf to bbl conversion standard required by the Colombian Ministry of Mines and Energy.
(3) The Company is in the process of returning the block to Ecopetrol.
(4) The Company has granted a security interest in favour of Talisman Colombia Oil & Gas Ltd. over 50% of the production (after royalties and other applicable deductions and discounts) from the CPE-6 block up to $48 million.
(5) Represents the Company's working interest prior to the execution of a termination and settlement agreement with Green Power Corp. providing for the return of the remaining working interest.
(6) On March 30, 2017, the Company entered into a farm-out agreement with Gold Oil PLC Sucursal Colombia pursuant to which the Company agreed to transfer its participating interest and operatorship in the Casanare Este block. Closing of the transfer is pending ANH approval.
(7) Includes the 52% interest returned to ANH pending execution of “acta formal de devolucion” to formalize the return.
(8) This includes the Company’s investment in Maurel & Prom Colombia B.V. fields.
(9) The Company received ANH approval on December 11, 2018 to terminate its interest in this block. The Company is currently in the process of formalizing the termination.
(10) On September 28, 2018, the transfer of all participating interest in Block 116 from Les Etablissements Maurel & Prom, Maurel & Prom Colombia B.V. and M&P Peru Holdings S.A.S. to the Company was completed.
(11) The Company operates Block 192 through a service contract and does not hold a working interest in the block.

Exploration and Production Agreements

The following is a summary of the Company’s material oil and gas properties.

Quifa Block

The Quifa block, located in the Llanos Basin of Colombia, is an exploration and production block in which the Company holds a 60% working interest and is the operator. Ecopetrol holds the remaining interest in the block. The Company is entitled to 60% of production less (i) applicable legal royalties ranging from 6% to 25% and (ii) any additional participation percentage attributable to Ecopetrol when accumulated gross production of a field exceeds five MMbbl and the price of WTI crude during any month exceeds the base price for crude oil in dollars set forth in the contract. The Quifa contract establishes that capital costs and operational expenses must be borne 70% by the Company and 30% by Ecopetrol. Upon termination of the Quifa contract in December 2031, any wells in production, any buildings and other real estate possessions in the Quifa block will revert to Ecopetrol free of charge.

Within the Quifa block, the Company has developed two commercial fields, Quifa SW (with 388 producing wells) and Cajua (with 44 producing wells). Commerciality was declared on the Quifa SW field in 2010 and on the Cajua field in 2012. The Company’s facilities currently have the capacity to process 1.75 million bbl/d of total fluids, an increase of 350 thousand barrels of water per day as a result of the water handling expansion project commissioned at the Quifa block in 2018. Production is currently sent by flow lines to Bateria-4, a facility for fluid processing and storage and subsequently to the ODL Pipeline, which connects to the national pipeline system. As at December 31, 2018, average production from the Quifa SW field and the Cajua field was 26,173 bbl/d and 1,374 bbl/d, respectively.

The Company has entered an extended exploratory period on the block, having been extended from April 22, 2018 to April 21, 2019, to allow for testing and evaluation of commerciality at the heavy oil accumulation located on the northwest of the Quifa block. On April 21, 2019, this area will enter the exploitation phase if the Company declares commerciality on such area. In 2018, the Company completed the Jaspe-6D exploration well and encountered 33 feet of net pay in the Basal Sand formation. The well is currently shut-in pending approvals to extend testing. In 2018, the Company also drilled the Jaspe-7D exploration well, which encountered non-commercial hydrocarbons and was abandoned.

Guatiquia Block

The Guatiquia block, located in the Llanos Basin of Colombia, is an exploration block in which the Company holds a 100% working interest. The Guatiquia contract provides for an initial five year and nine-month exploration period, extendable for up to four years, and a 24-year exploitation period which begins upon a declaration of commerciality of the relevant field. This declaration occurred in 2011 for the Candelilla field, 2012 for the Yatay field, 2014 for the Ceibo and Avispa fields and 2015 for the Ardilla field. The Company is entitled to 100% of production less (i) applicable legal royalties ranging from 6% to 25% and (ii) any additional participation percentage attributable to Ecopetrol when accumulated gross production of a field exceeds five MMbbl and the price of WTI crude during any month exceeds the base price for crude oil in dollars set forth in the contract.

Within the Guatiquia block, there are currently 31 medium crude oil producing wells. Production is first transported to the facilities at the Corcel block through pipelines and then to off-loading stations to enter the national pipeline system. As at December 31, 2018, average production from this block was 15,346 bbl/d.

In 2018, the Company completed three exploratory wells (Coralillo-1, Coralillo-3 and Alligator-2) and 11 development wells (including Alligator-3, Alligator-4, Alligator-5 and Candelilla-7) on the block. On December 19, 2018, the Company received ANH approval for the Coralillo exploitation area expansion, which adds 1,383 hectares (approximately 3,400 acres) to the block. The expanded area will capture the potential extensions of the Lower Sand-1 and Guadalupe pools discovered in the Coralillo-1 and Coralillo-3 exploration wells and allow for the drilling of seven to nine development locations.

Cubiro Block

The Cubiro block, located in the Llanos Basin in Colombia, is a production block in which the Company holds a 100% working interest. The Cubiro contract provides for a 24-year exploitation period, which begins upon declaration of commerciality of the relevant field. This declaration occurred in 2008 for the Careto and Arauca fields, 2012 for the Barranquero field (which includes the Cernicalo and Tijereto Sur fields), 2013 for the Copa, Copa A, Copa B, Copa C, Copa D, Petirrojo and Petirrojo Sur fields and 2014 for the Yopo field. The Company is entitled to 100% of production less (i) applicable legal royalties ranging from 6% to 25%, (ii) any additional participation percentage attributable to ANH when accumulated gross production of a field exceeds five MMbbl and the price of WTI crude during any month exceeds the base price for crude oil in dollars set forth in the contract and (iii) 3% of the sale price of the produced volume after royalties attributabr

Within the Cubiro block, there are 54 light crude oil producing wells. Production is transported by truck to off-loading stations to enter the national pipeline system. As at December 31, 2018, average production from this block was 3,559 bbl/d.

In 2018, the Company completed one development well (Copa 30-H) on this block. Furthermore, the Company experienced temporary interruption at the block from January 22 to March 22 due to a community blockade.

Block 192 Contract

Block 192, located in the Northern Marañón Basin of Peru, is a producing block operated by the Company pursuant to a service contract awarded by Perupetro. The Company does not hold a working interest or a license contract in Block 192. Under the terms of the service 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 as royalties paid in-kind.

Block 192 has been declared in force majeure on several occasions during the term of the contract. Operations were suspended for 312 days in 2016, 272 days in 2017 and 116 days in 2018 due to various events, including ruptures of the NorPeruano Pipeline and community blockades. As a result, the term of the service contract (which was initially set to expire on August 30, 2017) has been extended to September 7, 2019 and will be further extended once the present force majeure is lifted.

As at December 31, 2018, average production from this block was 7,393 boe/d. Production is transported through the NorPeruano pipeline.

CGX

The Company holds a 48.29% interest in CGX, a Canadian-based oil and gas exploration company focused on the exploration of oil in the Guyana-Suriname Basin. Erik Lyngberg is the Company's representative on the board of directors of CGX.

On January 31, 2019, the Company and CGX entered into a farmout agreement covering CGX's two shallow water offshore Petroleum Prospecting Licenses in Guyana covering the Corentyne and Demerara Blocks. Upon Guyanese government approval of the farmout agreement, the Company will acquire a 33.333% working interest in the two blocks in exchange for a $33.3 million transfer bonus. CGX as operator holds the remaining 66.667% working interest in two blocks. The first exploration well in the Corentyne Block will be drilled before the end of November 2019 and the first exploration block in the Demerara Block is planned to be drilled before February 2020. See "Note 27 – Subsequent Events" of the audited annual financial statements for the year ended December 31, 2018 filed on SEDAR at www.sedar.com.

The Company has a series of loans with CGX. For details, see "Note 16 – Investments in Associates" and "Note 24 – Related-Party Transactions" of the audited annual financial statements for the year ended December 31, 2018 filed on SEDAR at www.sedar.com.

MIDSTREAM ACTIVITIES

As of December 31, 2018, the Company holds an interest with various partners in a network of crude oil and refined products pipelines in Colombia. These pipelines connect the Company's production centers, import facilities and terminals to refineries, distribution points and export facilities in Colombia. The following table provides a summary of the main pipelines in which we have an interest.

<table>
<tr><th>Pipeline</th><th>Product Transported</th><th>Km</th><th>Pipeline Capacity (bbl/d)</th><th>Origin</th><th>Destination</th><th>Interest</th></tr>
<tr><td>BIC</td><td>Crude Oil</td><td>226</td><td>120,000</td><td>Araguaney</td><td>Banadia</td><td>24.9% indirect ownership interest in Bicentenario through PLM and 1.5% direct interest through FECC</td></tr>
<tr><td>OAM</td><td>Crude Oil</td><td>391.4</td><td>100,000(1)</td><td>Tenay</td><td>Vasconia</td><td>1.2% working interest pursuant to a construction and operation contract</td></tr>
<tr><td>ODC</td><td>Crude Oil</td><td>483</td><td>236,000(2)</td><td>Vasconia</td><td>Coveñas</td><td>1.00% working interest through an equity interest in Oleoducto de Colombia S.A.</td></tr>
<tr><td rowspan="2">ODL</td><td rowspan="2">Crude Oil</td><td>235</td><td>300,000</td><td>Rubiales</td><td>Monterrey</td><td rowspan="2">35% indirect ownership interest through PML</td></tr>
<tr><td>260</td><td>300,000</td><td>Rubiales</td><td>Cusiana</td></tr>
<tr><td>OGD</td><td>Crude Oil</td><td>63.7</td><td>40,000(3)</td><td>Guaduas field</td><td>La Dorada</td><td>90.6% working interest pursuant to a joint venture agreement with Cimarrona LLC</td></tr>
</table>

Notes:

(1) The Company has transportation rights up to 1,200 bbl/d into capacity and up to 30,000 bbl/d out of capacity at preferential rates.

(2) The Company has transportation rights of up to 2,000 bbl/d and additional capacity subject to available capacity from the other owners.

(3) The Company has the right to use all available capacity.

Pacific Midstream Limited

The Company holds a 59.93% interest in PML, which has equity investments in the BIC Pipeline and the ODL Pipeline. For information on these pipelines, see "Midstream Activities – BIC Pipeline and CLC Pipeline" and "Midstream Activities – Oleoducto de los Llanos Orientales S.A."

Gabriel de Alba, Alejandro Piñeros and Alejandra Bonilla are the Company's representatives on PML's board of directors.

BIC Pipeline and CLC Pipeline

Bicentenario owns the BIC Pipeline, which runs from the Araguaney Station in Casanare Department to the Banadia Station in Arauca Department. At Banadia Station, the BIC Pipeline connects to the CLC Pipeline, which runs to the Coveñas terminal on Colombia's Caribbean coastline in Sucre Department.

CENIT, a subsidiary of Ecopertrol, owns 100% of the CLC Pipeline and 60% of Bicentenario and the BIC Pipeline. The Company has an indirect 24.9% ownership interest in Bicentenario through PML's 41.5% interest in Bicentenario and a 1.5% direct interest through FECC.

Transportation Contracts

The Company previously had ship-or-pay contracts with Bicentenario to ship oil through the BIC Pipeline from Araguaney to Banadia (the "**BIC Transportation Agreements**"). Under the BIC Transportation Agreements, the Company had a commitment to ship through the BIC Pipeline up to 47,333 bbls/d at $7.56 per barrel until June 2024 (an annual commitment of $130.6 million). On July 12, 2018, the Company exercised its right to terminate the BIC Transportation Agreements due to the fact that the BIC Pipeline had not provided service to FECC for six consecutive months.

The Company also had ship-or-pay contracts with CENIT to ship oil through the CLC Pipeline from Banadia to Coveñas (the "**CLC Transportation Agreements**"). Under the CLC Transportation Agreements, the Company had a commitment to ship through the CLC Pipeline up to 47,333 bbls/d at $3.09 per barrel until October 2028 (an annual commitment of $53.4 million). On July 12, 2018, the Company exercised its right to terminate the CLC Transportation Agreements due to the fact that the CLC Pipeline had not provided service to FECC for 180 consecutive calendar days.

Prior to the termination of the BIC Transportation Agreements and the CLC Transportation Agreements, there were extended periods of time when the Company was paying for service pursuant to these contracts but not receiving service. As a result, in addition to making payments pursuant to these contracts, the Company had to transport its oil through other pipelines or by other means. Accordingly, termination of these contracts will eliminate duplication and reduce the Company's aggregate transportation costs.

On July 16, 2018 and July 17, 2018, the Company received notices from Bicentenario and CENIT, respectively, disputing the validity of the termination of the BIC Transportation Agreements and the CLC Transportation Agreements.

On December 3, 2018 and January 28, 2019, the Company was notified that arbitration proceedings concerning the validity of the termination of the CLC Transportation Agreements and the BIC Transportation Agreements have commenced before the Centre for Arbitration and Conciliation of the Bogota Chamber of Commerce. The Company is unaware of any factual basis to support the position of Bicentenario and CENIT. Therefore, the Company intends to defend itself vigorously and claim recovery of damages. Those damages will include, among others, (i) in respect of the BIC Pipeline, approximately $130 million for payment claims for letters of credit improperly drawn, service prepayments and outstanding service credits, and (ii) in respect of the CLC Pipeline, for the release of approximately $32 million in restricted cash for tariff overcharges.

IFC PML Put Option

Pursuant to the PML shareholders agreement, PML has an option, exercisable at the discretion of the IFC Parties, to require the Company to purchase PML's 41.5% interest in Bicentenario in the event that the BIC Pipeline is non-operational for six consecutive months and as a result the BIC Transportation Agreements are terminated. The option price is determined by a formula set out in the PML shareholders agreement, which is currently $85 million.

On September 11, 2018, the IFC Parties delivered a notice advising the Company of the exercise of the put option pursuant to the PML shareholders agreement. If the transaction is completed, the Company's aggregate total ownership interest in the BIC Pipeline would increase to 43.03% (currently 26.39%) at an expected net cash cost of approximately $34.0 million after the proceeds of the put transaction are distributed by PML to its shareholders. The Company's share of the $85 million put option proceeds is expected to be approximately $50.8 million.

For details of the Company's transactions with Bicentenario, see "Note 16 – Investments in Associates," "Note 24 – Related-Party Transactions" and "Note 26 – Commitments and Contingencies" of the audited annual financial statements for the year ended December 31, 2018 filed on SEDAR at www.sedar.com.

Oleoducto de los Llanos Orientales S.A.

The Company holds an indirect interest in ODL through PML's 35% interest in ODL. ODL owns the ODL Pipeline, which runs from the Rubiales field to the Monterrey Station or Cusiana Station in Casanare Department. Renata Campagnaro is one of PML's representatives on ODL's board of directors.

The Company has one ship-or-pay agreement with ODL, which initially provided the Company with transportation rights for up to 119,000 bbl/d at $4.38 per barrel. Commencing in November 2016, the take-or-pay capacity was reduced to 29,265 bbl/d and expires in July 2020. The Company has also entered into an arrangement with ODL whereby the Company agreed to provide administrative services and rentals of equipment and machinery to ODL.

For details of the Company's transactions with ODL, see "Note 16 – Investments in Associates" and "Note 24 – Related-Party Transactions" of the audited annual financial statements for the year ended December 31, 2018 filed on SEDAR at www.sedar.com.

Ocensa

The Company participates as a shipper in a project to expand the Ocensa Pipeline, project P-135, which commenced operations in July 2017. As part of the expansion project, the Company, through its Colombian branch, entered into two crude oil transport agreements with Ocensa for future transport capacity. As part of these agreements, the Company is required to maintain a minimum credit rating of BB- (Fitch Ratings Inc.) and Ba3 (Moody's Investors Service, Inc.) or to provide evidence of compliance with the net assets and working capital tests included in such agreements.

Arbitration Proceedings

On April 25, 2017, the Company commenced arbitration proceedings in relation to the standard transportation tariff and monetary conditions included in certain contracts entered into with Ocensa in connection with project P-135. On July 12, 2018, the Company and Ocensa reached a successful settlement agreement, pursuant to which the Company has committed to ship 30,000 barrels of oil per day at $6.3601 per barrel (adjusted at 2.57% inflation per year until 2023 and pursuant to applicable regulation thereafter). The proceedings were before the Centre for Arbitration and Conciliation of the Bogota Chamber of Commerce.

Transporte Incorporado Assignment Agreement

Pursuant to an assignment agreement, Transporte Incorporado S.A.S., an entity owned by the Darby Private Equity Fund, assigned to the Company its transport capacity through the Ocensa Pipeline at a set monthly premium until March 1, 2024. Under the terms of the contract, Darby Private Equity Fund has the right to terminate the agreement before March 1, 2024.

On November 28, 2018, Transporte Incorporado S.A.S. informed the Company of its intention to exercise the unilateral right to terminate the assignment agreement in 2019. If formal termination notice is delivered to the Company by Transporte Incorporado S.A.S., the transport capacity rights currently held by Transporte Incorporado S.A.S. would be transferred to the Company. The Company would also be required to make a payment to Transporte Incorporado in an amount of approximately $47 million and would no longer be required to pay the set monthly premium to Transporte Incorporado S.A.S. which has historically been $18 million per year. The effect of the completion of this termination will be to reduce future transportation payments made by the Company from April 1, 2019 to March 31, 2024 in the aggregate amount of $90 million.

For more information, see "Note 26 – Commitments and Contingencies" of the audited annual financial statements for the year ended December 31, 2018.

Pacific Infrastructure Ventures

The Company holds a 39.22% indirect interest in Puerto Bahia through its interest in PIV. Puerto Bahia operates a multipurpose port facility (the "**Port Facility**") in the Bay of Cartagena, one of the largest trade hubs in Latin America. The port is adjacent to the Bocachica access channel of the Cartagena Bay, with a depth of approximately 20.5 metres and is strategically located near the Cartagena Refinery and the Panama Canal. Existing facilities offer deep-water capability, which makes the Port Facility the only multi-purpose terminal in Colombia capable of receiving Panamax ships (large cargo vessels) and Suezmax tanks (liquid purpose vessels) simultaneously. The Port Facility consists of two terminals: a hydrocarbon terminal and a dry cargo terminal. The hydrocarbon terminal has an initial operational capacity of 2.6 MMbbl, distributed amongst eight storage tanks, each of which is capable of storing up to 330,000 bbl of hydrocarbons. The hydrocarbon terminal includes a barge platform with four berths and a truck terminal that is interconnected with the storage tanks and provides eight loading and unloading stations. The dry cargo terminal has a berthing platform that is 290 metres long and 44 metres wide. The dry cargo facilities have a total area of 16 hectares (40 acres) and are used to store dry cargo, vehicles, containers and livestock, among other things.

Gabriel de Alba, Renata Campagnaro and Alejandra Bonilla are on PIV's board of directors. In addition, to the best of the Company's knowledge, certain former directors and executive officers of the Company are individual shareholders of PIV or indirectly control or provide investment advice to certain shareholders of PIV.

Equity Contributions

As part of the agreement to fund the construction of Puerto Bahia, on October 4, 2013, Pacinfra Holding Ltd. (a wholly-owned subsidiary of the Company), PIV, Puerto Bahia and Wilmington Trust, National Association (as administrative and collateral agent) entered into an equity contribution agreement (the "**Equity Contribution Agreement**") pursuant to which Pacinfra Holding Ltd. and PIV agreed to jointly and severally cause equity or debt contributions to be made in Puerto Bahia up to the aggregate amount of $130 million in various circumstances, including circumstances relating to Puerto Bahia's ability to make payments towards its payment obligations under the Port Credit Agreement.

During 2018, Pacinfra Holding Ltd. advanced loans to Puerto Bahia as required by the Equity Contribution Agreement for $30.46 million and $10.75 million bearing interest of 14.0%, and a default interest rate of 16.0% in the event of nonpayment upon maturity in relation to PIV's Puerto Bahia port facility project. As at December 31 2018, the Company has assessed these loans as having full value.

IFC PIV Put Option

Pursuant to a put option agreement, the IFC Parties have an option, exercisable at the discretion of the IFC Parties, to require the Company to purchase their interest in PIV in the event that: (i) the Company violates certain representations and covenants (relating principally to criminal offences, sanctionable practices, environmental compliance, insurance and the furnishing of information) under the transaction documents related to the IFC Parties' investment in PIV, or (ii) PIV has not conducted an initial public offering by December 1, 2019. If exercised as a result of (i) above, the put price is set at the amount that would give IFC the greater of the market value of the shares or 15% annual return on their investment. If exercised as a result of (ii) above, the put price would be the current market price of PIV's common shares at the time of the exercise of the put.

Loans and Advances

The Company has a series of loans with PIV. For details of the Company's transactions with PIV, see "Note 16 – Investments in Associates," "Note 17 – Other Assets" and "Note 24 – Related-Party Transactions" of the audited annual financial statements for the year ended December 31, 2018 filed on SEDAR at www.sedar.com.

RISK FACTORS

An investment in the securities of the Company involves a high degree of risk due to the nature of the Company's business of the exploration and production of crude oil and natural gas. The Company considers the risks set out below to be the most significant to potential investors in the Company, but this list does not contain all of the risks associated with an investment in the securities of the Company. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the Company is currently unaware or which it considers not to be currently material in relation to the Company's business actually occur, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects are likely to be materially and adversely affected. In such circumstances, the price of the Common Shares may decline and investors may lose all or part of their investment.

Investors should carefully consider the risk factors set out below and all other information contained in this AIF and in the Company's other public filings before making an investment decision. An investment in the Common Shares is speculative and involves a high degree of risk due to the nature of the Company's business. It is recommended that investors consult with their own professional advisors before investing in the Common Shares.

General Risks

Risks related to the Common Shares

An active public market for the Common Shares may not exist or be sustained. If an active public market does not exist, the liquidity of the Common Shares may be limited and the value of the Common Shares may decline.

The trading price of the Common Shares may be subject to large fluctuations, which may result in losses to investors. The trading price of the Common Shares may increase or decrease in response to a number of events and factors, including: the price of crude oil and natural gas; the Company's financial condition, financial performance and future prospects; the public's reaction to the Company's news releases, other public announcements and the Company's filings with the various securities regulatory authorities; changes in earnings estimates or recommendations by research analysts who track the Company's equity securities or the securities of other companies in the natural gas and crude oil sector; changes in general economic conditions and the overall condition of the financial markets; the number of Common Shares that are publicly traded, including upon issuance of convertible equity securities by the Company; the arrival or departure of key personnel; and acquisitions, strategic alliances or joint ventures involving the Company or its competitors, among others.

Changing investor sentiment about the oil and gas industry

A number of factors, including the concerns of the impact of oil and gas operations on the environment, concerns of environmental damage relating to spills of petroleum products during transportation and concerns about indigenous rights, have affected certain investors' sentiments towards investing in the oil and gas industry. As a result of these concerns, some institutional, retail and public investors have announced that they are no longer willing to fund or invest in oil and gas properties or companies or are reducing the amount thereof over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust social, environmental and governance policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from the Board, management and employees of the Company. Failing to implement the policies and practices as requested by institutional investors may result in such investors reducing their investment in the Company or not investing in the Company at all. Any reduction in the investor base interested or willing to invest in the oil and gas industry and, more specifically, the Company, may result in limiting the Company's access to capital, increasing the cost of capital and decreasing the price or liquidity of the Common Shares.

Failure to obtain additional capital

The Company expects that its cash balances and cash flow from operations will be sufficient to fund the necessary level of working capital, and the revenues generated from the Company's properties in Colombia and Peru will be sufficient to fund its operational development strategy. The Company may require additional capital to continue to operate its business, to expand its exploration and production programs to additional properties (including meeting minimum exploration requirements under the Company's contracts and licenses) and to undertake future acquisitions, if any.

There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. The Company's ability to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as its business performance. Economic uncertainty and liquidity in capital markets may increase the risk that additional financing will only be available on terms and conditions unacceptable to the Company, or not at all.

Failure to obtain such financing on a timely basis could cause the Company to forfeit its interests in certain properties, miss certain business opportunities and reduce or terminate its operations or contracts. The inability to obtain capital may damage the Company's reputation and credibility with industry participants in the event it cannot close previously announced transactions.

Restrictions and obligations imposed by the Unsecured Indenture and the Unsecured LC Facility

The Unsecured Indenture and the Unsecured LC Facility impose certain operating and financial restrictions, and obligations, on the Company. These restrictions limit the Company's and its Subsidiaries' ability to, among other things, incur additional indebtedness, make investments, sell assets, incur liens, enter into certain agreements, enter into transactions with affiliates, pay dividends, buy-back shares and consolidate or merge or sell substantially all of the Company's assets. In addition, obligations may be imposed on the Company as a result of actions not within its control, including as a result of a change of control.

These restrictions could limit the Company's ability to seize attractive growth opportunities for its business or otherwise engage in activities that may be in the Company's long-term best interests that are currently unforeseeable, particularly if the Company is unable to incur financing or make investments to take advantage of such opportunities.

The failure of the Company to comply with these restrictions and obligations could result in an event of default that, if not cured or waived, could result in the acceleration of substantially all amounts outstanding under the Unsecured Indenture and the Unsecured LC Facility. The Company may not have sufficient working capital to satisfy such debt obligations in the event of an acceleration of all or a significant portion of the Company's outstanding indebtedness.

Dividends

In 2018, the Board adopted a dividend policy that includes targeted quarterly cash dividends. Payment of future dividends on Common Shares will depend on, among other things, legislative requirements, oil prices, the Company's financial condition, results of operations, cash flow, need for funds to finance ongoing operations, debt covenants and other business considerations the Board considers relevant. There can be no assurance that the Company will continue to pay dividends in the future.

In addition, the provisions of the Unsecured Indenture and the Unsecured LC Facility restrict the Company's ability to declare and pay dividends to the Shareholders under certain circumstances and, if such restrictions apply, they may in turn have an impact on the Company's ability to declare and pay dividends.

Control environment

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. After the Restructuring, the Company implemented several initiatives to improve its control environment, including: (i) updating its corporate policies; (ii) implementing enhanced ethical reporting/investigation channels; (iii) updating its mission statement, vision and corporate values; and (iv) improving employee training protocols.

Although the Company undertakes a number of procedures to help ensure the reliability of its financial reports, including those imposed on it under Canadian securities laws, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's financial statements and harm the trading price of the Common Shares.

Catalyst holds a significant portion of the Company’s common shares

Catalyst currently holds approximately 33.2% of the Company’s issued and outstanding Common Shares. As a result, Catalyst has the ability to exercise substantial influence over the policies and management of the Company, which could prove to be contrary to the interests of the other stakeholders of the Company.

It cannot be assumed that Catalyst will remain a Shareholder for the long term. Catalyst may be interested in disposing its interest in the Common Shares in the near or medium term, and may therefore be unwilling to pursue certain long-term policies to the extent they may have short-term goals. In addition, if Catalyst decides to dispose all of its Common Shares, this event may trigger change of control provisions under the Unsecured Indenture, at which point the Company may have an obligation to offer to redeem the Unsecured Notes at 101% of the principal amount thereof plus accrued, unpaid interest and Additional Amounts (as defined in the Unsecured Indenture).

If, as a result of the disposition of Common Shares by Catalyst, a controlling shareholder is created, the new controlling shareholder could have a different vision and strategy for the Company’s business, which the Company cannot predict, but which may be adverse to the interests of other stakeholders of the Company.

Global financial conditions

In recent years, global financial conditions have been subject to increased volatility and numerous commercial and financial enterprises have either gone into bankruptcy, creditor protection or have had to be rescued by governmental authorities. Market event conditions, including global excess oil and natural gas supply, recent actions taken by the Organization of Petroleum Exporting Countries, slowing global growth in China and other emerging economies, market volatility and sanctions imposed on certain oil producing nations by other countries have caused a significant decrease in the valuation of oil and gas companies, affected equity investor sentiment and decreased market confidence in the oil and gas industry in general. If these conditions were to continue and commodity prices remain volatile, this may have an adverse effect on the Company’s Common Shares, business, financial condition or results of operations.

Ratings downgrade

Rating agencies regularly evaluate the Company. These ratings are based on a number of factors, including the Company’s financial strength, as well as factors not entirely within its control, including conditions affecting the oil and gas industry generally, and the wider state of the economy. Credit ratings are important to the Company’s borrowing costs and ability to raise funds. Rating downgrades could potentially affect existing agreements of the Company, result in higher financing costs, reduce access to capital markets, suppliers or counterparties, impair the Company’s ability to enter certain transactions, decrease the Company's market share price and increase borrowing costs under credit facilities. A downgrade could also limit the Company’s access to short-term debt markets, increase the cost of borrowing in the short-term and long-term debt markets, the ability of the Company to enter into hedging agreements, and trigger collateralization requirements related to facility construction contracts, and pipeline and midstream service providers, which may have a material adverse effect on the Company. See “Description of Capital Structures – Credit Ratings.”

Changes in the Company’s management structure

The Company is dependent on the business and technical expertise of its management team. Since November 2, 2016, there has been a significant number of executive departures and appointments. Specifically, in April 2018, the Company appointed a new Chief Executive Officer and a new Chief Financial Officer. In 2018 and 2019 the Company also appointed a new Corporate Vice-President of Strategy and Planning, a new Vice President, Operations and Reservoir Management and new General Counsels. The Company's Board and senior management regularly consider and assess contingencies and succession plans in order to attempt to mitigate any adverse impact of any management changes. There can be no assurance that further changes to management will not occur and that management and operations will not be adversely affected by changes in management.

Reduction of costs through corporate initiatives

The Company continues to implement a series of initiatives intended to streamline operations, improve efficiencies and reduce costs across the organization. During 2017, as part of its ongoing cost reduction efforts, the Company implemented a corporate initiative to eliminate legal redundancies and streamline its operations by consolidating four Colombia operating branches into one Colombian operating branch. In 2018, the Company implemented a strategy to streamline functions and organizational structure to improve efficiency. The required integration of operations, technologies and personnel as part of these reorganization initiatives may result in unanticipated operational problems, expenses and liabilities, among others.

While the Company’s cost and capital expenditure reduction efforts have reduced, or are expected to reduce, the Company’s operating costs and improve efficiencies, the Company cannot be certain that all efforts will be successful or that the Company will not be required to implement additional actions to structure its business to operate in a cost-effective manner in the future.

Enforcement of civil liabilities

Substantially all of the assets of the Company are located outside of Canada, and certain directors and officers of the Company are residents outside of Canada. As a result, it may be difficult or impossible to enforce judgments granted by a court in Canada against the assets of the Company or the directors and officers of the Company residing outside of Canada.

Managing growth through acquisitions and dispositions

Historically, the Company has developed its operations through various acquisitions. As a result, the Company depended significantly on its management’s ability to integrate the operations, technologies and personnel of such acquired companies. Since the Restructuring, the Company implemented a corporate strategy to monetize non-core assets and reduce ongoing costs and capital expenditures. The Company cannot guarantee that it will be able to successfully dispose of its non-core assets or that, if disposed of, the Company will receive the full carrying amount.

Since the Restructuring, the Company reached agreements with third parties to divest its interest in various blocks, which will result in a reduction in work commitments, environmental liabilities and exposure to open stand-by letter of credit instruments. Although the Company has reached definitive agreements to divest these assets, some agreements include specific conditions to closing. There can be no assurances that the Company will be able to meet these conditions and therefore close such transactions. Failure of the Company to close any disposition transaction may have an adverse effect of the Company’s business, financial condition or results of operations.

Breach of confidentiality

While discussing potential business relationships or other transactions with third parties, the Company may disclose confidential information relating to the Company's business, operations or affairs. Although confidentiality agreements are generally signed by third parties prior to the disclosure of confidential information, a breach could put the Company at competitive risk and may cause significant damage to the Company's business. The harm to the Company's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Company will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to the Company’s business that such a breach of confidentiality may cause.

Risks Related to the Company Conducting Business in the Oil and Natural Gas Industry

Fluctuating prices and markets

Substantially all of the Company's revenues are derived from the extraction and sale of oil and natural gas. World prices for oil and natural gas have fluctuated widely in recent years. Oil and natural gas are commodities for which prices are determined based on world demand, supply and other factors, all of which are beyond the Company’s control. These factors can include, among other things, global supply and demand factors, political developments (particularly in the Middle East), oil demand growth from emerging markets (such as China and India), inflation expectations, currency exchange rate fluctuations, evolution of stocks of oil and related products, circumstantial effects of climate change and meteorological phenomena, political instability and threat of terrorism. The Company is significantly vulnerable when crude oil and natural gas prices decline below the necessary levels to fund its operating costs and general and administrative expenses, planned non-discretionary capital programs, taxes and debt service. Any substantial decline in the prices of oil and natural gas could have a material adverse effect on the Company’s earnings. The global economic expansion has been losing momentum since the middle of last year, and there are signs the slowdown has worsened in recent months with risks skewed to the downside, affecting the global oil demand. Currently there are some direct variables that are going to affect the level of oil supply for 2019: U.S. shale production growth, OPEC+ output reductions and U.S. sanctions on Iran and Venezuela.

Decreases in oil and natural gas prices typically result in a reduction of the Company’s net production revenue and may change the economics of operating some wells, which could result in a reduction in the volume of the Company’s reserves. Any further substantial declines in prices of crude oil or natural gas could also result in the delay or cancellation of existing or future drilling, development or construction programs or the curtailment of production. All of these factors could result in a material decrease in the Company’s production revenue, cash flows and profitability causing a reduction in its oil and gas acquisition and development activities, and affecting the cash position that the Company requires to operate.

Exploration, development and production

The long-term commercial success of the Company depends on its ability to find, acquire, develop and commercially produce oil and natural gas. Without the continual addition of new reserves through exploration, acquisition or development activities, the Company's existing reserves and production therefrom will decline over time as such reserves are exploited. A future increase in the Company's reserves will depend on both the ability of the Company to explore and develop its existing properties and its ability to select and acquire suitable producing properties or prospects. There is no assurance that the Company will be able to continue to explore and develop its existing properties or find satisfactory properties to acquire or participate in. Moreover, management of the Company may determine that current markets, terms of acquisition, participation or pricing conditions make potential acquisitions or participation uneconomic. There is also no assurance that the Company will discover or acquire further commercial quantities of oil and natural gas.

It is also difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various adverse drilling conditions, such as over- pressurized zones and tools lost in the drill hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof. The individual impact generated by these factors cannot be predicted with any certainty and, once combined, may result in non-economical reserves. If the Company's operations or investments in jurisdictions where it operates or may operate in the future are disrupted or the economic integrity of these projects is threatened for unexpected reasons, the Company's business may experience a setback. These unexpected events may be due to technical difficulties, operational difficulties that impact the production, transportation or sale of its products, geographic and weather conditions, business reasons or otherwise.

In addition, the Company is subject to the normal risks inherent to the oil and natural gas exploration and development, such as unusual and unexpected geological changes in the parameters and variables of the petroleum system and operations. If exploration costs exceed the Company's estimates, or if the Company's exploration efforts do not produce results that meet its expectations, the Company's future exploration efforts may not be commercially successful, which could adversely impact the Company's ability to generate future revenues from its operations.

To the extent that the Company succeeds in discovering additional oil or natural gas reserves, these reserves may not achieve the production levels the Company projects or be available in sufficient quantities to be commercially viable. On a long-term basis, the Company's viability depends on its ability to find or acquire, develop and commercially produce additional oil and gas reserves. Without the addition of reserves through exploration, acquisition or development activities, the Company's reserves and production will decline over time as reserves are produced and the Company's exploration and exploitation contracts expire. The Company has previously experienced declines in the average daily total oil and gas production from fields the Company operates and may continue to experience further declines in the future. The Company's future reserves will depend not only on its ability to develop then existing properties, but also on the Company's ability to identify and acquire additional suitable producing properties or prospects, to find markets for the oil and natural gas it develops and to effectively distribute the Company's production into the markets.

There are risks associated with the Company's business and operations that may result in production growth uncertainty, which include the following: (i) the expiration of joint venture and operating contracts; (ii) high competition for attractive reserves and resources acquisitions; (iii) limitations on oil recovery, including water production increases and environmental permitting delays relating to water disposal; (iv) access to sufficient capital to fund exploration activities; and (v) undue delays in obtaining environmental permits.

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut downs of connected wells resulting from extreme weather conditions, problems in storage and distribution, and adverse geological and mechanical conditions. While the Company may obtain liability insurance in an amount which is expected to be adequate to cover most of such adverse conditions, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition. While the Company will endeavour to effectively manage these conditions, the Company cannot be assured of doing so optimally, and the Company will not be able to eliminate them completely in any case. Therefore, these conditions could diminish the Company's revenue and cash flow levels and result in the impairment of its oil and natural gas interests.

Exploration Commitments

Government contracts such as exploration and production agreements require that minimum investments be made as a condition to maintaining the rights under the agreements. In addition, it is common for such agreements to require that penalties be paid if the contractual right is to be returned to the government before the designated minimum work program is completed. As of December 31, 2018, the Company has certain minimum work program commitments for 2019 and beyond. If the Company fails to satisfy the minimum investments required by its exploration and production agreements, the Company could be subject to significant monetary penalties of up to 100% of the minimum work program commitment, among other penalties or sanctions which could have a material adverse effect on the Company's business, financial condition and results of operations.

Transportation costs

To sell the oil and natural gas that the Company is able to produce, it must make arrangements for dilution, transportation and storage to deliver to the market. The industry depends on trucking, pipeline facilities, and barge transportation to deliver shipments, and transportation costs are a significant component of the total cost of supplying oil and natural gas to the market. Transporting crude oil, crude oil products and derivatives and gas involves specific operating risks, some of which are beyond the Company's control. Disruptions of these transportation services because of weather related problems, strikes, lockouts, delays, terrorist acts or other events could temporarily impair the ability to supply oil and natural gas to customers and may result in lost sales. Attacks on pipelines in Colombia and Peru by insurgents and other groups have previously led to interruptions of operations and increases in transportation costs**.**

Reserves estimates

The Company's financial projections are based on oil and natural gas reserves estimates. The Company makes these reserve estimates using various assumptions, including oil and natural gas prices, drilling and operating expenses, capital expenditures, taxes and the availability of funds. Some of these assumptions are inherently subjective, and the accuracy of the Company's reserve estimates relies in part on the ability of its management team, engineers and other advisors to make accurate assumptions. Economic factors beyond the Company's control, such as interest rates and exchange rates, will also impact the value of its reserves. The process of estimating oil and gas reserves is complex and requires the Company to make significant assumptions in the evaluation of available geological, geophysical, engineering and economic data for each property. As a result, the Company's reserve estimates will be inherently imprecise. The reserves disclosed by the Company should not be interpreted as assurances of property life or of the profitability of current or future operations. Actual future production, oil and natural gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and gas reserves may vary substantially from those the Company estimates. If actual production results vary substantially from the Company's reserve estimates, this could materially reduce its revenues and result in the impairment of its oil and natural gas interests.

Hedging arrangements

The Company periodically enters into hedging transactions with respect to a portion of its expected future production to offset the risk of revenue losses if commodity prices decline. The Company may enter into a variety of derivative financial instruments to manage its exposure to commodity price risks, including zero cost collars, three-way collars, swaps, forwards, swap participation, put spreads and call spreads. However, to the extent that the Company engages in hedging transactions to protect itself from commodity price declines, it may also be prevented from realizing the full benefits of price increases above the levels of the derivative instruments used to manage price risk. In addition, the Company's hedging arrangements may expose it to the risk of financial loss in certain circumstances, including instances in which production falls short of the hedged volumes or oil prices become significantly higher or lower than projected; there is a widening of price-basis differentials between delivery points for production and the delivery point assumed in the hedge arrangement; the counterparties to the hedging arrangements or other price risk management contracts fail to perform under those arrangements; or a sudden unexpected event materially impacts oil and natural gas prices.

There is no assurance that the Company will always be able to enter into hedging agreements or reduce the risk or minimize the effect of any future decline in oil or natural gas prices. As a result, any substantial or extended decline in the prices of or demand for oil or natural gas would have a material adverse effect on the Company's financial condition, liquidity, ability to meet its financial obligations and results of operations.

Operating hazards and risks

Oil and natural gas drilling and producing operations at the Company's onshore and offshore properties are subject to many risks, including the risk of fire, explosions, mechanical failure, pipe or well cement failure, well casing collapse, pressure or irregularities in formations, chemical and other spills, unauthorized access to hydrocarbons, accidental flows of oil, natural gas or well fluids, sour gas releases, contamination of oil and gas, vessel collision, structural failure, loss of buoyancy, storms, earthquakes, hurricanes, floods or other adverse weather conditions and other occurrences. Even a combination of experience, knowledge and careful evaluation may not be able to overcome the existence of such risks. The Company's operations are also subject to the hazards and risks normally incidental to exploration, development and production of natural resources, any of which could result in work stoppages, damage to persons or property and possible environmental damage. If any of these risks should materialize, the Company could incur legal defence costs and remedial costs and could suffer substantial losses due to injury or loss of life; human health risks; severe damage to or destruction of oil and gas wells, formations, production facilities or other properties; natural resources and equipment; pollution or other environmental damage; unplanned production outage; cleanup responsibilities; regulatory investigation and penalties; increased public interest in the Company's operational performance; and suspension of operations.

Although the Company maintains liability insurance in an amount expected to be adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition. The Company believes that its coverage is aligned with customary industry practices and in amounts and at costs that the Company believes to be prudent and commercially practicable. A loss not fully covered by insurance could have a material adverse effect on the Company's financial position, results of operations and cash flows. The insurance coverage that the Company maintains may not be sufficient to cover every claim made against the Company in the future. In addition, a major incident could impact the Company's reputation in such a way that it could have a material adverse effect on the Company's business, financial condition or results of operations.

In addition, certain risks may not be insurable in all circumstances The payment of such uninsured liabilities would reduce the funds available to the Company. If the Company suffers a significant event or occurrence that is not fully insured, or if the insurer of such event is not solvent, the Company could be required to divert funds from capital investment or other uses towards covering liability for such events.

Necessary facilities

Oil and natural gas exploration and production activities are dependent on the availability of drilling and related equipment, transportation, power and technical support in the particular areas where these activities will be conducted, and the Company's access to these facilities may be limited. To the extent that the Company conducts its activities in remote areas, required facilities may not be proximate to its operations, which will increase its expenses. Demand for such limited equipment and other facilities or access restrictions may affect the availability of such equipment to the Company and may delay exploration and production activities. The quality and reliability of necessary facilities may also be unpredictable, and the Company may be required to make efforts to standardize its facilities, which may entail unanticipated costs and delays. Shortages or the unavailability of necessary equipment or other facilities will impair the Company's activities, either by delaying its activities, increasing its costs, or otherwise.

Accounting impairments

The presentation of financial information in accordance with the International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board requires that management apply certain accounting policies and make certain estimates and assumptions that affect reported amounts in the Company's consolidated financial statements. The accounting policies may result in non-cash charges to net income and write-downs of net assets in the consolidated financial statements. Such non-cash charges and write-downs may be viewed unfavourably by the market and may result in an inability to borrow funds and/or may result in a decline in the Common Share price.

Lower oil and gas prices and deterioration in economic environment impacting project feasibility, may increase the risk of write-downs of the Company's oil and gas assets and infrastructure investments. Under IFRS, oil and gas assets and infrastructure investments are aggregated into groups known as Cash Generation Units ("**CGUs**") for impairment testing. CGUs are reviewed for indicators that the carrying value of the CGU may exceed its recoverable amount. If an indication of impairment exists, the CGUs' recoverable amount is then estimated. A CGU's recoverable amount is defined as the higher of the fair value less costs to sell and its value in use. If the carrying amount exceeds its recoverable amount, an impairment loss is recoded to net income in the period to reduce the carrying value of the CGU to its recoverable amount.

Reliance on foreign subsidiaries

The Company conducts all of its operations through foreign subsidiaries and foreign branches. Therefore, the Company will be dependent on the funds flow from operations of these subsidiaries and branches to meet its obligations excluding any additional equity or debt the Company may issue from time to time. The ability of its subsidiaries to make payments and transfer cash to the Company may be constrained by, among other things: the level of taxation, particularly corporate profits and withholding taxes, in the jurisdiction in which it operates; and the introduction of foreign exchange and/or currency controls or repatriation restrictions, or the availability of hard currency to be repatriated.

The implementation of a restrictive exchange control policy, including the imposition of restrictions on the repatriation of earnings to foreign entities, could affect the Company's ability to engage in foreign exchange activities and could also have a material adverse effect on its business, financial condition and results of operations.

In particular, Colombian law provides that the Central Bank of Colombia may intervene in the foreign exchange market if the Colombian peso experiences significant volatility. The Company cannot provide assurance that the Central Bank of Colombia will not intervene in the future, and the Company may be temporarily unable to convert Colombian pesos to dollars.

Furthermore, there can be no assurance that the governmental authorities of the countries where the Company operates will not require prior authorization or will grant such authorization for the Company's non-Canadian subsidiaries or branch offices of non-Canadian subsidiaries to make dividend payments to the Company, and there can be no assurance that there will not be a tax imposed with respect to the expatriation of the proceeds from the Company's foreign subsidiaries or branch offices of non-Canadian subsidiaries. Currently, there are no restrictions on the repatriation from Colombia of earnings to foreign entities. However, there can be no assurance that restrictions on repatriation of earnings from Colombia will not be imposed in the future.

Litigation and other proceedings

In the normal course of the Company's operations, it may become involved in litigation relating to, among other things, labour, health and safety matters, environmental matters, regulatory, tax and administrative proceedings, governmental investigations, arbitration, and contractual claims and disputes relating to, but not limited to, personal injuries, property damage, property taxes, land and access rights, environmental issues, including claims related to contamination, damages to natural resources and regulatory compliance and contract disputes. The Company is subject to risks related to litigation, arbitration and administrative proceedings that could adversely affect the Company's business and financial performance in the event of an unfavourable ruling. Litigation is inherently costly and unpredictable, making it difficult to accurately estimate the outcome, among other matters. In the past, the Company has been subject to proceedings or investigations of actual or potential litigation. Although the Company has established provisions as it deems necessary, the amounts that it reserves could vary significantly from any amounts the Company actually pays due to the inherent uncertainties in the estimation process. If the Company were to receive an unfavourable decision through such proceedings, the Company may suffer reputational damage as a result, which could have an adverse effect on the Company's business and its ability to grow. The Company cannot be certain that the proceedings described under the heading entitled "Legal Proceedings and Regulatory Actions" or other legal proceedings will not materially affect the Company's business.

Contractual contingent obligations

The Company is subject to certain contingencies, which, if they were to occur, could have a material adverse effect on the Company's business, financial condition or results of operations.

Certain of the Company's commercial agreements include provisions that require the Company, upon the occurrence of certain specific events, to contribute capital, repurchase shares from the Company's partners, suffer dilution or provide financial guarantees. Some of these events have already occurred but our counterparties have not yet exercised their rights. If other contingencies were to occur, and/or if our counterparties were to demand the exercise of their rights, the Company may not have the ability to raise the funds necessary to finance such contingent obligations. In addition, such occurrences and exercises would likely have a material adverse effect on the Company's business results, operations and financial condition. Further information on the Company's most significant contractual contingencies can be found under the headings entitled "Capital Structure," "Upstream Activities" and "Midstream Activities."

Expiration of contracts

The Company may be unable to find alternative revenue sources to replace the revenue that it has lost upon the expiration of certain exploration and exploitation contracts. Although the Company may want to extend its exploration and production contracts with Ecopetrol, ANH and Perupetro beyond their original expiration date, there is no assurance that either Ecopetrol, ANH, or Perupetro would agree to such extension or, if they do so agree, that they would agree to terms that are acceptable to the Company. If the contracts are terminated, any wells in production, buildings and other real estate possessions related to the fields subject to such contracts will revert to Ecopetrol, ANH, and Perupetro, as the case may be, without any additional compensation to the Company.

Decommissioning costs

The Company may become responsible for costs associated with abandoning and reclaiming wells, facilities and pipelines that it uses for production of oil and gas reserves. Abandonment and reclamation of these facilities and the costs associated therewith is often referred to as "decommissioning." If decommissioning is required before economic depletion of the Company's properties, or if its estimates of the costs of decommissioning exceed the value of the reserves remaining at any particular time, it may have to draw on funds from other sources to satisfy such costs. The use of other funds to satisfy such decommissioning costs could impair the Company's ability to focus capital in other areas of its business.

Operating costs

Exploration, development, production, marketing (including distribution costs) and regulatory compliance costs (including taxes) substantially impact the net revenues the Company derives from the oil and natural gas that it produces. These costs are subject to fluctuations and variation, and the Company may not be able to predict or control these costs. If these costs exceed the Company's expectations, this may adversely affect the Company's results of operations. In addition, the Company may not be able to earn net revenue at its predicted levels, which may impact the Company’s ability to satisfy its obligations.

Permits and licences

The Company’s exploration, development and production activities may require licences and permits from regional and national governmental authorities, and as such operations are and will be governed by laws and regulations governing exploration, development and production, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety and other matters. Companies engaged in exploration activities generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all licences and permits that the Company may require to carry out exploration and development of its projects will be obtained on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project that the Company may undertake.

In the recent past, the Company and other oil and gas companies in Colombia have experienced significant delays from regional and national Colombian authorities with respect to the issuance of such licences. Unanticipated licencing delays can result in significant delays and cost overruns in the exploration and development of blocks and could affect the Company’s financial condition and results of operations. The Company cannot assure that these delays will not continue or worsen in the future.

Labour disruptions

The Company operates in countries that have large state-sponsored or owned oil and gas companies that have traditionally employed unionized personnel. From time to time, the unions attempt or threaten to disrupt field operations and crude oil transportation activities of their employers which may directly or indirectly affect the operations of the Company. The Company has previously experienced significant labour unrest that resulted in higher operating costs, although it did not have a significant impact on the Company’s production output. The Company cannot provide any assurances that it will not face labour disruptions in the future, nor that any agreement reached with workers would not result in material increase to the Company’s labour costs all of which may have a material adverse effect on the Company’s operations.

Customer counterparty risk

The Company actively limits the total exposure to individual client counterparties by maintaining a credit policy, which sets forth prepayment or letters of credit requirements for trade customers, to mitigate losses from non-collection of trade receivables. As at December 31, 2018, two of the Company’s customers had accounts receivable that were greater than 10% of the total trade accounts receivable. The Company’s credit exposure to these customers was $24.1 million and $16.5 million or 49% and 34% of trade accounts receivable, respectively. If the Company suffers a significant loss resulting from the non-payment of a trade receivable that is not supported by a letter of credit, or if the issuing bank is not solvent, the Company could be required to divert funds from capital investment or other uses towards covering its liability for such events.

In addition, while the majority of our oil and natural gas sales are made to international markets, the small percentage of the Company’s total oil and natural gas sales that are made domestically in Colombia are made to Ecopetrol, a state-owned oil company. While oil and natural gas prices in Colombia are related to international market prices, lack of competition for sales of oil and natural gas in Colombia may diminish prices and depress the Company’s financial results.

Environmental regulations and risk

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and local laws and regulations. Colombian and Peruvian environmental policies are based on the principles of sustainable development and protection of the environment. Prior to conducting projects, the Company must procure the licenses and environmental permits required by national and regional regulators.

Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The legislation also imposes compensation and investment obligations and requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures, and a breach may result in revocation or suspension of environmental licenses and permits, civil liability for damages and the imposition of fines or penalties, some of which may be material. While the Company endeavors to meet all of its environmental obligations, it cannot guarantee that it has been and will be in compliance at all times.

Environmental legislation is evolving in a manner that may result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to foreign governments and third parties and may require the Company to incur costs to remedy such discharge. The application of environmental laws to the Company's business may cause the Company to curtail production or increase the costs of production, development or exploration activities.

Climate change regulations

Climate change policy is continually evolving. The 2015 United Nations Climate Change Conference adopted by consensus the 2015 Paris Climate Agreement. The agreement deals with greenhouse gas ("**GHG**") emission reduction measures, targets to limit global temperature increases and requires countries to review and "represent a progression" in their intended nationally determined contributions, which set emissions reduction goals every five years, beginning in 2020. In Colombia, the government passed Law 1931 of 2018, which establishes guidelines for the management of climate change. The purpose of this law is to promote the development of actions to mitigate GHGs. Compliance with legal and regulatory changes relating to climate change, including those resulting from the implementation of international treaties, may in the future increase the Company's costs to: (i) operate and maintain its facilities; (ii) install new emission controls on our facilities; and (iii) administer and manage any GHG emissions program. Revenue generation and strategic growth opportunities may also be adversely affected.

The effects upon the oil industry relating to climate change and the resulting regulations may also include declining demand for the Company's products in the long-term. In addition, increased regulation of GHG may create greater incentives for use of alternative energy sources. Any long-term material adverse effect on the oil industry could adversely affect the financial and operational aspects of the Company's business, which the Company cannot predict with certainty at this time.

Additional factors, such as the price and availability of new technologies, including renewable energy and unconventional oil and gas extraction methods, and the global geopolitical climate and other relevant conditions, have an indirect impact on oil demand and oil prices. There can be no assurances that these factors, in combination with others, will not result in a prolonged or further decline in oil prices, which may continue to have an adverse effect on revenues.

Strategic relationships

The Company's ability to successfully bid on and acquire additional properties, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements will depend on developing and maintaining effective working relationships with industry participants and the Company's ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment.

To develop the Company's business, the Company may use business relationships to enter into strategic relationships, which may take the form of joint ventures with other private parties, with local government bodies or contractual arrangements with other oil and gas companies, including those that supply equipment and other resources that the Company will use in its business. The Company may not be able to establish these strategic relationships or, if established, the Company may not be able to maintain them. If the Company's strategic relationships are not established or maintained, its business prospects may be limited, which could diminish the Company's ability to conduct its operations.

Conflicting interest with joint venture partners

In the development of the Company's business, the Company has entered into various joint venture activities to explore for or develop certain hydrocarbon or infrastructure assets. The success and timing of the Company's activities that are developed through these joint venture arrangements depend on a number of factors that are outside the Company's control, including the approval of other participants on major decisions concerning the direction and operation of the assets and the development of certain projects, the timing and amount of capital expenditures to meet minimum work commitments, and the objectives and interests of other participants. Failure to satisfactorily meet demands or expectations by all of the parties may affect the Company's participation in the operation of a joint venture asset and may result in the Company losing the contractual right to the asset or project. As a result, the Company may assume significant additional costs that it would not otherwise be inclined to undertake to fulfill the obligations to meet certain work commitments to maintain its contractual rights for certain hydrocarbon or infrastructure assets that are considered material to the Company's business and operations.

Health hazards and personal safety incidents

The employees and contractor personnel involved in exploration and production activities and operations of the Company are subject to many inherent health and safety risks and hazards, which could result in occupational illness or health issues, personal injury and loss of life, facility quarantine or facility and personnel evacuation. In particular, employees and contractors working in well-drilling operations are subject to the possibility of loss of containment. This could lead to exposure to the release of high-pressure materials as well as collateral shrapnel from piping or vessels, which could result in personal injury and loss of life.

No assurance of title

The acquisition of title to oil and natural gas properties in the jurisdictions the Company operates is a detailed and time-consuming process. Title to oil and natural gas interests is often not capable of conclusive determination without incurring substantial expense. The Company's properties may be subject to unforeseen title claims, including, among others, claims by indigenous communities. While the Company intends to make appropriate inquiries into the title of properties and other development rights it acquires, title defects may exist. If title defects do exist, it is possible that the Company may lose all or a portion of its right, title and interest in and to the properties that the title defects relate.

Foreign currency exchange rates

The Company mainly sells the oil it produces in the international markets under agreements that are denominated in U.S. dollars and foreign currencies. Many of the operational and other expenses the Company incurs are paid in the local currency of the countries where the Company conducts its operations. The Company's production is primarily invoiced in U.S. dollars. As a result, the Company may be exposed to translation risk when local currency financial statements are translated to U.S. dollars, the Company's functional currency.

Exchange rates between the Colombian peso and dollar have fluctuated significantly in the past and may fluctuate in the future. The Peruvian Nuevo Sol has also fluctuated significantly in the past as compared to the U.S. dollar. As currency exchange rates fluctuate, translation of the statements of income of international businesses into dollars will affect comparability of revenues and expenses between periods.

Interest rates

The Company may be exposed to interest rate cash flow risk if it incurs debt with a floating interest rate due to fluctuations in market interest rates. In addition, the Company may be exposed to variations in Colombian interest rate indices in respect of ship-or-pay obligations under certain of the Company's transportation agreements.

Corruption

The Company is subject to laws that prohibit bribery and other forms of corruption in Canada, Colombia and Peru and other jurisdictions where it operates and may be subject to similar laws in jurisdictions where it may operate in the future. Transparency International's Corruption Perception Index for 2018 showed a lack of advancement against corruption in the Americas region. Colombia, Peru and Guyana fell in the Index in 2018**,** indicating a negative perception regarding the effectiveness of the fight against corruption in the public and private sector. In conducting its operations and carrying out its social investment and environmental compensation requirements, the Company may be at risk of public corruption.

To prevent corruption or bribery, the Company has policies in place that prohibit the giving or accepting of money or gifts in certain circumstances and require an annual conflict of interest declaration from each employee confirming that such employee has disclosed actual, perceived or eventual conflicts, and confirming that such employee has not violated any applicable anti-corruption or bribery legislation.

Despite the training and policies, it is possible that the Company, or its employees or contractors, could be charged with bribery or other forms of corruption as a result of the unauthorized actions of its employees or contractors. If the Company is found guilty of such a violation, the Company could be subject to onerous criminal or civil sanctions or other penalties as well as reputational damage. A mere investigation itself could lead to significant corporate disruption, high legal costs and forced settlements (such as the imposition of an internal monitor). In addition, such allegations or convictions could impair the Company's ability to work with governments or non-governmental organizations, including the formal exclusion of the Company from a country or area, national or international lawsuits, government sanctions or fines, project suspension or delays, reduced market capitalization and increased investor concern.

Competition

The oil and natural gas industry is competitive in all its phases. Other oil and gas companies will compete with the Company by bidding for exploration and production licences and other properties and services that the Company will need to operate its business. Additionally, other companies engaged in the Company's line of business may compete with the Company from time to time in obtaining capital from investors. Competitors include larger, foreign-owned companies, which may have access to greater resources than the Company, may be more successful in the recruitment and retention of qualified employees and may conduct their own refining and petroleum marketing operations, which may give them a competitive advantage. In addition, actual or potential competitors may be strengthened through the acquisition of additional assets and interests.

Ability to attract and retain qualified personnel

The Company's success will depend in large measure on the ability, expertise, judgment, discretion, integrity and good faith of the Company's management and other personnel in conducting the business of the Company. The number of persons skilled in the acquisition, exploration, development and operation of oil and gas properties in the jurisdictions the Company operates is limited, and competition for such persons is intense. The loss of any of the Company's executive officers or key employees or the Company's inability to attract suitable qualified staff could materially adversely impact the Company's business. The Company may also experience difficulties in certain jurisdictions in its efforts to obtain suitably qualified staff and to retain staff that are willing to work in that jurisdiction.

The Company's success depends on the ability of its management and employees to interpret market and geotechnical data successfully and to interpret and respond to economic, market and other business conditions in order to locate and adopt appropriate investment opportunities, monitor such investments and ultimately, if required, successfully divest such investments. The Company has sought to and will continue to ensure that management and any key employees are appropriately compensated; however, their services cannot be guaranteed. If the Company is unable to attract, develop or retain key personnel, its business may be adversely affected.

Technology

The Company relies on technology, including geologic and seismic interpretation and economic models, to develop its reserve estimates and to guide its exploration, development and production activities. The Company is required to continually enhance and update its technology to maintain its efficacy and to avoid obsolescence. The costs of doing so may be substantial and may be higher than the costs that the Company anticipates. If the Company is unable to maintain the efficacy of its technology, its ability to manage its business and to compete may be impaired, in which case the Company may incur higher operating costs than it would if the Company's technology was more efficient.

Data management and information security

The Company is dependent on the use of computer hardware and software systems to properly operate its business. The Company may be threated by problems such as cyber-attacks, cyber-fraud, computer viruses or terrorism that may compromise critical infrastructure. Cyber-attacks have become more prevalent and much harder to detect and defend. These threats may be generic or may be designed to target a specific information technology used by the Company. Attacks may result in compromising confidential or personal information, failures in information and operation systems, a negative impact on the Company's reputation, environmental incidents, legal sanctions and, in extreme cases, risks to people's physical safety.

The Company has implemented an information security strategy designed to help protect the Company's information technology systems and infrastructure which includes: identification of vulnerabilities and threats; management of information technology and critical Infrastructure; compliance monitoring and education and training. However, the Company's mitigation strategy cannot guarantee absolute security and the Company may still be vulnerable to cyber-attacks or data security incidents.

In addition, information systems could be damaged or interrupted by natural disasters, force majeure events, telecommunications failures, power loss, acts of war or terrorism, computer viruses, malicious code, physical or electronic security breaches, intentional or inadvertent user misuse or error, or similar events or disruptions. Any of these or other events could cause interruptions, delays, loss of critical or sensitive data or similar effects, which could have a material adverse impact on the protection of intellectual property, confidential and proprietary information, and on the Company's business, financial condition and results operations.

Risks Related to Operations in Colombia and the Company's Other Markets

Economic and political developments

The Company's current projects are located in emerging market countries such as Colombia and Peru. Consequently, the Company is dependent upon these countries' respective economic and political developments. As a result, the Company's business, financial position and results of operations may be affected by the general conditions of these economies, economic instabilities, price instabilities, currency fluctuations, inflation, interest rates, regulation, taxation, social instabilities, political unrest and other developments in or affecting these countries, over which the Company has no control. In addition, the Company's exploration and production activities may be affected in varying degrees by political stability and government regulations relating to the oil and gas industry.

In the past, these countries have experienced periods of weak economic activity and deterioration in economic conditions. The Company cannot assure investors that such conditions will not return or that such conditions will not have a material adverse effect on its business, financial condition or results of operations.

The Company's financial condition and results of operations may also be affected by changes in the political climate in these countries to the extent that such changes affect the nation's economic policies, growth, stability or regulatory environment. Specifically, exploration may be affected in varying degrees by government regulations with respect to restrictions on future exploitation and production, price controls, export controls, foreign exchange controls, income taxes, wealth taxes, expropriation of property, environmental legislation and site safety.

In Colombia, presidential elections were held. Right-wing candidate Ivan Duque was elected as President of Colombia. He came into office in August 7, 2018 and will be president for a period of four years.

Despite the recent election, there can be no assurance that the governments of the countries where the Company operates and has investments will continue to pursue business friendly and open market economic policies or policies that stimulate economic growth and social stability. Any changes in the economy or the respective governments' economic policies in the countries where the Company operates, in particular as they relate to the oil and gas industries, may have a negative impact on the Company's business, financial condition and results of operations. Any of these factors, as well as volatility in the markets, may adversely affect the value of the securities of the Company.

The Colombian economy is vulnerable to external shocks, including with respect to prices for exports, prices for commodities, trade with foreign nations and broader worldwide economic trends. Exports in the Colombian economy have recently become more dependent upon raw materials, particularly oil and coal, which has exposed the Colombian economy to fluctuations in the prices of these commodities. Concerns of protectionist measures being implemented in the United States and Europe could result in trade barriers and curb global economic growth. Under these circumstances, the Colombian economy could be adversely affected in various ways, including a decline in commodity prices, lower demand for its export products, lower remittances from Colombian workers overseas and reduced capital inflows in the form of foreign direct investment, which could lead to a lack of liquidity, increased delinquencies on mortgage, consumer and commercial loans, residential and commercial real estate price declines and lower commercial activity.

Guerrilla activity

Any terrorist activity in Colombia may disrupt supply chains and discourage qualified individuals from being involved with the Company's operations.

Colombia is home to South America's largest and longest running insurgency. During the 50-year course of armed conflict between government forces and anti-government insurgent groups and illegal paramilitary groups, both funded by the drug trade, Colombia has experienced significant social upheaval and criminal activity relating to drug trafficking. Insurgents have attacked and kidnapped civilians, and violent guerrilla activity exists in many parts of the country. Since 2014, there was an increase in the attacks by rebels against oil and gas infrastructure in Colombia. These attacks were focused in the regions of Arauca, Caquetá and Putumayo. For example, in 2018, the CLC Pipeline near Venezuela, to which the BIC Pipeline connects, was inoperative due to these attacks for extended periods of time.

On September 26, 2016, the Colombian government and FARC entered into a peace agreement that was subsequently ratified on November 30, 2016 by the Colombian government. Pursuant to the agreement, FARC agreed to demobilize its troops and urban militia members and relinquish any weapons to the United Nations mission within 180 days. In addition, on March 31, 2016, the Colombian government and the ELN commenced public negotiations, which were subsequently terminated by the Colombian government in January 2019.

In both Colombia and Peru, the Company has security protocols in place to enable contingency plans to prevent damage to its infrastructure or to avoid its production from being compromised. It has agreements with military and police to supervise the areas of operation and private security forces that seek to protect its installations. The Company also has whistleblower mechanisms in place so that community members can report in advance if they obtain knowledge about possible criminal activities against the Company's assets.

There can be no assurance that continuing attempts to reduce or prevent guerrilla activity will be successful or that guerrilla activity will not disrupt the Company's operations in the future. There can also be no assurance that the Company can maintain the safety of its operations and personnel in Colombia and Peru or other jurisdictions where the Company operates or that this violence will not affect the Company's operations in the future. Continued or heightened security concerns in these countries could also result in a significant loss to the Company.

Security risks

The Company's operations may be adversely affected by security incidents that are not within the control of the Company, including, among other things, kidnappings, extortion or criminal activity. In particular, the Company faces increased security risks in certain countries where it operates or has investments. A significant security incident could result in the deferral of or termination of Company activity within the impacted areas of operations, thus adversely impacting execution of the Company's business strategy, which could adversely affect the Company's financial position, results of operations and cash flows.

Social risks

The Company's activities are subject to social risks, including protests by communities located near certain of its operations. Despite the fact that the Company is committed to operating in a socially responsible manner, the Company may face opposition from local communities with respect to its current and future projects, which could adversely affect the Company's business, results of operations and financial condition. No certainty can be given that the Company will be able to reach an agreement with the different communities. The Company may be exposed to similar delays due to opposition from local communities in other countries where the Company carries out its activities.

The Company has a program that seeks to strengthen local communities to help them achieve the required standards for being contractors or suppliers for the oil industry by providing training and suppler services to local businesses. Notwithstanding the foregoing, certain communities sometimes try to pressure the Company into hiring local companies that do not comply with the minimum legal, financial and technical requirements. Despite the efforts of the Company, this matter is a potential source of conflict with some communities, which have on occasions protested or performed blockades to try to achieve the mentioned contracting.

In Colombia, the Company currently carries out and plans to carry out activities in areas classified by the government as indigenous reserves (resguardos) and Afro-Colombian lands (territorios colectivos). In order to undertake these activities, the Company must first comply with the previous consultation process, set forth by Colombian law. These consultation processes may be significantly delayed if the Company cannot reach an agreement with the communities.

The popular consultation mechanism (consulta popular – a mechanism through which the people are summoned to vote upon some subject or decision) has been used in certain parts of Colombia to try to block the development of hydrocarbon and mining projects. Although recently the Constitutional Court has determined that the "consulta popular" cannot be used to prohibit extractive activities in a specific municipality or district, this issue continues to be a concern as popular consultations may still have negative effects on the social viability of a project.

Legislative and regulatory developments

The oil and natural gas industry in Colombia and the other countries where the Company operates is subject to extensive controls and regulations imposed by various levels of government. Additional legislation, regulations or amendments to current laws, regulations, licenses and permits governing operations and activities of oil and natural gas companies, including environmental laws and regulations that are evolving in these countries, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenditures and costs, affect the Company's ability to expand or transfer existing operations, or require it to abandon or delay the development of new oil and natural gas properties.

The Company and its subsidiaries file all required income tax returns and believes that it is in material compliance with all applicable tax laws. Legislative changes may have an adverse impact on our operations and performance, including any changes to tax legislation. For example, the Colombian Congress has enacted new tax reform laws and the Colombian tax authorities have imposed additional taxes in a variety of areas. Changes in tax-related laws and regulations, and interpretations thereof, can affect tax burdens by increasing tax rates and fees, creating new taxes, limiting tax deductions, and eliminating tax-based incentives and non-taxed income. In addition, tax authorities or courts may interpret tax regulations differently than we do, which could result in tax litigation, associated costs and penalties. Such legislative changes may have an adverse impact on our business, financial condition and results of operations.

Local legal and regulatory systems

The Company exists under the laws of the Province of British Columbia and is subject to Canadian laws and regulations. The jurisdictions in which the Company operates its exploration, development and production activities may have different legal systems than Canada or the United States, which may result in risks such as: (i) effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation, or, in an ownership dispute, being more difficult to obtain; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; and (v) relative inexperience of the judiciary and courts in such matters.

In certain jurisdictions, the commitment of local business people, government officials and agencies and the judicial systems to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for the Company's business. These licences and agreements may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurances that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities or others.

Concentrated geographic area

The majority of our producing properties and leases are geographically concentrated in the Llanos Basin in eastern Colombia. As a result of this concentration, the Company may be disproportionately exposed to the impact of delays or interruptions of production from these wells caused by significant governmental regulation, transportation capacity constraints, curtailments of production, natural disasters, interruption of transportation of gas produced from the wells in these basins, guerrilla activities or other events that impact this area.

United States' relations with Colombia

Colombia is among several nations subject to annual certification by the President of the United States of America based on the progress it has made in respect to halting the production and transit of illegal drugs. Although Colombia has received a current certification, there can be no assurance that, in the future, Colombia will continue to receive certification or a national interest waiver. The failure to receive certification or a national interest waiver may result in any of the following: all bilateral aid, except anti-narcotics and humanitarian aid, would be suspended; the Export-Import Bank of the United States and the Overseas Private Investment Corporation would not approve financing for new projects in Colombia; United States representatives at multilateral lending institutions would be required to vote against all loan requests from Colombia, although such votes would not constitute vetoes, and the President of the United States and Congress would retain the right to apply future trade sanctions.

Any sanctions imposed on Colombia by the United States government could threaten the Company's ability to obtain any necessary financing to develop its Colombian properties. There can be no assurance that the United States will not impose sanctions on Colombia in the future, nor can the effect in Colombia that these sanctions might cause be predicted. In addition, any changes in the holders of significant government offices, including its regulatory bodies such as the ANH, could have an adverse effect on the Company’s operations and business.

Seizure or expropriation of assets

Pursuant to Article 58 of the Colombian Constitution, the Colombian government can, through a judicial order and prior compensation for damages, expropriate the Company’s private property in the event such action is required to protect public interests. According to Law 388 of 1997, eminent domain powers may be exercised through: (i) an ordinary expropriation proceeding; (ii) an administrative expropriation; or (iii) as provided for in Article 59 of the Colombian Constitution, an expropriation for war reasons. In all cases, the Company would be entitled to a fair compensation for the expropriated assets. As a general rule (with the exception of expropriation for reasons of war, in which case compensation may be quantified and paid later), compensation must be paid before the asset is effectively expropriated. However, compensation may be paid in some cases years after the asset is effectively expropriated and the indemnification may be lower than the price for which the expropriated asset could be sold in a free market sale or the value of the asset as part of an ongoing business.

In the other countries where the Company operates or has investments, the State can also generally exercise eminent domain powers in respect of the Company’s assets based on principles somewhat similar to those that apply in Colombia.

RESERVES DATA AND OTHER INFORMATION

The Company’s reserves were evaluated by D&M, effective as of December 31, 2018, in accordance with National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*. D&M is an independent, qualified reserves evaluator appointed pursuant to such instrument.

Concurrently with the filing of this AIF, the Company has filed the following: (i) the *Statement of Reserves Data and Other Oil and Gas Information* on Form 51-101F1; (ii) *Report on Reserves Data by Independent Qualified Reserves Evaluator* on Form 51-101F2 by D&M; and (iii) the *Report of Management and Directors on Oil and Gas Disclosure* on Form 51-101F3. These reports have been filed on SEDAR at www.sedar.com and are incorporated by reference into this AIF.

DIVIDENDS AND DISTRIBUTIONS

Dividend Policy

On December 5, 2018, the Company adopted a dividend policy, which included an initial cash dividend of C$0.33 per Common Share or approximately $25 million (the “**Initial Dividend**”) and targeted quarterly cash dividends of approximately $12.5 million during periods in which Brent oil prices sustain an average price of $60/bbl or higher. The payment of any specific quarterly dividend will be subject to approval of the Board in its discretion. The Initial Dividend was paid on January 17, 2019 to shareholders of record at the close of business on January 3, 2019.

The provisions of the Unsecured Indenture and Unsecured LC Facility contain certain restrictions on the Company’s ability to pay dividends in certain circumstances, including but not limited to, the Company meeting certain financial ratios and maintaining a cash balance of $200 million. In addition, the payment of dividends by the Company is governed by the liquidity and insolvency tests described in the BCBCA, pursuant to which the Board shall not declare and the Company shall not pay a dividend if there are reasonable grounds for believing that the Company is insolvent or the payment of the dividend would render the Company insolvent. See “Risk Factors – Dividends.”

Dividend Reinvestment Plan

On December 5, 2018, the Company also adopted a dividend reinvestment plan ("**DRIP**") that allows shareholders resident in Canada to automatically reinvest their dividends in new Common Shares at a price equal to the volume weighted average trading price on the TSX for the last five (5) trading days on which at least one hundred Common Shares traded immediately preceding a dividend payment date, less a discount of up to 5% (if any). The DRIP became effective on December 17, 2018. For the Initial Dividend, 23.8% of Shareholders enrolled in the DRIP resulting in the issuance of 625,963 Common Shares.

DESCRIPTION OF CAPITAL STRUCTURE

General Description of Capital Structure

Common Shares

The Company is authorized to issue an unlimited number of Common Shares without nominal or par value. As at December 31, 2018, 98,421,079 Common Shares were issued and outstanding and as at March 5, 2019, 98,277,072 Common Shares were issued and outstanding. The holders of the Common Shares are entitled to receive notice of and to vote at every meeting of the Shareholders and are entitled to one vote for each Common Share held. Subject to the rights attached to any other class of shares, the holders of the Common Shares are entitled to receive dividends, if and when declared by the Board. Upon liquidation, dissolution or wind-up, whether voluntary or involuntary, or any other distribution of assets of the Company, Shareholders share equally in such assets of the Company as are distributable to the holders of Common Shares under applicable laws.

Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares ("**Preferred Shares**") without nominal or par value. As of December 31, 2018, no Preferred Shares were issued or outstanding. The Preferred Shares may be issued from time to time in one or more series, each series consisting of a number of Preferred Shares as determined by the Board. The Preferred Shares of each series shall, with respect to dividends, if any, and the distribution of assets in the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its Shareholders for the purpose of winding-up its affairs, be entitled to preference over holders of Common Shares and the shares of any other class ranking junior to the Preferred Shares, and on parity with the Preferred Shares of every other series. At this time, the Company has no plans to issue any Preferred Shares.

Shareholder Rights Plan

The Company adopted an amended and restated shareholders rights plan on November 20, 2017 (the "**Rights Plan**"). Pursuant to the Rights Plan, one right ("**Right**") is attached to each voting share (which as defined under the Rights Plan includes Common Shares). The Rights will separate from the voting shares to which they are attached and will become exercisable upon the occurrence of certain events in accordance with the Rights Plan. Pursuant to the terms of the Rights Plan, any bid that meets certain criteria intended to protect interests of all Shareholders will be deemed to be a "permitted bid" and will not trigger the Rights Plan. In the event of a take-over bid that does not meet the permitted bid requirements of the Rights Plan, the Rights issued under the Rights Plan will entitle Shareholders, other than any Shareholder involved in the take-over bid, to purchase additional Common Shares at a discount to the market price.

Catalyst, which currently owns approximately 33.2% of the Common Shares, is grandfathered under the Rights Plan and will not, under the terms of the Rights Plan, be restricted from acquiring additional Common Shares in any manner. A copy of the Rights Plan is available on SEDAR at www.sedar.com.

Incentive Plan

On November 2, 2016, the Company approved and implemented a security-based compensation plan (the "**Incentive Plan**"), which was amended on March 14, 2017. The Incentive Plan allows for the issuance of stock options, restricted stock units ("**RSUs**"), and deferred stock units ("**DSUs**") (collectively, the "**Awards**"). The aggregate number of Common Shares reserved for issuance in respect of which Awards may be granted shall not exceed 5,000,300. Common Shares subject to any Award (or any portion thereof) that have expired or are forfeited, surrendered, cancelled or otherwise terminated prior to the issuance or transfer of such Common Shares will again be available for grant under the Incentive Plan. Notwithstanding the foregoing, treasury Common Shares subject to an Award (or any portion thereof) that is settled in cash in lieu of settlement in treasury Common Shares shall reduce the number of Common Shares available for grant under the Incentive Plan.

i. Stock Options

Stock options allow holders to receive Common Shares at a future date. Stock options are granted with vesting conditions (typically based on continued service or achievement of personal or corporate objectives). The exercise price per Common Share for stock options is fixed by the Compensation and Human Resources Committee, but under no circumstances can the exercise price at the time of grant be less than the fair market value (as defined in the Incentive Plan) of the Common Shares. Vesting of stock options is determined by the Compensation and Human Resources Committee in its sole discretion and specified in the Award agreement pursuant to which the stock option is granted. Directors are not entitled to receive stock options.

As of December 31, 2018, no stock options were issued or outstanding.

ii. Restricted Stock Units

RSUs are granted with vesting conditions (typically based on continued service or achievement of personal or corporate objectives). The value of an 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. Settlement may be made, in the sole discretion of the Compensation and Human Resources Committee, in Common Shares, cash or a combination thereof. Vesting of RSUs is determined by the Compensation and Human Resources Committee in its sole discretion and specified in the Award agreement pursuant to which the RSU is granted. If and when the Company declares a dividend, a dividend equivalent payment will be awarded in respect of DSUs and RSUs held by a participant on the same basis as dividends declared and paid on Common Shares as if the participant was a shareholder of record on the relevant record date.

As of December 31, 2018, the Company had 1,118,966 RSUs issued and outstanding.

iii. Deferred Stock Units

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 is initially equal to 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 may be made, in the sole discretion of the Compensation and Human Resources Committee, in Common Shares, cash or a combination thereof. Only directors are entitled to receive DSUs.

As of December 31, 2018, the Company had 146,463 DSUs issued and outstanding.

NCIB

On July 18, 2018, the Company initiated an NCIB through the TSX allowing the Company to purchase up to 3,543,270 Common Shares (representing approximately 3.5% of its issued and outstanding Common Shares as at July 9, 2018) over a 12-month period. Effective December 21, 2018, the NCIB was amended to increase the maximum number of shares it is authorized to purchase under the NCIB to 5,000,583 Common Shares (representing approximately 5.0% of its issued and outstanding Common Shares as at July 9, 2018). All Common Shares purchased by Frontera under the NCIB will be returned to treasury and cancelled. As at December 31, 2018, the Company has purchased and cancelled 1,590,585 Common Shares at a total cost of $17.8 million.

Concurrently with establishing the NCIB, the Company entered into an automatic purchase plan agreement with its designated broker which allows the purchase of Common Shares under the NCIB at times when the Company would ordinarily not be permitted to purchase its Common Shares due to regulatory restrictions or self-imposed trading blackout periods.

Material Debt Facilities

Unsecured Notes

On June 25, 2018, the Company closed the offering of $350 million in unsecured notes due 2023 at a coupon rate of 9.7% (the "**Unsecured Notes**"). The Notes rank equal in right of payment with all of the existing and future senior unsecured debt and are guaranteed by the Company's principal subsidiaries. Under the terms of the Unsecured Indenture, the Company may, among other things, incur indebtedness provided that the consolidated debt to consolidated adjusted EBITDA ratio is less than or equal to 3.0:1.0 and the consolidated fixed charge ratio is greater than or equal to 2.5:1.0. In the event that the said 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. As at December 31, 2018, the Company is in compliance with such covenants.

On November 28, 2018, the Unsecured Indenture was supplemented to amend certain restrictions relating to "Limitations on Restricted Payments" in the Unsecured Indenture to, among other changes: (i) replace an existing $40 million basket permitting Restricted Payments (as defined in the Unsecured Indenture), with a new basket permitting Restricted Payments of up to $100 million per year, on a cumulative basis, subject to meeting certain financial ratio tests and other conditions and (ii) add a new basket permitting Restricted Payments in respect of certain proceeds from the sale of Unrestricted Subsidiaries (as defined in the Unsecured Indenture), subject to meeting certain financial ratio tests and other conditions.

Additional information on the calculation of the financial covenants can be found in the audited financial statements and management's discussion and analysis for the year ended December 31, 2018, both of which are available on SEDAR at www.sedar.com. A copy of the Unsecured Indenture and the supplemental indenture are also available on the Company's SEDAR profile at www.sedar.com.

Letter of Credit Facility

On May 17, 2018, the Company entered into the Unsecured LC Facility. The Unsecured LC Facility is due on May 17, 2020 and is guaranteed by the same guarantors under the Unsecured Indenture. The lenders receive an amount equal to 3.0% per annum on any undrawn issued and outstanding amounts of the letters of credit, due and payable in arrears on the last business day of each calendar month. If any amounts are drawn under the Unsecured LC Facility, interest accrues at 6% per annum. If any event of default exists, the applicable rate will increase by an additional 2% per annum until such default is cured. As of December 31, 2018, lenders under the Unsecured LC Facility have provided commitments in the aggregate principal amount of approximately $33.5 million to be used for exploration and operational commitments. The Unsecured LC Facility contains covenants and events of default substantially similar to those in the Unsecured Indenture. As of the date hereof, the Company is in compliance with such covenants.

The Unsecured LC Facility was amended on July 10, 2018 and December 4, 2018 to release certain collateral and modify covenants to conform to the changes made to the Unsecured Indenture. In addition, the aggregate commitment under the Unsecured LC Facility was reduced to $60 million on December 4, 2018. A copy of the Unsecured LC Facility and the amendments are available on the Company's SEDAR profile at www.sedar.com.

Credit Ratings

This section provides a summary of the Company's credit ratings as it relates to the Company's cost of funds and liquidity. Specifically, credit ratings can impact the Company's ability to obtain short- and long-term financing and the cost of such financing. See "Risk Factors – Ratings Downgrade" for additional further information.

The following table shows the ratings issued for the Company by Fitch Ratings Inc. ("**Fitch**") and S&P Global Ratings ("**S&P**"). Credit ratings are intended to provide an independent measure of the credit quality of an issuer of securities. The credit ratings assigned by the ratings agencies are not a recommendation to buy, sell or hold securities of the Company, nor do they comment on market price or suitability for a particular investor. A rating may not remain in effect for any given period or may be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

	Fitch	**S&P**
Issuer Default Rating / Issuer Credit Rating	B+	BB-
Unsecured Notes	B+/RR4	BB-
Outlook	Negative	Stable

On November 27, 2018, Fitch affirmed the Company's long-term foreign and local currency issuer default rating at B+ and changed the rating outlook from Stable to Negative. Fitch also affirmed the Unsecured Notes at B+/RR4.

Fitch's issuer default ratings are on a rating scale that ranges from AAA (highest) to D (lowest). The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show the relative standing within the major rating categories. A rating of B by Fitch is the sixth highest of 11 categories and indicates that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

Fitch's individual securities ratings are on a rating scale that ranges from AAA (highest) to C (lowest). The addition of a plus (+) or minus (-) designation after the rating indicates the relative standing within the major rating categories. A rating of B is within the sixth highest of nine categories and indicates that material credit risk is present. The recovery ratings are on a scale that ranges from RR1 (outstanding recovery prospects given default) to RR6 (poor recovery prospects given default). RR4 (average recovery prospects given default) rated securities have characteristics consistent with historically recovering 31%-50% of current principal and related interest.

A Fitch rating outlook indicates the direction a rating is likely to move over a one to two-year period, with rating outlooks falling into four categories: "Positive," "Negative," "Stable" or "Evolving." Rating outlooks reflect financial or other trends that have not yet reached the level that would trigger a rating action, but which may do so if such trends continue. A "Negative" outlook signals a negative trend on the rating scale. Positive or Negative Rating Outlooks do not imply that a rating change is inevitable, and similarly, ratings with stable outlooks can be raised or lowered without a prior revision to the outlook.

On October 4, 2018, S&P affirmed its BB- global scale long-term issuer credit rating on the Company with a stable outlook. S&P also affirmed its BB- issue-level rating on the Company's Unsecured Notes.

S&P's issuer credit ratings are on a rating scale that ranges from AAA (highest) to SD and D (lowest). The ratings from AA to CCC may be modified by the addition of a plus (+) or a minus (-) sign to show relative standing within the rating categories. According to the S&P rating system, obligations rated "BB," "B," "CCC," "CC" and "C" are regarded as having significant speculative characteristics. A rating of BB by S&P is the fifth highest of ten categories and is considered less vulnerable in the near-term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the obligator's inadequate capacity to meet its financial commitments.

S&P's long-term issue credit rating of individual securities are on a rating scale of AAA (highest) to D (lowest). The ratings from AA to CCC may be modified by the addition of a plus (+) or a minus (-) sign to show relative standing within the rating categories. A long-term credit rating of BB is within the fifth highest of ten categories and is considered less vulnerable to non-payment in the near-term than other speculative grade investments but faces major ongoing uncertainties and exposure to adverse business, financial and economic conditions that could lead to the obligor's inadequate capacity to meet its financial commitments on the obligation.

S&P outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years), with ratings outlooks falling into five categories: "Positive," "Negative," "Stable," "Developing" and "N.M." In determining a rating outlook, consideration is given to any changes in economic and/or fundamental business conditions. A "Stable" outlook means that a rating is not likely to change.

The Company paid Fitch and S&P their customary fees in connection with the provision of the above ratings. The Company has not made any payments to Fitch and S&P in the past two years for services unrelated to the provision of such ratings.

MARKET FOR SECURITIES

The Common Shares

The Common Shares are listed on the TSX under the trading symbol "FEC." The closing price on the TSX on March 13, 2018 was C$12.60. The following table sets out the high and low trading prices of the Common Shares for the periods indicated, as reported by the TSX. The trading history below should not be used as an indication of the trading prices or volume of the Common Shares in the future.

Period (2018)	High (C$)	Low (C$)	Trading Volume
December	13.49	11.06	2,636,094
November	18.14	12.62	2,506,179
October	18.45	16.11	3,136,175
September	18.69	17.02	1,285,794
August	19.46	16.50	3,449,858
July	19.80	17.32	1,787,774
June	19.48	17.18	2,509,707
May	20.30	18.25	1,353,420
April	20.27	17.88	577,304
March	21.50	16.58	1,206,124
February	23.00	20.50	645,422
January	23.46	19.79	879,966

Unsecured Notes

The Unsecured Notes are listed on the Official List of the Luxembourg Stock Exchange and trade on its Euro MTF Market with the ISIN number USC35898AA00 and US35905BAA52 and commenced trading on June 25, 2018.

The trading activity for the Unsecured Notes, as reported by the Luxembourg Stock Exchange, is insufficient to provide meaningful trading data for the purposes of this AIF.

Unlisted Securities

The following table summarizes the issuance of unlisted securities for the year ended December 31, 2018:

Date of Issuance	Security Type	Number of Common Shares Issued/Issuable	Price / Exercise Price per Security
January 15, 2018	Deferred Stock Unit	13,637	\$20.9144
April 16, 2018	Deferred Stock Unit	13,693	\$19.3725
April 19, 2018	Restricted Stock Unit	785,388(1)	N/A(2)
July 16, 2018	Deferred Stock Unit	15,407	\$17.9820
October 15, 2018(3)	Deferred Stock Unit	17,342	\$17.7548

Notes:

(1) In 2018, as a result of departures of certain employees granted RSUs, certain awarded RSUs that have yet to vest were subsequently forfeited pursuant to the corresponding Award agreement and the Incentive Plan.
(2) RSUs may be settled in cash, Common Shares, or a combination thereof, at the sole discretion of the Compensation and Human Resources Committee at the stipulated settlement date included in the corresponding Award agreement.
(3) Ms. Giry and Mr. Cabrales's DSUs for this quarter were issued on November 7, 2018.

DIRECTORS AND OFFICERS

Directors and Officers of the Company

The following table sets forth the name, country of residence, position with the Company, and principal occupation within the five (5) preceding years of each director and officer of the Company, and in the case of directors, the period each has served as a director of the Company. Such information is based upon information furnished by the person concerned.

Name, Residence and Position with the Company	Director Since(1)	Principal Occupation for the Past Five Years
Gabriel de Alba(3), (5) Ontario, Canada Chairman, Director	November 2, 2016	Gabriel de Alba has been the Managing Director and Partner of Catalyst since 2002. Mr. de Alba is currently the chairman of the board of directors' of Therapure Biopharma Inc., Gateway Casinos & Entertainment, Sonar Entertainment and Advantage Rent A Car.
Luis F. Alarcon Mantilla(4) Bogotá, Colombia Director	November 2, 2016	Luis F. Alarcon currently serves as Chairman of the board of directors of Grupo Sura and Almacenes Exito and is a member of the board of Emgesa S. A. ESP. From 2007 through 2015, Mr. Alarcon served as Chief Executive Officer of Interconexión Eléctrica S.A. E.S.P.
W. Ellis Armstrong(2), (4) London, United Kingdom Director	November 2, 2016	Ellis Armstrong currently serves as an independent director of Lloyds Register Group. From 1981 through 2013, he held various senior strategy, commercial, technical and operational roles with BP and was also the Chief Financial Officer for the group's global exploration and production business.

Name, Residence and Position with the Company	Director Since[1]	Principal Occupation for the Past Five Years
Raymond Bromark[2] Florida, United States Director	November 2, 2016	Raymond Bromark currently serves as Director and Chair of the Audit and Ethics Committee for YRC Worldwide Inc. He was a Director and Chair of the Audit Committee and a member of the Conflicts Committee for Tesoro Logistics GP, LLC prior to its October 2018 merger with Marathon Petroleum Corporation, and Director and Chair of the Audit Committee of CA, Inc. prior to its acquisition by Broadcom in November 2018. Mr. Bromark is a certified public accountant and retired partner of PricewaterhouseCoopers LLP, where he served for almost 40 years.
Russell Ford[2], [3] Texas, United States Director	November 2, 2016	Russell Ford served as Chairman of the Board of Aera Energy from 2012 to 2015. He led Royal Dutch Shell Group's global supply chain activities as Executive Vice President of Contracting and Procurement from 2013 to 2015 and prior to that was the Executive Vice President Onshore from 2009 to 2012.
Veronique Giry[4] Alberta, Canada Director	November 7, 2018	Veronique Giry currently serves as Vice President and Chief Operating Officer of ISH Energy Limited in Calgary, Canada. From 2016 through 2017, Ms. Giry was Vice President, Industry Operations at the Alberta Energy Regulator and between 2015 and 2016 she was the Principal Consultant of Giry O&G Advisors. Prior to that role, she worked at Total Exploration & Production where she has held various roles in France, Latin America, Canada, Europe and the UK; the most recent, being Vice President, Thermal Assets and Exploration Leases in Calgary, Canada.
Orlando Cabrales Segovia[3] Bogotá, Colombia Director	November 7, 2018	Orlando Cabrales currently serves as the President of NATURGAS, the Colombian natural gas trade association. Previously, he served as Vice Minister of Energy of the Ministry of Mines and Energy in Colombia between 2013 and 2014 and as the President of the ANH from 2011 to 2013. Mr. Cabrales has held senior roles at BP in Latin America and has been on the boards of numerous companies in Colombia, including ISAGEN S.A., Tuscany Drilling, CENIT and ISA.
Richard Herbert London, United Kingdom Chief Executive Officer	N/A	Richard Herbert is currently the Company's Chief Executive Officer. Prior to his appointment, he served on the Board from December 21, 2017 to March 27, 2018. Mr. Herbert is a petroleum geologist with over 37 years of experience in the global upstream industry. He currently serves as an independent director of Petroleum Geo-Services. From 2013 to 2016, Mr. Herbert served as Chief Operating Officer, Exploration at BP. Prior to that, from 2009 to 2013, he served as Executive Vice President, Exploration at Talisman Energy.
David Dyck Alberta, Canada Chief Financial Officer	N/A	David Dyck has over 32 years of experience in senior financial and leadership roles within the Canadian energy industry. Prior to joining the Company, Mr. Dyck was the Senior Vice President and CFO of Penn West Petroleum Ltd. from 2014 to 2016.
Andrew Kent Ontario, Canada General Counsel & Secretary	N/A	Andrew Kent joined the Company in September 2018. Previously, he was Managing Partner and then National Senior Partner of the Canadian law firm McMillan LLP, where he practiced corporate law for over 30 years.
Grayson Andersen Berkhamsted, United Kingdom Corporate Vice President, Capital Markets	N/A	Grayson Andersen has 19 years of oil and gas and capital markets industry experience. Prior to joining the Company in 2017, from April 2014 to July 2017, Mr. Andersen was the Managing Director of Andersen Securities Limited, a financial services advisory firm based in the United Kingdom. Prior to that role, from April 2010 to January 2014, Mr. Andersen was a Senior Manager with Macquarie Securities Europe Limited.

Name, Residence and Position with the Company	Director Since[1]	Principal Occupation for the Past Five Years
Alejandra Bonilla Bogotá, Colombia Corporate Vice President, Legal and Head of Legal Colombia	N/A	Alejandra Bonilla is a lawyer with over 15 years of experience in the oil and gas sector, specializing in transnational mergers and acquisitions, corporate law and finance. She has been with the Company for the past seven years and prior to her current role, has held various positions, including Deputy General Counsel & Head of the Colombian Legal Team and Corporate Legal Manager.
Renata Campagnaro Bogotá, Colombia Corporate Vice President, Supply, Transportation & Trading	N/A	Renata Campagnaro has over 38 years of experience in the oil and gas industry. Ms. Campagnaro has been with the Company since 2010. Prior to her current role, she has held a number of positions with the Company, including Corporate Vice President of Supply, Transport and Trading and Executive Vice President of Supply and Transport.
Jorge Fonseca[6] Bogotá, Colombia Corporate Vice President, Business Development	N/A	Jorge Fonseca has over 23 years of finance and investment banking experience. Mr. Fonseca was with the Company for the past five years. Prior to his current role, Mr. Fonseca held a number of positions with the Company, including Vice President of Corporate Development and Corporate Finance Manager.
Erik Lyngberg Alberta, Canada Corporate Vice President, Exploration	N/A	Erik Lyngberg joined the Company in 2013 as Vice President, Technical and was appointed Corporate Vice President, Exploration in November 2016. Prior to joining the Company, Mr. Lyngberg held various senior executive roles with Petrominerales Ltd. from August 2008 to November 2013.
Duncan Nightingale Bogotá, Colombia Corporate Vice President, Development and Reservoir Management	N/A	Duncan Nightingale has over 30 years of oil and gas exploration and development experience. Prior to joining the Company in 2017, Mr. Nightingale held various executive management positions with Gran Tierra Energy from 2009 to 2017. These included President, interim CEO, Chief Operating Officer and Vice President of Exploration.
Alejandro Piñeros Bogotá, Colombia Corporate Vice President, Strategy & Planning	N/A	Alejandro Piñeros joined the Company in 2017. He served as Corporate Finance Director prior to his appointment in May 2018 as Corporate Vice President, Strategy & Planning. Prior to joining the Company, Mr. Piñeros was Chief Financial Officer of PIV, Chief Financial Officer and Head of Planning at Summum Energy and Chief Financial Officer and Vice President of Administration at Propilco/Essentia, which is part of the Ecopetrol group. Mr. Piñeros also worked for six years at McKinsey & Company as Engagement Manager and Associate.

Notes:

(1) Each Director will hold office until the Company’s next annual general meeting or until his or her successor is appointed or elected.
(2) Member of the Audit Committee.
(3) Member of the Compensation and Human Resources Committee.
(4) Member of the Corporate Governance, Nominating and Sustainability Committee.
(5) Mr. de Alba is the Managing Director and Partner of Catalyst.
(6) Mr. Fonseca resigned from the Company effective February 22, 2019.

As of December 31, 2018, the directors and executive officers of the Company (as a group) owned, or exerted direction or control over, a total of 9,700 Common Shares, representing less than 1% of the Company’s total issued and outstanding Common Shares on a non-diluted basis.

Executive Appointment Update

The appointment of Carlos Alberto Vargas Medina as Chief Operating Officer, which was to be effective February 11, 2019, has not yet proceeded pending confirmation of clearance under applicable laws.

Corporate Cease Trade Orders

No director or executive officer of the Company, is, or within the ten years prior to the date hereof, has been a director, chief executive officer or chief financial officer of any company that was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemptions under securities legislation for a period of more than 30 consecutive days while such director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of the company being the subject of such order, or that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer in the company being the subject of such order and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of the subject company.

Corporate Bankruptcies

Except as disclosed herein, no director or executive officer, or a shareholder holding a sufficient number of securities in the capital of the Company to affect materially the control of the Company, is or within ten years prior to the date hereof, has been a director or executive officer of any company, that while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Renata Campagnaro and Erik Lyngberg were officers of the Company during the Restructuring, pursuant to which the Company completed proceedings under the CCAA. Further information can be found under the section entitled "General Development of the Business – Three Year History – Period ending December 31, 2016 – The Restructuring."

Penalties or Sanctions

No director or executive officer of the Company, and no shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

Personal Bankruptcies

No director or executive officer of the Company, and no shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, nor any personal holding company of any such person, has, during the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or has been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his, her or its assets.

Conflicts of Interest

There may be potential conflicts of interest to which the directors or officers of the Company may be subject in connection with the operations of the Company. Conflicts of interest, if any, will be subject to the procedures and remedies as provided under the BCBCA, which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with the Company disclose his or her interest and in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the BCBCA.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed herein, there were no material interests, direct or indirect, of directors or executive officers of the Company, of any shareholder who beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding voting securities of the Company, or any other Informed Person (as defined in NI 51-102) or any known associate or affiliate of such persons, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or would materially affect the Company or any of its subsidiaries.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

From time to time, the Company is the subject of litigation arising out of the Company's operations. Damages claimed under such litigation may be material or may be indeterminate, and the outcome of such litigation may materially impact the Company's financial condition or results of operations. While the Company assesses the merits of each lawsuit and defends itself accordingly, the Company may be required to incur significant expenses or devote significant resources to defend itself against such litigation.

Except as disclosed herein or elsewhere in this AIF, there are no legal proceedings or regulatory actions pending or known by the Company to which it is a party or in respect of which any of the properties of the Company are subject that are anticipated to be material to the Company and its subsidiaries taken as a whole. In the summary provided below, the Company has provided the estimates with respect to each claim where such an estimate is available; however, the estimates provided are not indicative of the probability of the final outcome.

Disputes with Local Authorities in Colombia

Tax Disputes with DIAN - Special Tax Benefits

The DIAN is reviewing certain income tax deductions with respect to the special tax benefit for qualifying petroleum assets as well as other exploration expenditures. As at December 31, 2018, the DIAN has reassessed $112 million of tax owing, including estimated interest and penalties, with respect to the denied deductions.

The Company believes that the disagreements with the DIAN related to the denied income tax deductions will be resolved in favour of the Company. No provision with respect to income tax deductions under dispute has been recognized in the audited financial statements for the year ended December 31, 2018 filed on SEDAR at www.sedar.ca**.**

ANH Disputes

Frontera acquired certain exploration contracts through business acquisitions where there existed outstanding disagreements with the ANH relating to the interpretation of the high-price clause ("**PAP**"). These contracts require the PAP payments be made to the ANH once an exploitation area has cumulatively produced five million or more barrels of oil.

On March 29, 2012, the Company and the ANH commenced arbitration proceedings with respect to the contract for the Corcel block regarding the differences in interpretation of the PAP clause. On December 6, 2017, an arbitration panel delivered a ruling in favour of the Company's interpretation that the Corcel block is comprised of independent reservoirs. Subsequently, the ANH filed requests for annulment of the arbitration panel's decision with the Consejo de Estado (Colombia's highest administrative court), which were rejected by such court on November 21, 2018 and January 18, 2019. As such, the arbitrators ruling in favour of the Company remains upheld.

The Company is also in discussions with ANH with respect to another block that has a similar PAP clause; however, no arbitration proceeding has been commenced.

Disputes with Counterparties

QV Trading

In 2016, the Company filed a criminal complaint against a customer, QV Trading LLC, in Colombia, with the General Prosecutor’s Office in respect of its failure to pay overdue accounts receivable in the amount of approximately $16 million for the sale of oil in August 2015. The claim is still under investigation and criminal proceedings have not yet commenced. The Company cannot assure investors that it will be successful in collecting any part of this receivable.

CLC and Bicentenario

On July 16, 2018 and July 17, 2018, the Company received notices from Bicentenario and CENIT, respectively, disputing the grounds for validity of the termination of the BIC Transportation Agreements and the CLC Transportation Agreements. For more information, see “Midstream Activities – BIC Pipeline and CLC Pipeline – Transportation Contracts.”

Ecopetrol

On September 27, 2011, the Company and Ecopetrol initiated an arbitration process to resolve a disagreement over the interpretation as to how production from the Quifa SW region of the Quifa block should be split in certain circumstances. On March 13, 2013, an arbitration panel delivered a ruling in favour of Ecopetrol. On June 28, 2013, the Company filed a request for annulment of the arbitration panel’s decision with the Consejo de Estado, which was denied in February 2014.

On April 15, 2013, the Company began to deliver to Ecopetrol its share of the daily net production from the Quifa SW region calculated in accordance with the arbitration decision, as well as an additional 6,500 bbl/d beginning in July 2013, to make up for the shortfall between what the Company effectively delivered and what the ruling ordered (a shortfall that totalled 1,651,844 bbl of oil for the period from April 3, 2011, to April 15, 2013). By March 2014, the Company had delivered all outstanding amounts of oil to Ecopetrol.

In November 2016, the Company received a notification of a claim from Ecopetrol requesting an indemnification for the “losses suffered by Ecopetrol as a consequence of the late delivery of the crude.” Ecopetrol is claiming the payment of approximately $8.4 million. The dispute will be resolved by national courts, following a ruling regarding which judge has jurisdiction over the matter.

Rubiales Field Disagreement

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

Disputes with local authorities in Peru

Tax Disputes with SUNAT

The Peruvian tax authority, SUNAT, completed a tax audit for the taxation years 2013 and 2014, which resulted in the denial of certain expense; the SUNAT has reassessed $21.5 million of tax owing, including estimated interest and penalties, claimed by the Company’s wholly-owned subsidiary, Pacific Off Shore Peru S.R.L. The Company has appealed this ruling. No decision has yet been rendered on the appeal.

TRANSFER AGENT AND REGISTRAR

The registrar and transfer agent for the Common Shares is Computershare Trust Company of Canada through its offices in Toronto, Ontario.

The transfer agent for the Unsecured Notes is the Bank of New York Mellon.

MATERIAL CONTRACTS

The following are the only material contracts, other than contracts entered into in the ordinary course of business not otherwise required to be disclosed, that have been entered into by the Company within the most recently completed fiscal year or before the most recently completed fiscal year but still in effect:

1. the Unsecured Indenture (as amended, restated, supplemented or otherwise modified) (see "Description of Capital Structure – Material Debt Facilities – Unsecured Notes");

2. the Unsecured LC Facility (as amended, restated, supplemented or otherwise modified) (see "Description of Capital Structure – Material Debt Facilities – Letter of Credit Facility");

3. the Rights Plan between the Company and Computershare Investor Services Inc. (see "Description of Capital Structure – General Description of Capital Structure – Shareholders Rights Plan");

4. the PML Put Option Agreement (see "Description of the Business – Midstream Activities – BIC Pipeline and CLC Pipeline – IFC PML Put Option"); and

5. the PIV Put Option Agreement (see "Description of the Business – Midstream Activities – Pacific Infrastructure Ventures – IFC PIV Put Option").

The foregoing agreements are available on SEDAR at www.sedar.ca.

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under NI 51-102 by the Company other than D&M, the Company's independent reserves evaluators, and Ernst & Young LLP, Chartered Professional Accountants, the Company's auditors. To management's knowledge, as of the date hereof, neither D&M nor the designated professionals of D&M, directly or indirectly owned any of the outstanding Common Shares or other securities of the Company. No director, officer or employee of D&M is to be or has been elected, appointed or employed as a director, officer or employee of the Company. Ernst & Young LLP is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

AUDIT COMMITTEE INFORMATION

<u>The Audit Committee's Charter</u>

The full text of the Company's Audit Committee Charter is appended hereto as Appendix "A."

Composition of the Audit Committee and Relevant Education and Experience

The members of the Audit Committee are Raymond Bromark (Chair), Ellis Armstrong and Russell Ford. All the members of the Audit Committee are independent and financially literate in accordance with National Instrument 52-110 – *Audit Committees*. A brief summary of each member's relevant education and experience is provided below.

Raymond Bromark is a certified public accountant and retired partner of PricewaterhouseCoopers LLP, where he served for almost 40 years. Mr. Bromark joined PricewaterhouseCoopers LLP's staff in Chicago in 1967 and was later transferred to the National Office (New York) in 1977. In 1983, he was appointed to the Boston Office and in 1990 he was selected as Deputy Vice Chairman of Auditing and Business Advisory Services for the firm. From 1994 through 2000, he was the Global Engagement Partner responsible for reporting on E.I. DuPont de Nemours and the company's financial statements. During the five years prior to his retirement in 2006, he led the PricewaterhouseCoopers Professional, Technical, Risk and Quality Group. He currently serves as Director and Chair of the Audit and Ethics Committee for YRC Worldwide Inc. Previously, Mr. Bromark served as a Director for World Color Press (commercial and industrial printing) from 2009 to 2010 when the company merged into another company, Director and Chair of the Audit Committee and a member of the Conflicts Committee for Tesoro Logistics GP, LLC prior to its October 2018 merger with Marathon Petroleum Corporation, and Director and Chair of the Audit Committee of CA, Inc. prior to its acquisition by Broadcom in November 2018. Mr. Bromark earned a BSc degree in Business Management from Quincy University and is a Member of the American Institute of Certified Public Accountants. He is also a member of the National Association of Corporate Directors' (NACD) Audit Committee Chair Advisory Group.

Ellis Armstrong is a chartered engineer with over 35 years of international oil and gas industry experience with BP in Argentina, Colombia, Venezuela, Trinidad, Alaska and the North Sea. He held senior strategy, commercial, technical and operational roles with BP and was also the Chief Financial Officer for the group's global exploration and production business. Dr. Armstrong is an independent director of Lloyds Register Group, a leading international risk assurance firm. Dr. Armstrong has a BSc and PhD in Civil Engineering from Imperial College, and a Master's degree in Business Administration from Stanford Business School.

Russell Ford is a senior executive with more than 35 years of experience within the global oil and gas industry. He started his career at Shell's E&P business in 1981 as a production engineer working in upstream. Afterwards, he served in a series of technical, operational and leadership roles across a number of onshore and deep-water assets, in upstream research, and as head of M&A for North America. More recently, he led Royal Dutch Shell Group's global supply chain activities as Executive Vice President of Contracting and Procurement (2013–2015). Prior to that he was Executive Vice President Onshore (2009–2012) with responsibility for drilling, development, and producing operations for the North American onshore unconventional/shale portfolio. This followed assignments as a Vice President over upstream onshore and offshore development in the Western Hemisphere (2005–2009), Private Assistant to Shell's Chief Executive (2004–2005), and Head of EP Strategy and Portfolio (2003–2004). Mr. Ford has a BS in Mechanical Engineering from the University of Michigan and an MBA from California State University. He served as Chairman of the Board of Aera Energy from 2012 until 2015 and is currently a member of the University of Michigan's Energy Institute External Advisory Board. Since retiring from Shell in June 2015, he has advised companies and financial institutions on project-specific matters.

Pre-Approval Policies and Procedures

The Audit Committee has adopted policies and procedures with respect to the pre-approval of permitted non-audit services by Ernst & Young LLP. The Audit Committee has established a budget for the provision of a specified list of permitted non-audit services that the Audit Committee believes to be typical, recurring or otherwise likely to be provided by Ernst & Young LLP. The budget generally covers the period between the adoption of the budget and the next meeting of the Audit Committee, but at the option of the Audit Committee it may cover a longer or shorter period. The list of services is sufficiently detailed as to the particular services to be provided to ensure that: (i) the Audit Committee knows precisely what services it is being asked to pre-approve; and (ii) it is not necessary for any member of management to make a judgment as to whether a proposed service fits within the pre-approved services.

The Audit Committee has delegated authority to the Chair of the Audit Committee (or if the Chair is unavailable, any other member of the Audit Committee) to pre-approve the provision of permitted non-audit services by Ernst & Young LLP that have not otherwise been pre-approved by the Audit Committee, including the fees and terms of the proposed services ("**Delegated Authority**"). All pre-approvals granted pursuant to Delegated Authority must be presented by the member(s) who granted the pre-approvals to the full Audit Committee at its next meeting.

All proposed services, or the fees payable in connection with such permitted non-audit services, that have not already been pre-approved must be pre-approved by either the Audit Committee or pursuant to Delegated Authority. Prohibited services may not be pre-approved by the Audit Committee or pursuant to Delegated Authority.

External Auditor Service Fees (By Category)

The following are the aggregate fees incurred by the Company for services provided by Ernst & Young LLP during fiscal years 2017 and 2018 (in $ in thousands). Canadian and Colombian fees have been converted to $ using the average exchange rate for each year.

	2018	**2017**[5]
Audit Fees[1]	1,934	2,143
Audit-Related Fees[2]	160	442
Tax Fees[3]	52	188
All Other Fees[4]	-	-
Total	**2,146**	**2,773**

Notes:

(1) "Audit Fees" include fees necessary to perform the annual audit and quarterly reviews of the Company's consolidated financial statements. This category includes fees for audit or other attest services required by legislation including statutory audits.

(2) "Audit-Related Fees" include fees billed for assurance and related services by Ernst & Young LLP that are reasonably related to the performance of the audit or review of the Company's financial statements.

(3) "Tax Fees" include fees for tax compliance, tax planning and tax advice.

(4) "All Other Fees" include fees for products and services provided by auditors, other than the services reported above.

(5) The 2017 fees have been adjusted to reflect incremental fees that were agreed to subsequent to the completion of the prior year's audit.

ADDITIONAL INFORMATION

Additional financial information is provided in the audited annual financial statements and management's discussion and analysis for the year ended December 31, 2018. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under its Incentive Plan, among other things, is contained in the Company's information circular for its most recent annual meeting of Shareholders that involved the election of Directors. This information and other pertinent information regarding the Company can be found on SEDAR at www.sedar.com.

APPENDIX "A"

FRONTERA ENERGY CORPORATION

AUDIT COMMITTEE CHARTER

GENERAL

The purpose of this Charter is to set forth the composition, authority and responsibilities of the Audit Committee (the "**Committee**") of the Board of Directors of Frontera Energy Corporation (the "**Corporation**").

COMPOSITION

The members of the Committee are designated by the Board in accordance with the Corporation's Articles, and serve at the discretion of the Board. The Board appoints one member of the Committee as Chair of the Committee.

The Committee consists of at least three members, all of whom must be "independent"[1] and be "financially literate"[2]. No member of the Committee may simultaneously serve on the audit committees of more than three other publicly traded companies, unless service on any such additional audit committee is approved by the Board of Directors upon recommendation of the Corporate Governance, Nominating and Sustainability Committee. No member of the Committee will have participated in the preparation of the financial statements of the Corporation or any of its subsidiaries (as such term is defined in the Code of Business Conduct and Ethics) at any time during the three year period prior to becoming a member.

AUTHORITY AND RESPONSIBILITIES

General. The general purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to:

1. the Corporation's financial reporting, including the audits of the Corporation's financial statements and the integrity of the Corporation's financial statements and internal controls;
2. the qualifications and independence of the Corporation's independent auditor (including the Committee's direct responsibility for the engagement of the independent auditor);
3. the performance of the Corporation's internal audit function and independent auditor;
4. the Corporation's compliance activities relating to accounting and financial reporting;
5. the Corporation's Ethics and Compliance Program;
6. the qualifications and independence of the Corporation's independent reserves evaluator(s) or auditor(s); and
7. the Corporation's oil and gas reserves estimates.

To carry out this purpose, the Committee must serve as a focal point for communication among the Board, the independent auditor, the Corporation's internal audit department, the Corporation's independent qualified reserves evaluators or auditors, the Corporation's Ethics & Compliance Department and the Corporation's management, as their respective duties relate to accounting, financial reporting, internal controls, and compliance with *National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**"), *National Instrument 52-110 - Audit Committees* ("**NI 52-110**") and all related Canadian Securities Administrators instruments, policies and rules. In particular, the independent auditor, members of the internal audit department, the Chief Financial Officer, the Senior Manager of

(1) A member is "independent" if he or she would be independent for the purposes of Sections 1.4 and 1.5 of *National Instrument 52-110 - Audit Committees.*
(2) A "financially literate" individual is an individual who has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

Financial Reporting, the General Counsel, and the Ethics & Compliance Officer will have unrestricted access to the Committee or its members, other directors or the entire Board, as needed.

Financial Statement and Disclosure Matters. The Committee will:

1. Meet to review and discuss with management and the independent auditor the Corporation's annual audited financial statements and financial and other data to be filed on an annual basis under *National Instrument 51-102 - Continuous Disclosure* ("**NI 51-102**"), including reviewing the specific disclosures made in the "Management's Discussion and Analysis" and the results of the independent auditor's audit of such financial statements, and recommending to the Board whether the audited financial statements should be approved for filing.

2. Meet to review and discuss with management and the independent auditor the Corporation's quarterly financial statements and financial and other data to be filed on a quarterly basis under NI 51-102, including reviewing the specific disclosures made in the "Management's Discussion and Analysis," and the results of the independent auditor's review of such financial statements and approve for filing.

3. Meet to review and discuss with management and the independent auditor the Corporation's annual information form and the financial and other data contained therein to be filed on an annual basis under NI 51-102.

4. Review and discuss with management and the independent auditor the following:
   (a) any major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles, and analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, including analyses of the effects on the financial statements of alternative methods under International Financial Reporting Standards ("**IFRS**");
   (b) any major issues as to the adequacy of the Corporation's internal controls, and any steps adopted in light of any material weakness or significant deficiencies; and
   (c) management's annual evaluation of internal controls over financial reporting and quarterly evaluation of any material changes in such controls, and the internal auditor's annual review of the effectiveness of internal control over financial reporting.

5. Review and discuss in a timely manner (but at least annually) reports from the independent auditor regarding:
   (a) all critical accounting policies and practices to be used;
   (b) all alternative treatments of financial information within IFRS that have been discussed with management, ramifications of the use of such alternative treatments and related disclosures, and the treatment preferred by the independent auditor; and
   (c) all other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted audit differences.

6. Generally review and discuss with management the type and presentation of information to be disclosed in the Corporation's earnings press releases, including the use of pro forma or "adjusted" non-IFRS information, as well as the type and presentation of financial information and earnings guidance to be provided to analysts and rating agencies; such discussions may be of a general nature and need not cover the specific information or presentations to be given.

7. Review and discuss with management and the independent auditor the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the Corporation's financial statements.

8. Discuss with the independent auditor the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

9. Review disclosures made to the Committee by the Corporation's Chief Executive Officer and Chief Financial Officer in connection with their certification process under *National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**") regarding any significant deficiencies or material weaknesses in the design or operation of internal controls, or any fraud involving management or other employees having a significant role in the Corporation's internal controls.

10. Review related party transactions.

Oversight of Independent Auditor. The Committee has the sole authority to appoint or replace the independent auditor; provided, however, that this is performed in compliance with NI 51-102. The Committee will be directly responsible for the compensation and oversight of the independent auditor (including the resolution of any disagreements between management and the independent auditor) and the Committee will review and assess the effectiveness of the independent auditor on an annual basis. The independent auditor will report directly to the Committee.

In addition, the Committee will:

1. Review and evaluate the lead partner of the independent auditor team.

2. Obtain on an annual basis a formal written statement from the independent auditor delineating all relationships between the independent auditor and the Corporation and review and discuss with the independent auditor any disclosed relationships or services that may impact the independent auditor's objectivity and independence.

3. Consider whether the independent auditor's provision of permissible non-audit services is consistent with the auditor's independence. As necessary, pre-approve non-audit services to be provided by the independent auditor, as further described in "Delegation of Authority" below.

4. Take appropriate action to oversee the independence of the independent auditor.

5. Obtain and review a report from the independent auditor at least annually regarding:
   (a) the independent auditor's internal quality control procedures;
   (b) any material issues raised by the most recent internal quality control review of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years relating to one or more independent audits carried out by the firm; and
   (c) any steps taken to deal with any such issues.

6. Evaluate and report to the Board on its conclusions as to the qualifications, performance and independence of the independent auditor, including considering whether the auditor's quality controls are adequate and whether the provision of permitted non-audit services is compatible with maintaining the auditor's independence, taking into account the opinions of management and the internal audit department.

7. Ensure the regular rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit.

8. Establish clear policies regarding the Corporation's hiring of employees or former employees of the independent auditor.

9. Meet with the independent auditor to discuss the planning and staffing of the audit.

10. Obtain acknowledgment from the independent auditor that it will inform the Committee if the independent auditor detects or becomes aware of any illegal act.

Oversight of Internal Audit Department. The Committee has adopted the Institute of Internal Auditors' definition of Internal Auditing as follows:

> Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Committee will engage in general oversight with respect to the internal audit department. The head of Internal Audit will report directly to the Chair of the Committee and administratively to the Corporation's General Counsel. The Chair of the Committee will be involved in the hiring and evaluation of the head of Internal Audit. In addition, the Committee will:

1. Monitor and examine the organization and performance of the internal audit department.

2. Review significant reports to management prepared by the internal audit department, as well as management's responses to the reports, any significant difficulties or disagreements with management, and any scope restrictions encountered in the course of the function's work.

3. Discuss with the independent auditor and management the responsibilities, budget and staffing of the internal audit department, its charter and the scope of the internal audit plan.

Oversight of Compliance Activities Relating to Accounting and Financial Reporting. The Committee will assist the Board in fulfilling its oversight responsibilities with respect to the Corporation's compliance activities relating to accounting and financial reporting.

The Committee will also establish, maintain and periodically review procedures for the receipt, retention and proper treatment of complaints regarding accounting, internal controls (including internal accounting controls) or auditing matters, which procedures will include provision for the confidential, anonymous submission of reports or complaints concerning potential violations of law or other misconduct and concerns regarding accounting, auditing or internal control matters.

Committee Report. The Committee will prepare the audit committee report required by NI 51-102 to be included in the Corporation's annual information circular.

Oversight of Ethics and Compliance Program. The Committee will assist the Board in fulfilling its oversight responsibilities with respect to the Corporation's Ethics and Compliance program, including the Corporation's compliance with legal and regulatory requirements.

In particular, the Committee will:

1. Oversee the activities of the Ethics and Compliance function. The Ethics & Compliance Officer will report directly to the Chair of the Committee and administratively to the General Counsel (unless the Ethics & Compliance Officer is also the General Counsel).

2. Oversee the adoption and maintenance of procedures to ensure that all compliance and ethics matters receive prompt review by or under the authority of the Ethics & Compliance Officer and the Chair of the Committee.

3. Oversee the establishment and maintenance of a comprehensive compliance and ethics program, including an ethics and compliance training program for all employees and the establishment and operation of the Ethics Committee comprising certain members of management.

4. Monitor the process for communicating to employees the Corporation's Code of Business Conduct and Ethics and Conflicts of Interest Policy and the importance of compliance therewith, including: (a) the maintenance and periodic review of the Code of Business Conduct and Ethics and Conflicts of Interest Policy; (b) assuring employees that no retaliation or other negative action will be taken against any employee because that employee submits any report or complaint under (but subject to the provisions of) the Whistle Blower Policy concerning potential violations of law or other misconduct and concerns regarding accounting, auditing or internal control matters; and (c) conducting reviews of complaints and investigations made pursuant to the Whistle Blower Policy.

The General Counsel and the Ethics & Compliance Officer will at all times have unrestricted access to the Chair of the Committee or any other member of the Committee or the Board for any purpose he or she deems appropriate.

To help ensure that the Ethics & Compliance Officer preserves the requisite, ongoing authority and independence to maintain an effective compliance program, the Chair of the Committee will be involved in any action to appoint, replace, reassign or terminate the Ethics & Compliance Officer.

Oversight of the Corporation's Reserves Reporting Process. The Committee will assist the Board in fulfilling its oversight responsibility to review and approve the Corporation's externally disclosed oil and gas reserves estimates, and any material changes to such reserves estimates, in accordance with NI 51-101, including reviewing the qualifications of, and procedures used by, the independent engineering firm(s) responsible for evaluating the Corporation's reserves. In particular, the Committee will:

1. Consult with the Corporation's senior reserves evaluation personnel, and consider, review and report to the Board in respect of the following:
    - appointment of, or any changes to, qualified reserves evaluator(s) or auditor(s); and
    - determination of reasons for any proposed change in appointment of the qualified reserves evaluator(s) or auditor(s) and, in particular, in the event there is a change of qualified reserves evaluator(s) or auditor(s), whether there have been any disputes between the qualified reserves evaluator(s) or auditor(s) and the Corporation's management.

2. Consider and review, with reasonable frequency, the Corporation's internal procedures relating to the disclosure of oil, gas and reserves data, with special attention given to the following:
    - the adequacy of such procedures for fulfillment of applicable regulatory and disclosure requirements and restrictions;
    - the Corporation's procedures for providing information to the qualified reserves evaluator(s) or auditor(s) who report on reserves data, and whether any restrictions affect the ability of the qualified reserves evaluator(s) or auditor(s) to report without reservation; and
    - the scope of the annual evaluation of the reserves by the qualified reserves evaluator(s) or auditor(s) having regard to applicable securities legislation, regulations and related requirements.

3. Annually review, assess, and approve the fees for any independent reserves evaluator(s) or auditor(s).

4. Review all reserve audit reports prepared by the Corporation's reserves evaluation personnel or any independent reserves evaluator(s) or auditor(s) for the Corporation.

5. Meet with the Corporation's management and each of the chief qualified reserves evaluators, prior to approval and filing of reserves data and the report of the qualified reserves evaluator(s) or auditor(s) thereon, to review the Corporation's annual reserves data, including the following:
   - review the scope of work of the qualified reserves evaluator(s) or auditor(s);
   - review the reserves estimates of the qualified reserves evaluator(s) or auditor(s); and
   - determine whether any restrictions affected the ability of the qualified reserves evaluator(s) or auditor(s) to report on the Corporation's reserves data without reservation.

6. Meet with the Corporation's management and qualified reserves evaluator(s) and auditor(s), as may be required, to address matters of mutual concern in respect of the Corporation's evaluation of oil and gas reserves. However, in the normal course, the Corporation's Chief Executive Officer and Corporate Vice-President of Exploration shall be the Committee's liaison with the independent qualified reserves evaluator(s) or auditor(s).

7. Receive timely reports from management on the status of the Corporation's response to matters of concern raised in reports prepared by the Corporation's reserves evaluation personnel or any independent reserves evaluator(s) or auditor(s) for the Corporation.

8. Meet with the Corporation's management, prior to public disclosure of the Corporation's annual reserves data, to review and provide recommendations regarding approval of the content and filing of information as required under applicable securities legislation, regulations and related requirements, including the following:
   - the content and filing of the statement of reserves data and related information;
   - the filing of the report of the qualified reserves evaluator(s) or auditor(s); and
   - the content and filing of the related report of management and the Board.

DELEGATION OF AUTHORITY

The Committee may delegate authority to one or more members or subcommittees when deemed appropriate, provided that the actions of any such members or subcommittees must be reported to the full Committee no later than at its next scheduled meeting. In addition, the Chair of the Committee is authorized to approve fees for the performance of all audit, audit-related and other services; however, in respect of tax-related services, the Chair of the Committee is authorized to approve fees of up to $100,000 and fees over this amount must be approved by the full Committee. The foregoing approval of fees for audit, audit-related, tax-related and other services shall be reported to the full Committee at its next scheduled meeting.

COUNSEL AND OTHER DELEGATION OF AUTHORITY; CORPORATION FUNDING OBLIGATIONS

The Committee has the authority, to the extent it deems necessary or appropriate, to retain and terminate independent legal counsel or other advisors to assist the Committee in carrying out its responsibilities. The Corporation will provide for appropriate funding, as determined by the Committee, to pay any such counsel or other advisors retained by the Committee and to pay ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

MEETINGS; IN CAMERA SESSIONS

The Committee meets as often as it deems necessary, but no less frequently than quarterly. The Committee meets periodically and separately with management, the internal auditors, and the independent auditor. Each regularly scheduled Committee meeting may include an in camera session of the members of the Committee. In addition, the Committee may request any officer or other employee of the Corporation, counsel to the Corporation, or any representative of the independent auditor, to meet with the Committee, with one or more members of the Committee, or with counsel or another advisor to the Committee. Meeting agendas will be prepared and provided in advance to the Committee Chair for his review and approval. Briefing materials will be provided to the Committee in advance of the meeting.

The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to and to hear each other. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present.

REPORTS TO THE BOARD; MINUTES

The Committee will make regular reports to the Board regarding the Committee's activities, including issues that arise with respect to the quality or integrity of the Corporation's financial statements, the Corporation's compliance with legal or regulatory requirements relating to accounting and financial reporting, the performance and independence of the independent auditor, the performance of the internal audit function, ethics and compliance matters and the Committee's work relating to the oversight of the reserves reporting process. Minutes of the meetings and other actions of the Committee will be prepared and submitted for approval by the Committee and will be furnished to the Board at regular intervals.

COMMITTEE SELF-ASSESSMENT

The Committee will conduct an annual self-assessment of its performance with respect to its purposes and the authority and responsibilities set forth in this Charter. The results of the self-assessment will be reported to the Board.

COMMITTEE CHARTER

This Charter is subject to review and approval by the Board. The Committee will review this Charter annually and adopt any changes deemed appropriate, subject to approval by the Board.

LIMITATION OF COMMITTEE'S ROLE

Each member of the Committee shall be entitled, to the fullest extent permitted by law, to rely on the integrity of those persons and organizations within and outside the Corporation from whom he or she receives information, and the accuracy of the information provided to the Corporation by such other persons or organizations. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and in accordance with IFRS and applicable rules and regulations, each of which is the responsibility of management and the Corporation's external auditors.

CURRENCY OF CHARTER

A charter of the Committee was initially adopted by the Board on November 16, 2007 and was last revised and approved by the Board on December 4, 2018 and adopted by the Committee on December 4, 2018.