# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

***(UNAUDITED)***

*For the three months ended March 31, 2023 and 2022*

FRONTERA ENERGY

# Interim Condensed Consolidated Statements of (Loss) Income

| *(Unaudited; in thousands of U.S.$, except per share information)* | Notes | Three Months Ended March 31 2023 | 2022* |
|---|---|---|---|
| Oil and gas sales and other revenue | 4 | $ 259,579 | $ 273,871 |
| Royalties | | (9,213) | (19,244) |
| Revenue | | 250,366 | 254,627 |
| Operating costs | 5 | 83,000 | 68,625 |
| Costs of purchases | 5 | 59,031 | 35,422 |
| General and administrative | 6 | 12,669 | 14,656 |
| Share-based compensation | | (160) | 5,088 |
| Depletion, depreciation and amortization | 10 | 66,713 | 38,784 |
| Impairment, exploration expenses and other | 7 | 30,283 | (3,957) |
| Restructuring, severance and other costs | | 1,572 | 331 |
| (Loss) income from operations | | (2,742) | 95,678 |
| Share of income from associates | 12 | 13,572 | 9,094 |
| Foreign exchange (loss) income | | (11,760) | 3,642 |
| Finance income | | 4,301 | 607 |
| Finance expense | | (15,221) | (12,235) |
| Income (loss) on risk management contracts | 16 | 1,650 | (1,538) |
| Other income (loss) | | 6,305 | (6,019) |
| Net (loss) income before income tax | | (3,895) | 89,229 |
| Current income tax expense | | (1,007) | (1,553) |
| Deferred income tax (expense) recovery | | (6,513) | 14,304 |
| Income tax (expense) recovery | 8 | (7,520) | 12,751 |
| Net (loss) income for the period | | $ (11,415) | $ 101,980 |
| Attributable to: | | | |
| Equity holders of the Company | | (11,330) | 102,228 |
| Non-controlling interests | | (85) | (248) |
| | | $ (11,415) | $ 101,980 |
| (Loss) earnings per share attributable to equity holders of the Company | | | |
| Basic | 9 | $ (0.13) | $ 1.08 |
| Diluted | 9 | $ (0.13) | $ 1.05 |

**As a result of a review of the financials statements, certain amounts have been changes in presentation. These changes will result in more usefully information to the users of the financial statements.*

# Interim Condensed Consolidated Statements of Comprehensive Income

| *(Unaudited; in thousands of U.S.$)* | Three Months Ended March 31 2023 | 2022 |
|---|---|---|
| Net (loss) income for the period | $ (11,415) | $ 101,980 |
| **Other comprehensive income may be reclassified to net (loss) income in subsequent periods (nil tax effect)** | | |
| Foreign currency translation | 15,454 | 16,482 |
| Total comprehensive income for the period | $ 4,039 | $ 118,462 |
| **Attributable to:** | | |
| Equity holders of the Company | $ 4,124 | $ 114,170 |
| Non-controlling interests | (85) | 4,292 |
| | $ 4,039 | $ 118,462 |

# Interim Condensed Consolidated Statements of Financial Position

| *As at* *(Unaudited; in thousands of U.S.$)* | Notes | March 31 2023 | December 31 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| Current | | | |
| Cash and cash equivalents | | $ 162,272 | $ 289,845 |
| Restricted cash | | 11,589 | 2,505 |
| Trade receivables | 16 | 65,815 | 21,434 |
| Other receivables | 16 | 109,248 | 66,514 |
| Inventories | | 91,545 | 75,109 |
| Income taxes receivable | | 63,575 | 30,551 |
| Prepaid expenses and deposits | | 20,369 | 21,184 |
| Risk management assets | 16 | 4,887 | 2,308 |
| Total current assets | | 529,300 | 509,450 |
| Non-current | | | |
| Properties, plant and equipment | 10 | 1,745,258 | 1,760,780 |
| Exploration and evaluation assets | 11 | 394,608 | 320,580 |
| Investments in associates | 12 | 34,086 | 59,974 |
| Deferred tax assets | 8 | 58,221 | 64,290 |
| Restricted cash | | 19,288 | 20,697 |
| Other assets | | 7,953 | 2,684 |
| Total non-current assets | | 2,259,414 | 2,229,005 |
| Total assets | | $ 2,788,714 | $ 2,738,455 |
| **LIABILITIES** | | | |
| Current | | | |
| Accounts payable and accrued liabilities | 16 | $ 477,180 | $ 466,580 |
| Current portion of long-term debt | 13 | 15,486 | 115,922 |
| Risk management liabilities | 16 | — | 1,045 |
| Income taxes payable | | 2,894 | 7,146 |
| Lease liabilities | | 2,019 | 2,550 |
| Asset retirement obligations | 14 | 16,737 | 25,814 |
| Total current liabilities | | 514,316 | 619,057 |
| Non-current | | | |
| Long-term debt | 13 | 501,513 | 392,535 |
| Other payables | 16 | 4,087 | 3,524 |
| Lease liabilities | | 453 | 545 |
| Deferred tax liabilities | 8 | 5,057 | 4,610 |
| Asset retirement obligations | 14 | 173,788 | 128,980 |
| Total non-current liabilities | | 684,898 | 530,194 |
| Total liabilities | | $ 1,199,214 | $ 1,149,251 |
| Commitments and contingencies | 18 | | |
| **EQUITY** | | | |
| Share capital | | $ 4,604,602 | $ 4,608,234 |
| Contributed surplus | | 108,623 | 109,918 |
| Other reserves | | (85,438) | (100,892) |
| Accumulated deficit | | (3,049,243) | (3,037,913) |
| Equity attributable to equity holders of the Company | | $ 1,578,544 | $ 1,579,347 |
| Non-controlling interests | | 10,956 | 9,857 |
| Total equity | | $ 1,589,500 | $ 1,589,204 |
| Total liabilities and equity | | $ 2,788,714 | $ 2,738,455 |

# Interim Condensed Consolidated Statements of Changes in Equity

| *(Unaudited; in thousands of U.S.$)* | Number of Common Shares | Share Capital | Contributed Surplus | Cumulative Translation Adjustment | Fair Value Investment | Accumulated Deficit | Total | Non-Controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|
| | | **Attributable to Equity Holders of the Company** | | | | | | | |
| As at January 1, 2023 | 85,592,075 | $ 4,608,234 | $ 109,918 | $ (95,690) | $ (5,202) | $ (3,037,913) | $ 1,579,347 | $ 9,857 | $ 1,589,204 |
| Net loss for the period | — | — | — | — | — | (11,330) | (11,330) | (85) | (11,415) |
| Other comprehensive income | — | — | — | 15,454 | — | — | 15,454 | — | 15,454 |
| Total comprehensive income (loss) | — | — | — | 15,454 | — | (11,330) | 4,124 | (85) | 4,039 |
| Acquisition of non-controlling interests | — | — | (1,469) | — | — | — | (1,469) | — | (1,469) |
| Repurchase of Common Shares under NCIB [1] | (461,200) | (4,170) | — | — | — | — | (4,170) | — | (4,170) |
| Share-based compensation[2] | 57,698 | 538 | 174 | — | — | — | 712 | 1,184 | 1,896 |
| As at March 31, 2023 | 85,188,573 | $ 4,604,602 | $ 108,623 | $ (80,236) | $ (5,202) | $ (3,049,243) | $ 1,578,544 | $ 10,956 | $ 1,589,500 |

| *(Unaudited; in thousands of U.S.$)* | Number of Common Shares | Share Capital | Contributed Surplus | Cumulative Translation Adjustment | Fair Value Investment | Accumulated Deficit | Total | Non-Controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|
| | | **Attributable to Equity Holders of the Company** | | | | | | | |
| As at January 1, 2022 | 94,695,694 | $ 4,694,370 | $ 122,489 | $ (86,163) | $ (5,202) | $ (3,324,528) | $ 1,400,966 | $ 47,925 | $ 1,448,891 |
| Net income for the period | — | — | — | — | — | 102,228 | 102,228 | (248) | 101,980 |
| Other comprehensive income | — | — | — | 11,942 | — | — | 11,942 | 4,540 | 16,482 |
| Total comprehensive income | — | — | — | 11,942 | — | 102,228 | 114,170 | 4,292 | 118,462 |
| Repurchase of common shares under NCIB | (625,400) | (6,124) | — | — | — | — | (6,124) | — | (6,124) |
| Share-based compensation | — | — | 224 | — | — | — | 224 | 133 | 357 |
| As at March 31, 2022 | 94,070,294 | $ 4,688,246 | $ 122,713 | $ (74,221) | $ (5,202) | $ (3,222,300) | $ 1,509,236 | $ 52,350 | $ 1,561,586 |

*[1] On March 15, 2022, the Toronto Stock Exchange approved the Company's notice to initiate a normal course issuer bid ("**NCIB**"), for its common shares. Pursuant to the NCIB, the Company was permitted to purchase for cancellation up to 4,787,976 of its Common Shares during the twelve-month period that commenced on March 17, 2022 and ended on March 16, 2023. During the three months ended March 31, 2023, the Company repurchased for cancellation $4.2 million equivalent to 461,200 common shares (2022: $6.1 million), for an average repurchase cost of $9.04/share (2022: $9.79/share).*

*[2] During the period ended on March 31, 2023, the Company settled 94,094 restricted share units ("**RSUs**"). This includes issuance of 57,698 Common Shares, for an average price of $9.32/Common Share. The remaining 36,396 RSUs were settled in cash.*

# Interim Condensed Consolidated Statements of Cash Flows

| (Unaudited; in thousands of U.S.$) | Notes | Three Months Ended March 31 2023 | 2022 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Net (loss) income for the period | | $ (11,415) | $ 101,980 |
| Items not affecting cash: | | | |
| Depletion, depreciation and amortization | | 66,713 | 38,784 |
| Impairment expense | 7 | 16,815 | — |
| Expense (recovery) of asset retirement obligations | 7 | 13,081 | (4,429) |
| Unrealized gain on risk management contracts | 16 | (4,825) | (1,144) |
| Share-based compensation | | 179 | 5,088 |
| Deferred income tax expense (recovery) | 8 | 6,513 | (14,304) |
| Unrealized foreign exchange gain | | (2,150) | (8,041) |
| Share of income from associates | 12 | (13,572) | (9,094) |
| Finance expense | | 15,221 | 12,235 |
| Finance income | | (4,301) | (607) |
| Dividends from associates | 12 | — | 9,101 |
| Income tax paid | | (36,473) | (16,700) |
| Interest received | | 2,438 | 442 |
| Settlement of asset retirement obligations | 14 | (1,460) | (2,224) |
| Other | | 924 | 3,258 |
| Changes in working capital (excluding cash) | 17 | (46,843) | 403 |
| Cash provided by operating activities | | $ 845 | $ 114,748 |
| **INVESTING ACTIVITIES** | | | |
| Additions to oil and gas properties, infrastructure port, and plant and equipment | | $ (42,980) | $ (50,283) |
| Additions to exploration and evaluation assets | | (88,946) | (60,422) |
| Acquisition of non-controlling interests | | — | — |
| Return of capital contributions from investment in associates | 12 | — | 1,942 |
| Sale of subsidiaries | | — | (4,000) |
| Decrease in restricted cash and other | | 1,594 | 525 |
| Changes in working capital (excluding cash) | 17 | 10,004 | 6,640 |
| Cash used in investing activities | | $ (120,328) | $ (105,598) |
| **FINANCING ACTIVITIES** | | | |
| Net proceeds from PIL Loan Facility | 13 | $ 114,935 | $ — |
| Repayment of 2025 Puerto Bahia Loan | 13 | (106,192) | — |
| Constitution debt service reserve account of PIL Loan Facility, net | 13 | (8,743) | — |
| Transaction cost of PIL Loan Facility | 13 | (1,147) | — |
| Repayment of long-term debt | 13 | (2,341) | (1,697) |
| Lease payments | | (1,003) | (1,071) |
| Repurchase of Common Shares under NCIB | | (4,170) | (6,124) |
| Interest paid and other charges | 13 | (1,133) | (836) |
| Cash used in financing activities | | $ (9,794) | $ (9,728) |
| Effect of exchange rate changes | | 1,704 | 447 |
| Decrease in cash and cash equivalents during the period | | (127,573) | (131) |
| Cash and cash equivalents, beginning of the period | | 289,845 | 257,504 |
| Cash and cash equivalents, end of the period | | $ 162,272 | $ 257,373 |
| Cash | | 85,575 | 194,080 |
| Cash equivalents | | 76,697 | 63,293 |
| Total cash and cash equivalents | | $ 162,272 | $ 257,373 |

## 1. Corporate Information

Frontera Energy Corporation (the "**Company**" or "**Frontera**") is an oil and gas company formed and existing under the laws of British Columbia, Canada, that is engaged in the exploration, development and production of crude oil and natural gas in South America. The Company's common shares (the "**Common Shares**") are listed and publicly traded on the Toronto Stock Exchange ("**TSX**") under the trading symbol **"FEC".** The Company's head office is located at Suite 2000, 222 - 3rd Avenue SW, Calgary, Alberta, Canada, T2P 0B4, and its registered office is 1500 Royal Centre, 1055, West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

These interim condensed consolidated financial statements of the Company include the accounts of the Company and its subsidiaries.

## 2. Basis of Preparation and Significant Accounting Policies

### Statement of Compliance

These Interim Condensed Consolidated Financial Statements for the three months ended March 31, 2023 and 2022 (the "**Interim Condensed Financial Statements**"), have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("**IASB**"). The Company has prepared the Interim Condensed Financial Statements on the basis that it will continue to operate as a going concern.

The Interim Condensed Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2022 (the "**2022 Annual Financial Statements**"). These Interim Condensed Financial Statements were approved and authorized for issuance by the Audit Committee of the Board of Directors on May 3, 2023.

### Functional and Presentation Currency

The Interim Condensed Financial Statements are presented in United States (U.S.) dollars, which is the Company's functional currency, and all values are rounded to the nearest thousand, except where otherwise indicated.

### Significant Accounting Policies

The accounting policies used in preparation of the Interim Condensed Financial Statements are consistent with those disclosed in the 2022 Annual Financial Statements, except for the adoption of new standards effective as of January 1, 2023.

The Company has not early adopted any standard, interpretation, or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2023, but do not have an impact on the Interim Condensed Financial Statements of the Company.

### Key Accounting Estimates and Judgments

**Global Economy**

The Russia-Ukraine conflict continues to influence economic conditions around the world. The uncertainty this event brings has resulted in a challenging economic environment, with more volatile commodity prices, foreign exchange rates, and long-term interest rates. The current global crude oil price environment continues being lifted by the Russia-Ukraine conflict, the intervention by members of OPEC reducing oil and gas supplies and the consequences of these events on the certainty of the supply of hydrocarbons in the world. On one hand, these events are supportive of global oil prices. On the other, these events also undermine economic conditions and exacerbate inflation in several economies, directly impacting the cost of goods and services. This presents uncertainty and risk with respect to management's judgments, estimates and assumptions that affect the application of accounting policies.

**Critical Judgments in Applying Accounting Policies**

*CPE-6 contingent payments in acquisition*

As part of the acquisition of the 50% working interest in the CPE-6 block, the Company has certain contingent payments based on production (Note 18). The Company applied significant judgments for the accounting for these contingent payments. The Company has selected to capitalize those payments when the amount is payable to the counterparty, recognizing the variable and fixed components when incurred, as an addition to oil and gas properties.

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

## 3. Segmented Information

The Company has four reportable operating segments, consistent with the basis on which management assesses performance and allocates resources across its business units, as follows:

- Colombia: Includes all upstream business activities of exploration and production in Colombia.
- Ecuador: Includes all upstream business activities of exploration and production in Ecuador.
- Guyana: Includes exploration and infrastructure.
- Midstream Colombia: Includes the Company's investments in pipelines, storage, port, and other facilities relating to the distribution and exportation of crude oil products in Colombia.

Canada & Others: Includes the corporate office in Canada, and non-operating entities that have been aggregated as they do not generate revenue for the Company. In addition, it includes certain business activities in Peru, which includes completing remediation work in Block 192 as its petroleum license expired on February 5, 2021. Also, the Block Z1 has not been in production since December 19, 2019.

For the three months ended March 31, 2023, operating segmented information for the Interim Condensed Financial Statements of (Loss) income is as follows:

| | Exploration and Production Onshore | | | | Exploration and Infrastructure | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Colombia | | Ecuador | | Guyana | | Midstream Colombia | | Canada & Others | | Eliminations | | Total | |
| Three Months Ended March 31 | 2023 | 2022* | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022* |
| Oil and gas sales | $ 245,363 | $ 264,248 | $ 3,044 | $ — | $ — | $ — | $ 11,146 | $ 10,332 | $ — | $ — | $ (1,664) | $ (1,452) | $ 257,889 | $ 273,128 |
| Other revenues | 1,690 | 743 | — | — | — | — | — | — | — | — | — | — | 1,690 | 743 |
| Royalties | (9,063) | (19,244) | (150) | — | — | — | — | — | — | — | — | — | (9,213) | (19,244) |
| Revenue | 237,990 | 245,747 | 2,894 | — | — | — | 11,146 | 10,332 | — | — | (1,664) | (1,452) | 250,366 | 254,627 |
| Operating costs | 78,384 | 64,925 | 477 | — | — | — | 5,117 | 4,679 | 686 | 473 | (1,664) | (1,452) | 83,000 | 68,625 |
| Costs of purchases | 59,031 | 35,422 | — | — | — | — | — | — | — | — | — | — | 59,031 | 35,422 |
| General and administrative | 7,866 | 8,607 | 224 | 132 | 1,282 | 1,742 | 1,342 | 1,671 | 2,000 | 2,513 | (45) | (9) | 12,669 | 14,656 |
| Share-based compensation | (316) | 3,631 | 4 | 8 | 27 | 288 | — | — | 125 | 1,161 | — | — | (160) | 5,088 |
| Depletion, depreciation and amortization | 65,214 | 37,228 | 12 | 5 | 13 | 11 | 1,232 | 1,476 | 242 | 64 | — | — | 66,713 | 38,784 |
| Impairment, exploration expenses and other | 17,523 | (3,413) | — | 26 | — | — | — | — | 12,760 | (570) | — | — | 30,283 | (3,957) |
| Restructuring, severance and other costs | 681 | 154 | — | — | — | — | 103 | 174 | 788 | 3 | — | — | 1,572 | 331 |
| (Loss) income from operations | 9,607 | 99,193 | 2,177 | (171) | (1,322) | (2,041) | 3,352 | 2,332 | (16,601) | (3,644) | 45 | 9 | (2,742) | 95,678 |
| Share of income from associates | — | — | — | — | — | — | 13,572 | 9,094 | — | — | — | — | 13,572 | 9,094 |
| Segment (loss) income | $ 9,607 | $ 99,193 | $ 2,177 | $ (171) | $ (1,322) | $ (2,041) | $ 16,924 | $ 11,426 | $ (16,601) | $ (3,644) | $ 45 | $ 9 | $ 10,830 | $ 104,772 |
| Other non-operating expense items | | | | | | | | | | | | | (14,725) | (15,543) |
| Income tax (expense) recovery | | | | | | | | | | | | | (7,520) | 12,751 |
| Net (loss) income for the period | | | | | | | | | | | | | $ (11,415) | $ 101,980 |

** As a result of a review of the financials statements, certain amounts have been changes in presentation. These changes will result in more usefully information to the users of the financial statements.*

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

The following table provides geographic information of the Company's non-current assets:

| As at | March 31 2023 | December 31 2022 |
|---|---|---|
| Colombia | $ 1,856,167 | $ 1,902,712 |
| Guyana | 367,274 | 291,939 |
| Ecuador | 35,405 | 33,786 |
| Canada & Others | 568 | 568 |
| Total non-current assets | $ 2,259,414 | $ 2,229,005 |

## 4. Revenue from Contracts with Customers

The following table provides the disaggregation of the Company's revenue from contracts with customers, including a reconciliation with the amounts disclosed in the segmented information (Note 3):

| | Three Months Ended March 31 | |
|---|---|---|
| | 2023 | 2022* |
| Colombia | | |
| Produced crude oil sales | $ 190,290 | $ 228,745 |
| Purchased crude oil and products sales | 51,316 | 31,712 |
| Gas sales | 3,757 | 3,791 |
| Colombia oil and gas sales | 245,363 | 264,248 |
| Ecuador crude oil sales [(1)] | 3,044 | — |
| Oil and gas sales | 248,407 | 264,248 |
| Other revenues [(2)] | 1,690 | 743 |
| Midstream sales to external customers | 9,482 | 8,880 |
| Inter-segment sales | 1,664 | 1,452 |
| Midstream sales | 11,146 | 10,332 |
| Elimination of midstream inter-segment sales | (1,664) | (1,452) |
| Oil and gas sales and other revenue | $ 259,579 | $ 273,871 |

*[(1)] Proceeds from selling oil produced from an E&E asset.*

*[(2)] Revenues from Promotora Agricola de los Llanos.*

** As a result of a review of the financials statements, certain amounts have been changes in presentation. These changes will result in more usefully information to the users of the financial statements.*

## 5. Operating Costs

| | Three Months Ended March 31 | |
|---|---|---|
| | 2023 | 2022* |
| Production costs [(1)] | $ 45,157 | $ 49,339 |
| Transportation costs [(1)] | 37,370 | 32,083 |
| Post-termination obligation | 157 | 228 |
| Other dilution costs | 256 | 298 |
| Inventory valuation [(1)] | (8,053) | (18,572) |
| Total oil and gas operating costs | 74,887 | 63,376 |
| Port operating costs | 5,117 | 4,679 |
| Special project and other costs [(2)] | 2,996 | 570 |
| Total operating costs | $ 83,000 | $ 68,625 |

*[(1)] Includes production costs, of $1.4 million, transportation costs of $0.3 million and reduction in inventory valuation of $1.3 million, from oil produced from E&E assets, for the three months ended March 31, 2023.*

*[(2)] Mainly includes costs related to Promotora Agricola de los Llanos S.A., Peru and the SAARA (previously Agrocascada) reverse osmosis water treatment facility ("**SAARA**") expansion in 2023.*

** As a result of a review of the financials statements, certain amounts have been changes in presentation. These changes will result in more usefully information to the users of the financial statements.*

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

### Costs of Purchases

Cost of purchases corresponds to the cost of third-party hydrocarbon volumes purchased primarily for use in dilution and refining as part of the Company's oil operations and marketing and transportation strategy. For the three months ended March 31, 2023, the cost of purchases was $59.0 million (2022: $35.4 million) including the transportation and processing fees for purchased volumes sold. The cost of purchases was higher than previous quarter due to additional volumes acquired partially offset by lower Brent benchmark oil prices. The sale of purchased volumes generated an income of $51.3 million for the three months ended March 31, 2023 (2022: $31.7 million).

## 6. General and Administrative

| | Three Months Ended March 31 | |
|---|---|---|
| | 2023 | 2022 |
| Salaries and benefits | $ 7,468 | $ 8,258 |
| Professional fees | 3,333 | 4,174 |
| Taxes | 1,067 | 1,464 |
| Other expenses | 801 | 760 |
| Total | $ 12,669 | $ 14,656 |

## 7. Impairment, Exploration Expenses and Other

| | Three Months Ended March 31 | |
|---|---|---|
| | 2023 | 2022 |
| Impairment expense of: | | |
| Exploration and evaluation assets (Note 11) | 15,164 | — |
| Other | 1,651 | — |
| Total impairment expense | 16,815 | — |
| Exploration expenses of: | | |
| Geological and geophysical costs, and other | 387 | 472 |
| Total exploration expenses | 387 | 472 |
| Expense (recovery) of asset retirement obligations | 13,081 | (4,429) |
| Impairment, exploration expenses and other | $ 30,283 | $ (3,957) |

**Exploration and Evaluation Assets**

During the three months ended March 31, 2023, the Company recorded an impairment charge on exploration and evaluation of assets in Colombia of $15.2 million (2022: $Nil million), as a result of the Company's decision to proceed with steps to relinquish the VIM-22 block, which remains subject to approval by the Agencia Nacional de Hidrocarburos ("**ANH**").

**Other**

During the three months ended March 31, 2023, the Company recognized other impairment expenses of $1.6 million (2022: $Nil million) related to obsolete inventories and allowance of doubtful account receivables.

**Expense (recovery) of asset retirement obligations**

During the three months ended March 31, 2023, the Company recognized an asset retirement obligation expense resulting from the acquisition of the remaining 51% working interest ("**W.I**"). in Block Z1 in Peru from BPZ Resources Inc.

Subsequent to the quarter, the Company reached an agreement to finalize the sale of Frontera Energy OffShore Perú, the 100% consolidated entity that owns the 100% W.I. in Block Z1, for a payment of $10.0 million to a third party, subject to completion of certain conditions precedent. As a result of this transaction, the Company expects to no longer recognize any asset retirement obligation related to Block Z1 and to generate a $35.8 million asset retirement obligation recovery once the conditions precedent are satisfied.

## 8. Income Taxes

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

| | Three Months Ended March 31 2023 | 2022 |
|---|---|---|
| Net (loss) income before income tax | $ (3,895) | $ 89,229 |
| Colombian statutory income tax rate | 50% | 35% |
| Income tax expense at statutory rate | (1,948) | 31,230 |
| (Decrease) increase in income tax provision resulting from: | | |
| Non-deductible/taxable expense/income and other differences | 9,597 | 11,337 |
| Share-based compensation | (132) | 1,516 |
| Differences in tax rates | (11,262) | (10,246) |
| Change in deferred income tax | 11,265 | (46,588) |
| Income tax expense (recovery) | 7,520 | (12,751) |
| Current income tax expense | 1,007 | 1,553 |
| Deferred income tax expense (recovery): | | |
| Relating to origination and reversal of temporary differences | 6,513 | (14,304) |
| Income tax expense (recovery) | $ 7,520 | $ (12,751) |
| Effective tax rate | -193.07% | -14.29% |

During the three months ended March 31, 2023, the Company recognized a current income tax expense of $1.0 million (2022: $1.6 million), mainly from withholding taxes on dividends from investments in associates, partially offset by tax deductions and changes in tax assessments recognized during the first quarter of 2023.

During the three months ended March 31, 2023, the Company recognized a deferred income tax expense of $6.5 million, (2022: $14.3 million deferred income tax recovery). The variation is mainly due to the use of deferred tax assets as taxable profits accrued during the quarter, that movement was partially offset by the Colombian Pesos ("**COP**") revaluation. As of March 31, 2023, the deferred tax asset was $58.2 million (2022: $64.3 million), and the deferred tax liability was $5.1 million (2022: $4.6 million).

## 9. (Loss) earnings per Share

| *(In thousands of U.S.$, except share and per share amounts)* | Three Months Ended March 31 2023 | 2022 |
|---|---|---|
| Net (loss) income attributable to equity holders of the Company | $ (11,330) | $ 102,228 |
| Basic weighted average number of shares outstanding | 85,344,329 | 94,560,453 |
| Effect of dilution from dilutive instruments | — | 2,737,853 |
| Diluted weighted average number of shares outstanding | 85,344,329 | 97,298,306 |
| (Loss) earnings per share attributable to equity holders of the Company | | |
| Basic | $ (0.13) | $ 1.08 |
| Diluted | $ (0.13) | $ 1.05 |

## 10. Properties, Plant and Equipment

| Cost | Oil & Gas Properties | Port Infrastructure | Plant & Equipment | Total |
|---|---|---|---|---|
| As at January 1, 2023 | $ 8,175,545 | $ 207,429 | $ 92,312 | $ 8,475,286 |
| Additions | 41,959 | 323 | 698 | 42,980 |
| Change in asset retirement obligations (Note 14) | 8,569 | — | — | 8,569 |
| Disposal | (2,449) | (36) | 22 | (2,463) |
| Currency translation adjustment | 2,681 | 6,752 | 108 | 9,541 |
| As at March 31, 2023 | $ 8,226,305 | $ 214,468 | $ 93,140 | $ 8,533,913 |

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

| Accumulated Depletion, Depreciation and Impairment | Oil & Gas Properties | Port Infrastructure | Plant & Equipment | Total |
|---|---|---|---|---|
| As at January 1, 2023 | $ 6,622,415 | $ 12,847 | $ 79,244 | $ 6,714,506 |
| Charge for the period | 70,528 | 1,088 | 1,163 | 72,779 |
| Impairment | 58 | — | — | 58 |
| Disposal | (1,432) | — | 46 | (1,386) |
| Currency translation adjustment | 2,329 | 314 | 55 | 2,698 |
| As at March 31, 2023 | $ 6,693,898 | $ 14,249 | $ 80,508 | $ 6,788,655 |

| Net Book Value | Oil & Gas Properties | Port Infrastructure | Plant & Equipment | Total |
|---|---|---|---|---|
| As at January 1, 2023 | $ 1,553,130 | $ 194,582 | $ 13,068 | $ 1,760,780 |
| As at March 31, 2023 | $ 1,532,407 | $ 200,219 | $ 12,632 | $ 1,745,258 |

Properties, plant and equipment consist of owned and leased assets, as follows:

| | Oil & Gas Properties | Port Infrastructure | Plant & Equipment | Amount |
|---|---|---|---|---|
| Properties, plant and equipment - owned | $ 1,530,891 | $ 200,219 | $ 10,468 | $ 1,741,578 |
| Right-of-use (“**ROU**”) assets - leased | 1,516 | — | 2,164 | 3,680 |
| As at March 31, 2023 | $ 1,532,407 | $ 200,219 | $ 12,632 | $ 1,745,258 |

Details of ROU assets are as follows:

| | Power Generation | Plant & Equipment | Amount |
|---|---|---|---|
| As at January 1, 2023 | $ 2,275 | $ 2,496 | $ 4,771 |
| Additions | — | 236 | 236 |
| Depreciation | (759) | (568) | (1,327) |
| As at March 31, 2023 | $ 1,516 | $ 2,164 | $ 3,680 |

## 11. Exploration and Evaluation Assets

| | 2023 |
|---|---|
| As at January 1 | $ 320,580 |
| Additions [(1)] | 88,946 |
| Impairment expense (Note 7) | (15,164) |
| Change in asset retirement obligations | 277 |
| Disposals | (31) |
| As at March 31 | $ 394,608 |

[(1)] *Mainly includes additions of $75.3 million in Guyana related to the Corentyne block and $12.9 million in Colombia, mainly in the VIM-22 block.*

## 12. Investments in Associates

| | ODL |
|---|---|
| As at January 1, 2023 | $ 59,974 |
| Share of income from associates | 13,572 |
| Dividends | (37,018) |
| Return of capital contributions | (5,202) |
| Currency translation adjustment | 2,760 |
| As at March 31, 2023 | $ 34,086 |
| Company’s interest as at March 31, 2023 | 35.0 % |

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

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

**Oleoducto de los Llanos Orientales S.A. (“ODL”)**

ODL is a Panamanian company with a Colombian branch that operates an oil pipeline for the transportation of heavy crude oil produced primarily from the Rubiales and Quifa blocks. The Company, through its 100%-owned subsidiary Pipeline Investment Limited (“**PIL**”), has a 35% equity investment in the ODL pipeline, which connects the Rubiales, Quifa, and Llanos-34 blocks to the Monterrey Station or Cusiana Station in the Casanare Department. On September 15, 2022, the Company acquired the remaining 40.07% interest it did not already own of PIL, increasing its ownership interest to 100%. The remaining 65% interest in ODL is owned by Cenit Transporte y Logistica de Hidrocarburos S.A.S.(“**Cenit**”). ODL’s functional currency is COP and currency translation adjustments (“**CTA**”) are recorded in other comprehensive income.

During the three months ended March 31, 2023, the Company recognized gross dividends of $37.0 million (2022: $40.5 million) and received cash dividends of $Nil (2022: $9.1 million). As at March 31, 2023, the carrying value of dividends receivable after withholding taxes was $29.6 million (2022: $27.8 million).

In addition, during the three months ended March 31, 2023, the Company recognized a return of capital of $5.2 million (2022: $3.9 million) and received $Nil in cash (2022: $1.9 million).

## 13. Long-Term Debt

| As at | Maturity | Principal | Interest Rate | March 31 2023 | December 31 2022 |
|---|---|---|---|---|---|
| 2028 Unsecured Notes | June 2028 | $ 400,000 | 7.875% | $ 392,725 | $ 392,535 |
| PIL Loan Facility (Tranche A) | December 2027 | $ 100,000 | SOFR 6M + 7.25% | 94,820 | — |
| PIL Loan Facility (Tranche B) | December 2027 | $ 20,000 | 11% | 18,968 | — |
| PetroSud credit loans | December 2023 | $ 24,800 | LIBOR 3M + 4.95% | 10,486 | 12,828 |
| 2025 Puerto Bahia Debt | June 2025 | $ 370,000 | LIBOR 6M + 5% | — | 103,094 |
| Total | | | | $ 516,999 | $ 508,457 |

| As at | March 31 2023 | December 31 2022 |
|---|---|---|
| Current portion | $ 15,486 | $ 115,922 |
| Non-current portion | 501,513 | 392,535 |
| Total | $ 516,999 | $ 508,457 |

**Pipeline Investment Loan Facility (“PIL Loan Facility”)**

On March 27, 2023, PIL, entered into a new credit agreement through which the lender will provide a $120.0 million loan facility to PIL, secured by substantially all the assets and shares of PIL, the shares of Sociedad Portuaria Puerto Bahia S.A. ("**Puerto Bahía**") and assets related to the port’s liquids terminal, Frontera Bahía Holding Ltd., and Frontera ODL Holding Corp., the parent company of PIL. The PIL Loan Facility is a 5 year credit facility, which matures in December 2027, pays semi-annually and amortizes during the term of the loan with a scheduled $45.0 million payment due upon maturity. The PIL Loan Facility has two tranches: a $100.0 million amortizing tranche that pays a Secured Overnight Financing Rate (“**SOFR**”) 6-month term plus margin of 7.25% per annum and a $20.0 million bullet maturity tranche that pays a fixed rate of 11.00% per annum. The conditions precedent to the PIL Loan Facility were fully satisfied and the facility funded on March 31, 2023.

The PIL Loan Facility was recognized net of an original issue discount of $5.1 million, and directly attributable transaction costs of $1.1 million, primarily related to underwriter fees, legal, register and other professional fees.

The proceeds of the PIL Loan Facility were used to repay in full the 2025 Puerto Bahia Debt maturing in June 2025, which had an outstanding balance plus accrued interest of $106.2 million, pay transaction fees and expenses, and fund a 6-month debt service reserve account. The PIL Loan Facility has no impact on the Company’s financial covenant calculations under its 2028 Unsecured Notes.

**Puerto Bahia Secured Syndicated Credit Loan (“2025 Puerto Bahia Debt”)**

Puerto Bahia entered into a credit agreement with a syndicate of lenders in October 2013 for a $370 million debt facility, maturing in June 2025, for the construction and development of a multipurpose port in the Cartagena Bay. The 2025 Puerto Bahia Debt had an interest rate of 6-month LIBOR plus 5% payable semi-annually. The 2025 Puerto Bahia Debt was secured by substantially all the assets and shares of Puerto Bahia. The 2025 Puerto Bahia Debt was non-recourse to the Company. On March 31, 2023, the 2025 Puerto Bahia Debt outstanding amount of $103.1 million plus accrued interest of $3.1 million was fully repaid with the funds provided by the PIL Loan Facility.

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

As at March 31, 2023, Puerto Bahía and Frontera have no obligation under the 2025 Puerto Bahia Debt.

**CPE-6 Solar Plant Project Leasing Agreement**

During the fourth quarter of 2022, the Company entered into a leasing agreement with Bancolombia S.A. to finance the construction and commissioning of a solar plant project at the CPE-6 block (the "**Solar Plant Debt**"). The financing is denominated in COP, in an amount equivalent to US$5.3 million and with a maturity date that is 72 months following the date the conditions precedent to the financing are satisfied. The Solar Plant Debt bears interest equivalent to IBR(1) +5.75%, payable monthly. As of March 31, 2023, no disbursements have been made under this financing.

*(1) Reference Banking Indicator from the central bank of Colombia (its acronym in Spanish is "IBR").*

## 14. Asset Retirement Obligations

| | | 2023 |
|---|---|---|
| As at January 1 | $ | 154,794 |
| Accretion expense | | 2,682 |
| Additions | | 496 |
| Changes in estimates | | 9,426 |
| Liabilities settled | | (1,460) |
| Expense of asset retirement obligations (1) | | 24,587 |
| As at March 31 | $ | 190,525 |

*(1) During the three months ended March 31, 2023, the Company recognized an asset retirement obligation expense resulting from the acquisition of the remaining 51% W.I. in Block Z1 in Peru from BPZ Resources Inc.*

| | | As at March 31 2023 | | December 31 2022 |
|---|---|---|---|---|
| Current portion | $ | 16,737 | $ | 25,814 |
| Non-current portion | | 173,788 | | 128,980 |
| Total | $ | 190,525 | $ | 154,794 |

Asset retirement obligations ("**ARO**") represent the present value of decommissioning and environmental liability costs relating to oil and gas properties and E&E assets. The total undiscounted ARO is $321.0 million (2022: $282.4 million), expected to be executed between 2023 and 2045, of which $263.3 million (2022: $249.2 million) relates to Colombia, $56.4 million (2022: $31.8 million) in Peru and $1.3 million (2022: $1.4 million) in Ecuador.

During the three months ended March 31, 2023, the Company recognized a decrease in the ARO due to changes in estimates of $9.4 million, which includes a decrease of $1.1 million relating to updating the risk-free and inflation rates and $0.9 million due to the impact of foreign exchange rates. A total of $8.6 million relating to changes in estimates was recognized within Properties, Plant and Equipment (Note 10).

The risk-free and inflation rates used for discounting to present value are as follows:

- A risk-free rate between 11.60% and 12.45% and an inflation rate between 2.50% and 3.6% for cash flows expected to be settled in COP for Colombia (2022: risk-free rate between 12.2% and 13.3% with inflation rate between 2.5% and 3.3%)
- A risk-free rate between 22.29% and 22.62% and an inflation rate between (0.3)% and 2.2% for cash flows expected to be settled in U.S. dollars for Ecuador (2022: risk-free rate between 16.72% and 17.23% with inflation rate between —% and 3.1%); and
- A risk-free rate between 5.53% and 5.86% and an inflation rate between 2.6% and 3.1% for cash flows expected to be settled in U.S. dollars for Peru (2022: risk-free rate between 7.8% and 8.3% with inflation rate between 2.5% and 4.1%).

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

## 15. Related-Party Transactions

The following tables provide the total balances outstanding, commitments and transactional amounts with related parties, as at March 31, 2023 and December 31, 2022, and for the three months ended March 31, 2023, and 2022, respectively:

| | | As at March 31 | | | Three Months Ended March 31 |
|---|---|---|---|---|---|
| | | Accounts Receivable | Accounts Payable | Commitments | Purchases / Services |
| ODL (Note 12) | 2023 | $ 34,816 | $ 587 | $ 24,619 | $ 6,910 |
| | 2022 | — | 2,553 | 31,796 | 5,363 |

The related-party transactions correspond to the ship-or-pay contract for the transportation of crude oil in Colombia for a total commitment of $24.6 million until 2025 (Note 18).

## 16. Financial Instruments and Risk Management

### a. Risks Associated with Financial Assets and Liabilities

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

**i) Credit Risk**

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

The following table shows the maximum credit risk exposure of financial assets, presented at the gross carrying amounts, prior to the expected credit loss ("**ECL**") model allowances:

| *As at* | March 31 2023 | December 31 2022 |
|---|---|---|
| Trade receivables before ECL | $ 82,110 | $ 37,091 |
| Allowance for ECLs - trade receivables | (16,295) | (15,657) |
| Trade receivables | 65,815 | 21,434 |
| Other receivables: | | |
| Receivables from joint arrangements | 24,143 | 28,595 |
| Withholding tax and others | 36,076 | 33,798 |
| Other receivables | 56,745 | 11,776 |
| Allowance for ECLs - other receivables | (7,716) | (7,655) |
| Other receivables | $ 109,248 | $ 66,514 |
| Withholding tax and others - not considered for credit risk | (36,076) | (33,798) |
| Total financial assets carried at amortized cost | $ 138,987 | $ 54,150 |

*Reconciliation of ECLs*

The following table shows a continuity of ECLs:

| | 2023 |
|---|---|
| As at January 1 | $ 23,312 |
| Provision for ECLs | 638 |
| Effect of exchange rate changes | 90 |
| Write-off | (29) |
| As at March 31 | $ 24,011 |

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

### ii) Liquidity Risk

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

The following tables summarizes the undiscounted cash outflows relating to contractual maturities of the Company's non-derivative financial liabilities as at March 31, 2023:

| Financial Liability Due In | 2023 | 2024 | 2025 | 2026 | 2027 | Subsequent to 2027 | Total |
|---|---|---|---|---|---|---|---|
| Accounts payable and accrued liabilities [1] | $ 477,180 | $ 4,087 | $ — | $ — | $ — | $ — | $ 481,267 |
| Long-term debt | 15,486 | 15,000 | 15,000 | 20,000 | 65,000 | 400,000 | 530,486 |
| Interest on long-term debt | 42,473 | 44,861 | 42,114 | 40,155 | 36,989 | 15,750 | 222,342 |
| Lease liabilities | 2,133 | 333 | 155 | — | — | — | 2,621 |
| Total | $ 537,272 | $ 64,281 | $ 57,269 | $ 60,155 | $ 101,989 | $ 415,750 | $ 1,236,716 |

*(1) Includes provisions of $116.6 million, which do not have a definitive amortization term and are therefore classified as current liabilities. These provisions are not expected to be settled within the next 12 months.*

The following table shows the breakdown of accounts payable and accrued liabilities:

| | As at March 31 2023 | December 31 2022 |
|---|---|---|
| Trade and other payables | $ 195,205 | $ 170,573 |
| Accrued liabilities | 115,573 | 123,509 |
| Supplier holdbacks and advances | 33,831 | 30,382 |
| Withholding and tax provisions | 13,191 | 11,095 |
| Share-based payment liability | 6,861 | 7,605 |
| | 364,661 | 343,164 |
| Provision for contingencies and others | 116,606 | 126,940 |
| Total accounts payable and accrued liabilities | $ 481,267 | $ 470,104 |

The Company has various guarantees in place in the normal course of business, supported by letters of credit. As at March 31, 2023, the Company had issued letters of credit for a total of $112.4 million (2022: $104.1 million).

### iii) Market and Interest Risk

Market and interest risk are the risk associated with fluctuations in oil prices, foreign exchange rates and interest rates. To manage this risk, the Company uses derivative commodity instruments to manage exposure to price volatility by hedging a portion of its oil production and foreign exchange hedging instruments to manage foreign currency fluctuations.

**Risk Management Contracts**

The terms of the outstanding instruments and settlement periods are as follows:

*Risk Management Contracts - Crude Oil*

As part of its risk management strategy, the Company uses derivative commodity instruments to manage exposure to price volatility by hedging a portion of its oil production. The Company's strategy aims to protect a minimum of 40% up to 60% of the estimated production with a tactical approach, using derivative commodity instruments to protect the revenue generation and cash position of the Company, while maximizing the upside.

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

| Type of Instrument | Term | Benchmark | Volume (bbl) | Avg. Strike Prices Put $/bbl | Carrying Amount Assets | Liabilities |
|---|---|---|---|---|---|---|
| ***Not Subject to Hedge Accounting:*** | | | | | | |
| *Commodities price risk contracts* | | | | | | |
| Put | April to June 2023 | Brent | 1,275,000 | 70.00 | 1,293 | — |
| Total as at March 31, 2023 | | | | | $ 1,293 | $ — |
| Put | January 2023 | Brent | 460,000 | 80.00 | 341 | — |
| Put | February to March 2023 | Brent | 840,000 | 70.00 | 875 | — |
| Total as at December 31, 2022 | | | | | $ 1,216 | $ — |
| Total as at March 31, 2023 | | | | | $ 1,293 | $ — |
| Total as at December 31, 2022 | | | | | $ 1,216 | $ — |

*Risk Management Contracts - Foreign Exchange*

The Company is exposed to foreign currency fluctuations. Such exposure arises primarily from expenditures that are incurred in COP and its fluctuation against the USD.

| Type of Instrument | Term | Benchmark | Notional Amount / Volume in USD | Avg. Put / Call Par forward (COP$) | Carrying Amount Assets | Liabilities |
|---|---|---|---|---|---|---|
| Zero-cost collars | April to June 2023 | COP / USD | 60,000,000 | 4,350 / 5,515 | 178 | — |
| Zero-cost collars | July to December 2023 | COP / USD | 120,000,000 | 4,800 / 5,364 | 3,416 | — |
| Total as at March 31, 2023 | | | | | $ 3,594 | $ — |
| Zero-cost collars | January to June 2023 | COP / USD | 120,000,000 | 4,200 / 5,321 | — | 1,045 |
| Total as at December 31, 2022 | | | | | $ — | $ 1,045 |

*Risk Management Contracts - Interest swaps*

As at March 31, 2023, as a result of the full repayment of the 2025 Puerto Bahia Loan, the Company terminated the financial derivative that was used to manage the exposure to risks due to the fluctuation of interest rates (Note 13).

| Type of Instrument | Term | Benchmark | Notional Amount | Avg. Strike Prices Floating rate | Carrying Amount Assets | Liabilities |
|---|---|---|---|---|---|---|
| Total as at March 31, 2023 | | | | | $ — | $ — |
| Swap | January 2023 to June 2025 | LIBOR + 180 | $ 79,100 | 3.9 % | $ 1,092 | $ — |
| Total as at December 31, 2022 | | | | | $ 1,092 | $ — |

| | Assets | Liabilities |
|---|---|---|
| Total Risk Management Contracts as at March 31, 2023 | $ 4,887 | $ — |
| Total Risk Management Contracts as at December 31, 2022 | $ 2,308 | $ 1,045 |

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

| | Three Months Ended March 31 2023 | 2022 |
|---|---|---|
| Premiums paid on risk management contracts settled | $ (3,175) | $ (2,682) |
| Unrealized gain on risk management contracts | 4,825 | 1,144 |
| Total | $ 1,650 | $ (1,538) |

## b. Fair Value of Financial Instruments

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

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

The following table summarizes the Company's remaining financial instruments that are carried or disclosed at fair value in accordance with the classification under the fair value hierarchy as at March 31, 2023, and December 31, 2022:

| | | | | Fair Value | |
|---|---|---|---|---|---|
| | **Period** | **Carrying Value** | **Level 1** | **Level 2** | **Level 3** |
| **Financial Assets Measured at Fair Value through Profit & Loss** | | | | | |
| Risk management assets | 2023 | $ 4,887 | $ — | $ 4,887 | $ — |
| | 2022 | 2,308 | — | 2,308 | — |
| **Financial Assets Measured at Fair Value through Other Comprehensive Income** | | | | | |
| Investments in equity instruments | 2023 | $ 1,612 | $ — | $ — | $ 1,612 |
| | 2022 | 1,872 | — | — | 1,872 |
| **Financial Liabilities Measured at Fair Value through Profit & Loss** | | | | | |
| Risk management liabilities | 2023 | $ — | $ — | $ — | $ — |
| | 2022 | (1,045) | — | (1,045) | — |
| **Financial Liabilities Measured at Amortized Cost** | | | | | |
| 2028 Unsecured Notes (1) | 2023 | $ (392,725) | $ — | $ (319,800) | $ — |
| | 2022 | (392,535) | — | (334,348) | — |
| Other long-term debt (Note 13) | 2023 | $ (124,274) | $ — | $ (130,486) | $ — |
| | 2022 | (115,922) | — | (115,922) | — |

(1) *The information included as at March 31, 2023 and December 31, 2022 corresponds to the 2028 Unsecured Notes (Note 13).*

The Company uses Level 3 information to measure the fair value of certain investments that do not belong to active markets.

### c. Capital Management

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

Specifically, the Company's capital management objectives are to maintain compliance with the debt covenant ratios associated with the Company's outstanding 2028 Unsecured Notes, which are currently met, and to maintain sufficient liquidity to meet all contractual obligations and execute its business plan. To facilitate the management of these objectives, the Company utilizes a planning, budgeting and forecasting process to help determine and monitor the funds needed to maintain appropriate liquidity for operational, capital and financial needs.

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

| | **As at March 31 2023** | **December 31 2022** |
|---|---|---|
| Equity attributable to equity holders of the Company | $ 1,578,544 | $ 1,579,347 |
| Long-term debt | 501,513 | 392,535 |
| Working capital (surplus) deficit (1) | (14,984) | 109,607 |
| Total | $ 2,065,073 | $ 2,081,489 |

(1) *Working capital (surplus) deficit is a capital management measure, according to NI 52-112 - Non-GAAP and Other Financial Measures Disclosure and is defined as the net of total current assets after deducting total current liabilities, including the current portion of long-term debt.*

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

## 17. Supplemental Disclosure on Cash Flows

Changes in non-cash working capital are as follows:

| | Three Months Ended March 31 2023 | 2022 |
|---|---|---|
| (Decrease) increase in accounts payable and accrued liabilities | $ (4,328) | $ 42,441 |
| Increase in accounts receivable | (15,683) | (9,287) |
| Decrease in income taxes payable | (4,429) | (2,518) |
| Increase in inventories | (10,818) | (25,201) |
| Decrease in prepaid expenses and deposits | 815 | 889 |
| (Increase) decrease in income taxes receivable | (2,396) | 719 |
| Changes in non-cash working capital | $ (36,839) | $ 7,043 |
| Attributable to | | |
| Operating activities | $ (46,843) | $ 403 |
| Investing activities | 10,004 | 6,640 |
| Changes in non-cash working capital | $ (36,839) | $ 7,043 |

## 18. Commitments and Contingencies

### Commitments

The Company's commitments as at March 31, 2023, undiscounted and by calendar year, are presented below:

| As at March 31, 2023 | 2023 | 2024 | 2025 | 2026 | 2027 | Subsequent to 2027 | Total |
|---|---|---|---|---|---|---|---|
| **Transportation** | | | | | | | |
| Ocensa P-135 ship-or-pay agreement | $ 53,388 | $ 71,185 | $ 35,739 | $ — | $ — | $ — | $ 160,312 |
| ODL agreements | 12,774 | 11,845 | — | — | — | — | 24,619 |
| Other transportation and processing commitments | 10,541 | 11,689 | 11,630 | 11,630 | 3,895 | — | 49,385 |
| **Exploration and evaluation** | | | | | | | |
| Minimum work commitments (1) | 84,088 | 37,318 | 53,025 | — | — | 5,066 | 179,497 |
| **Other commitments** | | | | | | | |
| Operating purchases, community obligations and others. | 75,554 | 15,048 | 20,413 | 15,214 | 10,959 | 9,335 | 146,523 |
| Total | $ 236,345 | $ 147,085 | $ 120,807 | $ 26,844 | $ 14,854 | $ 14,401 | $ 560,336 |

*(1) Includes minimum work commitments relating to exploration and evaluation activities in Colombia and Ecuador until the contractual phase, when the Company will decide whether to continue or relinquish the exploration areas. The Company, through its interests in CGX, has other exploration work commitments in Guyana (not included in the table), described below.*

**Guyana Commitments**

As at March 31, 2023, the Company, through its 76.97% interest in CGX and directly through its working interest has certain work commitments under the Petroleum Prospecting License ("**PPL**") for the Corentyne block, offshore Guyana (Frontera 68% W.I. and non-operator). In accordance with the PPL for the Corentyne block, a second exploration well was required to be spud by January 31, 2023, which was extended from the previous expiry date of November 26, 2022. On January 23, 2023, CGX and Frontera, the majority shareholder of CGX and joint venture partner of CGX (the "**Joint Venture**") announced that the Joint Venture had spud the Wei-1 well on the Corentyne block, approximately 200 kilometers offshore from Georgetown, Guyana. In addition, the Government of Guyana has approved an Appraisal Plan for the northern section of the Corentyne block, which commenced with the Wei-1 well. Following completion of Wei-1 drilling operations and upon detailed analysis of the results, the Joint Venture may consider future wells per its appraisal program to evaluate possible development feasibility in the Kawa-1 discovery area and throughout the northern section of the Corentyne block.

In addition, in connection with (i) a drilling contract agreement between Maersk Drilling Holdings Singapore Pte. Ltd. (now NobleCorp.) and CGX Resources Inc. ("**CGX Resources**"), the operator of the Corentyne block, for the provision of a semi-submersible drilling unit owned by NobleCorp. and associated services to drill the Joint Venture's Wei-1 well, and (ii) a services agreement between Schlumberger Guyana Inc. ("**Schlumberger**") and CGX Resources for the provision of certain oilfield services and the supply of related goods and products for the Corentyne block, Frontera entered into a deed of guarantee with each of NobleCorp. and Schlumberger for certain obligations, in each case up to a maximum of $30.0 million and subject to a sliding scale mechanism in connection with payments made under the drilling contract with NobleCorp. or the services agreement with Schlumberger, as applicable.

As at March 31, 2023, CGX had entered into purchase orders and contracts for the drilling of the Wei-1 well and the Guyana Port Project, pursuant to which the Company has amounts outstanding of $42.0 million, which is expected to be paid during 2023.

**Oleoducto Central S.A. ("Ocensa") and Cenit Pledge**

In May 2022, a new ship-or-pay contract with Bicentenario and Cenit entered into force, and as a result, the pledged inventory crude oil is stored in Cenit's terminal of Coveñas (TLU-3) instead of Ocensa's terminal. On March 31, 2022, the Company signed a new pledge agreement with Ocensa and Cenit, which guarantees the payment obligations of both contracts, up to $30.0 million and $6.0 million, respectively. The term of the pledge agreement has been amended and extended for the period from April 30, 2023 to September 30, 2023, with Ocensa, and for the period from April 30, 2023 to October 31, 2023, with Cenit.

**Other Guarantees and Pledges**

As part of the Company's acquisition of Repsol Colombia Oil & Gas Ltd.'s ("**RCOG**") 50% working interest in the CPE-6 block, the Company granted a pledge to RCOG over the production from the CPE-6 block to guarantee the payments, up to a maximum of $48.0 million. Under the farm-out agreement, two kinds of payments are set, each contingent on production from this block and each applicable until the maximum payment of $48.0 million is paid: (i) a variable monthly payment, and (ii) three potential production milestone payments of $5.0 million each when 5 million, 10 million and 20 million total barrels production, respectively, are achieved. As at March 31, 2023, the Company has paid and accrued a total of $16.0 million of such amounts under the agreement.

## Contingencies

The Company is involved in various claims and litigation arising from the normal course of business. Since the outcomes of these matters are uncertain, there can be no assurance that such matters will be resolved in the Company's favour. The outcome of adverse decisions in any pending or threatened proceedings related to these and other matters could have a material impact on the Company's financial position, results of operations or cash flows. Other than as disclosed below, no material changes have occurred regarding the matters disclosed in Note 26 - Commitments and Contingencies of the 2022 Annual Financial Statements.

**Quifa Late Delivery Volumes Claim**

On September 20, 2016, Ecopetrol filed a lawsuit against the Company before the Court alleging that the Company breached the Quifa association agreement due to the alleged late delivery of the volume of crude oil produced during the period between April 3, 2011, and April 14, 2013. Consequently, Ecopetrol requested payment of $8.5 million representing the difference between the value of the barrels of crude oil allegedly not delivered on time, and the value of the barrels of crude oil had on that delivery date. In addition, Ecopetrol requested the Company pay a LIBOR (Six months) +3.25% from the time the delivery was due until the time of the payment.

In March 2021, the Company received notification that the Court had decided in favour of Ecopetrol and awarded $8.5 million, as adjusted by the Consumer Price Index. The Company filed an appeal against the first instance ruling on March 16, 2021.

On March 17, 2023, the Council of State issued a final ruling revoking what was decided by the Court in the first instance ruling and stating that statute of limitations barred Ecopetrol's judicial action. In addition, the Council of State ordered Ecopetrol to pay Frontera Colombia judicial costs which amount to approximately $0.3 million. As a result the Company recorded a reversal of a liability provision of $9.3 million recognized in 2021.

**Puerto Bahia –Tank Construction Related Arbitration**

In the course of building its port facility, Puerto Bahia retained the services of Isolux Ingeniería S.A., Tradeco Industrial S.A. de C.V., Tradeco Infraestructura S.A. de C.V ("**CITT**") for the construction of the Hydrocarbons' Terminal, including eight storage tanks and other facilities (the "**EPC Contract**"). CITT failed to comply with the terms of the EPC Contract, including the timely delivery of the work contracted which caused damages to Puerto Bahia, among other contract breaches. As a result, Puerto Bahia proceeded to draw up a letter of credit in the amount of $17.0 million granted by CITT as a guarantee of the EPC Contract (the "**LOC**"). On June 11, 2015, CITT initiated arbitration proceedings under the regulations of the International Chamber of Commerce of Paris, claiming, among other things: (i) the return of the money from the LOC; (ii) recognition of costs incurred during the execution of the EPC Contract due to the stand-by; (iii) the right to extend the contract term as per the changes requested by Puerto Bahia; and (iv) unlawful termination of the EPC Contract. On August 21, 2015, Puerto Bahia filed a counterclaim against CITT for failure to comply with its contractual obligations under the EPC Contract that led it to breach the delivery dates and the agreed schedules, generating over costs, damages, and losses to Puerto Bahia.

On March 1, 2023, the arbitral tribunal issued the arbitral award which (i) denied CITT's claim for an award of $68.4 million for the return of the LOC amount (including interests); (ii) rejected CITT's claim for damages of $14.9 million; (iii) confirmed that Puerto Bahia was entitled to terminate the EPC Contract, enforce the LOC, and charge penalties to CITT; (iv) granted Puerto Bahia a remedy of $24.7 million (i.e., special penalties of $14.4 million plus the termination penalty clause of $10.3 million); and (v) ruled to offset the $17.0 million LOC and $5.6 million awarded by the Tribunal to CITT as compensation for, among others, accepted invoices and procurement services rendered through June 5, 2015, for a final balance of $2.0 million in favour of Puerto Bahia, payable by any CITT member at an annual interest rate of 4%.

## 19. Subsequent Events

**Changes to Indenture Relating to 2028 Senior Notes**

Subsequent to the quarter, the Company designated Frontera Energy Guyana Holding Ltd. and Frontera Energy Guyana Corp. ("**Frontera Guyana**") as unrestricted subsidiaries and released Frontera Guyana as a note guarantor under the indenture governing the Company's outstanding $400.0 million unsecured notes due in June 2028. The designation is consistent with Frontera's efforts to strategically align its three core businesses and focus on maximizing value from the assets.