# MANAGEMENT DISCUSSION & ANALYSIS

May 10, 2018
For the three months ended March 31, 2018



***Legal Notice – Forward-Looking Information and Statements***

*Certain statements in this Management Discussion and Analysis (“**MD&A**”) constitute forward-looking statements. Often, but not always, forward-looking statements use words or phrases such as “expects,” “does not expect,” “is expected,” “anticipates,” “does not anticipate,” “plans,” “planned,” “estimates,” “estimated,” “projects,” “projected,” “forecasts,” “forecasted,” “believes,” “intends,” “likely,” “possible,” “probable,” “scheduled,” “positioned,” “goal,” or “objective.” In addition, forward-looking statements often state that certain actions, events or results “may,” “could,” “would,” “might” or “will” be taken, may occur or be achieved. Such forward-looking statements, including, but not limited to, statements with respect to anticipated levels of production, estimated costs and timing of Frontera Energy Corporation’s (“**Frontera**” or the “**Company**”) planned work programs and reserves determination, involve known and unknown risks, uncertainties and other factors that may cause the actual levels of production, costs and results to be materially different from the estimated levels expressed or implied by such forward-looking statements.*

*The Company believes the expectations reflected in these forward-looking statements are reasonable, but the Company cannot assure that such expectations will prove to be correct, and thus, such statements should not be unduly relied upon. Factors that could cause actual results to differ materially from those anticipated in these forward-looking statements are described in the Company’s Annual Information Form (“**AIF**”) for the year ended December 31, 2017, dated March 27, 2018.*

*Although the Company has attempted to take into account important factors that could cause actual costs or operating results to differ materially, there may be other unforeseen factors that increase costs for the Company, and so results may not be as anticipated, estimated or intended.*

*This MD&A is management’s assessment and analysis of the results and financial condition of the Company and should be read in conjunction with the accompanying unaudited Interim Condensed Consolidated Financial Statements and related notes for the quarters ended March 31, 2018 and 2017 (“**Interim Financial Statements**”). The preparation of financial information is reported in United States dollars and is in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board, unless otherwise noted. This MD&A contains certain financial terms that are not considered in IFRS. These non-IFRS measures do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other companies and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures are described in greater detail under the heading “Non-IFRS Measures” on page 13.*

*In order to provide shareholders with full disclosure relating to potential future capital expenditures, the Company has provided cost estimates for projects that, in some cases, are still in the early stages of development. These costs are preliminary estimates only. The actual amounts may differ, and these differences may be material. This information, among others, may contain future oriented financial information (“**FOFI**”) within the meaning of applicable securities laws. The FOFI has been prepared by management to provide an outlook of the Company’s activities and results and may not be appropriate for other purposes. Management believes that the FOFI has been prepared on a reasonable basis, reflecting best estimates and judgments; however, actual results of the Company’s operations and the financial outcome may vary from the amounts set forth herein. Any FOFI speaks only as of the date on which it was made and, except as may be required by applicable securities law, the Company disclaims any intent or obligation to update any FOFI, whether as a result of new information, future events or otherwise.*

*Additional information with respect to the Company, including the Company’s quarterly and annual financial statements and the AIF, has been filed with Canadian securities regulatory authorities and is available on SEDAR at www.sedar.com and on the Company’s website at www.fronteraenergy.ca. Information contained in or otherwise accessible through the Company’s website does not form a part of this MD&A and is not incorporated by reference into this MD&A.*

# 1. MESSAGE TO THE SHAREHOLDERS

Firstly, I would like to thank Barry Larson and all our talented people for their help in what has been a seamless transition for me from the Board of Directors to the Chief Executive Officer. This is an exciting time to be at the helm of Frontera as we position the Company for production and reserves growth through a number of initiatives, including exploration and investments in strategic facilities.

In the first quarter of 2018, we took the initial steps to execute these initiatives. In both our heavy and light/medium oil segments, we announced successful exploration wells whose potential reserves will aid us in growing production over the near- and medium-term. In addition, we began the implementation of a strategic water handling facilities expansion project in our heavy oil fields that will enable the Company to increase heavy oil production over current levels by drilling new wells, reactivating shut-in wells, and increasing overall well productivity.

First quarter net production after royalties and internal consumption increased 3% in comparison to the previous quarter as we successfully reactivated fields in Block 192 in Peru. We continue to work to find a long-term solution together with the Peruvian government for the operation of the block. In Quifa, we continue to see improved heavy oil rates and our exploration program in the Guatiquía block has resulted in discoveries which are being brought to production quickly. First quarter oil sales volumes were lower than the previous quarter primarily due to an overlift settlement and a late cargo shipment; the impact of the late cargo shipment will be reversed in the second quarter as the sale of the cargo is recognized.

I am very pleased by the running start we have given ourselves for the year. We are currently drilling the deep Acorazado-1 exploration well in the Colombian foothills - a complex well to drill but one which is targeting a significant volume of hydrocarbons in this productive foothills trend which contains the Cusiana and Cupiagua fields. We also plan to drill the Delfin Sur exploration well in Block Z1 offshore Peru during the third quarter, marking Frontera's first offshore exploration project. While Delfin and Acorazado are significant undertakings, they have the potential to become new core assets for the Company. With a strong balance sheet and proven cash generation capacity, Frontera is well-positioned to continue taking advantage of opportunities like these with the goal of delivering value to our shareholders.

Richard Herbert
Chief Executive Officer

# 2. PERFORMANCE HIGHLIGHTS

## Operating and Financial Summary

| | | Q1 2018 | Q4 2017 | Q1 2017 |
|---|---|---|---|---|
| **Operational Results** | | | | |
| Net production after royalties [1,2] | (boe/d) | 66,227 | 64,445 | 72,524 |
| Oil production | (bbl/d) | 61,352 | 59,131 | 66,035 |
| Natural gas production | (Mcf/d) | 27,788 | 30,290 | 36,987 |
| Combined price (including realized loss on risk management contracts) | ($/boe) | 52.36 | 53.26 | 45.95 |
| Realized oil and natural gas and other revenue price | ($/boe) | 61.34 | 56.19 | 47.34 |
| Realized loss on risk management contracts | ($/boe) | (8.98) | (2.93) | (1.39) |
| Operating cost | ($/boe) | (27.94) | (29.65) | (25.36) |
| Production cost | ($/boe) | (12.47) | (13.13) | (9.43) |
| High-price participation payments and cash royalties | ($/boe) | (1.30) | (1.23) | (0.90) |
| Transportation cost | ($/boe) | (12.68) | (14.28) | (13.98) |
| Diluent cost | ($/boe) | (1.49) | (1.01) | (1.05) |
| Operating Netback [3] | ($/boe) | 24.42 | 23.61 | 20.59 |
| Adjusted Netback [3] | ($/boe) | 21.35 | 21.83 | 18.49 |
| Adjusted FFO Netback [3] | ($/boe) | 16.64 | 15.13 | 13.38 |
| Capital expenditures [4] | ($M) | 78,841 | 111,213 | 38,799 |
| **Financial results** | | | | |
| Total sales | ($M) | 291,861 | 352,987 | 325,424 |
| Oil and natural gas sales and other revenue | ($M) | 289,534 | 338,509 | 300,153 |
| Sales of oil and natural gas for trading | ($M) | 2,327 | 14,478 | 25,271 |
| Total sales after realized loss on risk management contracts | ($M) | 249,468 | 335,346 | 316,638 |
| Realized loss on risk management contracts | ($M) | (42,393) | (17,641) | (8,786) |
| Net (loss) income [5] | ($M) | (3,121) | (32,544) | 8,498 |
| Per share – basic and diluted [6] | $ | (0.06) | (0.65) | 0.17 |
| General and administrative | ($M) | 22,053 | 24,450 | 27,706 |
| Operating EBITDA [3] | ($M) | 85,988 | 105,010 | 92,442 |
| Operating EBITDA margin (Operating EBITDA/Total sales after realized loss on risk management contracts) | % | 34% | 31% | 29% |
| Adjusted EBITDA [3] | ($M) | 86,654 | 1,999 | 115,058 |
| Adjusted EBITDA margin (Adjusted EBITDA/Total sales after realized loss on risk management contracts) | % | 35% | 1% | 36% |
| Net cash provided by operating activities | ($M) | 30,265 | 166,750 | 66,926 |
| Adjusted FFO [3] | ($M) | 34,260 | 94,695 | 78,760 |
| Per share – basic [6] | $ | 0.69 | 1.89 | 1.58 |
| Per share – diluted [6] | $ | 0.69 | 1.89 | 1.57 |
| Total assets | ($M) | 2,664,920 | 2,579,651 | 2,772,423 |
| Total cash | ($M) | 695,923 | 644,086 | 560,406 |
| Cash and cash equivalents – unrestricted | ($M) | 515,811 | 511,685 | 469,974 |
| Restricted cash short and long-term | ($M) | 180,112 | 132,401 | 90,432 |
| Total equity [7] | ($M) | 1,306,964 | 1,285,750 | 1,516,983 |
| Debt and obligations under finance lease | ($M) | 268,237 | 269,229 | 272,087 |

1. *Net production after royalties represents the Company's working interest volumes, net of royalties and internal consumption.*
2. *BOE has been expressed using the 5.7 to 1 Colombian Mcf/bbl conversion standard required by the Colombian Ministry of Mines & Energy.*
3. *Refer to the "Non-IFRS Measures" section on page 13.*
4. *Capital expenditures includes revenues from Exploration and Evaluation assets for the three months ended March 31, 2018 and 2017, of $6.5 million and $4.8 million, respectively.*
5. *Net (loss) income attributable to equity holders of the Company.*
6. *Both basic and diluted weighted average numbers of Common Shares for the three months ended March 31, 2018, were 50,005,832 (March 31, 2017: 50,002,363 and 50,025,751, respectively).*
7. *Equity attributable to equity holders of the Company.*

## Performance Highlights

### Operational

- In comparison to the previous quarter, the Company increased its average net production by 3%, primarily due to the reactivation of operations at Block 192 in Peru. Average net production after royalties and internal consumption for the period ended March 31, 2018, totalled 66,227 boe/d, a 9% decrease from the average net production of 72,524 boe/d reported for the same period in 2017. The reduction was largely due to limited production from the Cubiro block during the quarter, as a result of a community blockade and the natural decline of the Company's light and medium blocks in Colombia. In addition these factors also partially offset the increase in net production realized quarter-over-quarter.
- Sales volumes for the first quarter of 2018 totalled 52,440 boe/d, significantly lower than the previous quarter's sales volumes of 65,481 boe/d due to overlift settlement and an increase in oil inventories. The oil inventory increase was driven primarily by one oil cargo that was planned for shipment during the first quarter of 2018 but was not shipped until April 2018 and therefore could not be recognized as sales in the first quarter. This cargo contained production from the first quarter of 2018 and will be recognized as sales volumes in the second quarter of 2018.
- Total operating costs (including production, high-price participation payments and cash royalties, transportation and diluent costs) averaged $27.94/boe in the first quarter of 2018, a 10% increase from the average total operating costs of $25.36/boe reported for the same period in 2017. The increase in total operating costs is mainly attributable to the increase in unit cost due to lower produced volumes. Operating costs per barrel decreased 6% compared to the fourth quarter of 2017, due to lower production and transportation costs (excluding fees paid on suspended capacity).
- Operating Netback for the quarter was $24.42/boe, 19% higher than $20.59/boe in the first quarter of 2017. The increase is mainly attributable to an increase in the market prices for oil. Operating Netback increased by 3% in comparison to $23.61/boe in the previous quarter mainly due to lower operating costs.
- The Company received cost reimbursement from unused take-or-pay transportation commitments by reversing the direction of the Bicentenario pipeline and transferring capacity to other shippers. The reimbursement totalled $6.4 million during the quarter, compared to $nil in the first quarter of 2017 and $3.7 million in the fourth quarter of 2017.
- During the first quarter of 2018, the Company continued its corporate strategy to position itself for growth in 2018. Capital expenditures were $78.8 million, 103% higher than $38.8 million in the first quarter of 2017. The Company had eight rigs operating throughout the first quarter of 2018, with five active in its Quifa heavy oil area, and three on its light oil-focused Guatiquia block. First quarter well activity included drilling 33 development focused wells and three exploration-focused wells. This is below previous expectations of 40 to 50 wells drilled in the first quarter, as activity originally planned at the Cajúa field was deferred until further water handing capacity is added later in the year.

### Financial

- Total sales for the three months ended March 31, 2018 were $291.9 million, a 10% decrease compared to $325.4 million in the prior year period and a 17% decrease compared to $353.0 million in the fourth quarter of 2017. The decrease in total sales was primarily due to overlift settlement and an increase in oil inventories during the first quarter of 2018.
- Net loss attributable to equity holders of the Company was $3.1 million ($0.06/share) in the first quarter of 2018 compared to Net income attributable to equity holders of the Company of $8.5 million ($0.17/share) in the first quarter of 2017. This was primarily the result of net losses on risk management activities totalling $25.1 million in the quarter compared to a net gain of $31.4 million in 2017, partially offset by a reduction in operating losses of $18.8 million.
- Frontera's ending total cash position grew to $695.9 million as at March 31, 2018, driven by $30.3 million of cash from operations in the quarter and the receipt of $20.0 million of gross cash proceeds from the sale of Petroelectrica de los Llanos Ltd. ("**PEL**") and the receipt of $57.0 million in cash from the Company's Papua New Guinea assets sale.
- Operating EBITDA was $86.0 million ($1.72/share) for the first quarter of 2018, compared to $92.4 million ($1.85/share) in the first quarter of 2017 and $105.0 million ($2.10/share) in the fourth quarter of 2017. Lower Operating EBITDA was primarily due to a $42.0 million realized loss on risk management contracts (as compared to $18.0 million in the fourth quarter of 2017 and $8.8 million in the first quarter of 2017) and temporarily lower sales volumes due to: (i) an overlift settlement and (ii) a large crude oil inventory buildup mainly driven by one cargo that rolled to April and relatively higher inventory in Peru. The rolled cargo's sales value of $31.3 million will be recognized in the second quarter. We expect such cargo to generate EBITDA in line with historical EBITDA margins.
- Adjusted fund flow from operations ("**Adjusted FFO**") was $34.3 million ($0.69/share) for the three months ended March 31, 2018, a 57% decrease as compared to $78.8 million ($1.58/share) in the prior year period and a 64% decrease as compared to $94.7 million ($1.89/share) in the fourth quarter of 2017. Lower Adjusted FFO was primarily due to lower Operating EBITDA of $6.5 million, no dividends received from investments in associates during the first quarter of 2018 ($27.6 million in the first quarter of 2017 and $35.5 million in the fourth quarter of 2017), and higher downtime on the Bicentenario pipeline of $8.8 million.

A reconciliation of Funds Flow from Operations ("**FFO**") to Adjusted FFO is as follows:

| | Three Months Ended March 31 | |
|---|---|---|
| (in thousands of US$) | **2018** | **2017** |
| **Net cash provided by operating activities** | 30,265 | 66,926 |
| Changes in non-cash working capital | 1,107 | 5,888 |
| **Funds flow from operations** | **31,372** | **72,814** |
| Restructuring, severance and other costs | 2,838 | 5,946 |
| Settlement of assets retirement obligations | 50 | — |
| **Adjusted FFO** | **34,260** | **78,760** |

- Adjusted FFO Netback was $16.64/boe for the first quarter of 2018, 24% higher than $13.38/boe reported in the first quarter of 2017. This was primarily due to higher realized prices from the improvement in global oil prices. In comparison to the previous quarter, the Company was able to increase Adjusted FFO Netback by $1.51/boe as a result of lower operating and general and administrative costs ("**G&A**").
- G&A for the quarter was $22.1 million as compared to $27.7 million in the first quarter of 2017 and $24.5 million in the previous quarter, mainly as a result of a continued effort to reduce overhead costs.
- On May 9, 2018, Fitch Ratings Inc. ("**Fitch**") reaffirmed its long term Foreign and Local Currency Issuer Default Rating on the Company at "B+", however, Fitch downgraded the Senior Secured Notes to "B+/RR4" from "BB-/RR3" and removed the Senior Secured Notes from Negative Rating Watch. In April 2018, Fitch had published its revised criteria on evaluating country-specific treatment of recovery ratings. In assessing Colombia under this revised criteria, Fitch had capped the recovery rating of Colombian corporate issuers at "RR4". As a result, Fitch downgraded the rating of the Company's Senior Secured Notes to "B+/RR4" to bring the Senior Secured Notes in line with the new capped recovery rating for Colombian corporate issuers. The rating outlook continues to remain stable.

### Exploration

- The Alligator-2 exploratory well, on the Guatiquia block, began drilling on January 21, 2018, and reached a true vertical depth of 12,280 feet on February 16, 2018. The well encountered approximately 24 feet of net pay in the Lower Sand-1A formation and was completed in the upper 10 feet of the formation with an electrical submersible pump. The well flow tested for 26 days in March at an average rate of 1,000 bbl/d of 22.5 degree API oil with an average water cut of 40% at a stabilized bottomhole pressure with an 6% drawdown. Since discovery, the well has produced a total of 24,000 bbl.
- The Jaspe-6D exploratory well, on the Quifa block, began drilling on January 26, 2018, and reached a true vertical depth of 3,491 feet on February 5, 2018. The well encountered 33 feet of net pay in the Basal Sand formation and was completed with 10 feet of perforations at the top of the formation with an electrical submersible pump. The well was flow tested for 11 days at an average rate of 187 bbl/d of a 13 API oil with an average water cut of 10% at a stabilized bottomhole flowing pressure with a 14% drawdown. After the production test, the well was shut-in for a 14-day buildup and is currently awaiting approvals for extended testing.
- The Company drilled the Coralillo-1 exploratory well, on the Guatiquia block, on February 15, 2018, and reached a true vertical depth of 11,573 feet on March 27, 2018. The well encountered 13 feet of net pay in the Guadalupe formation and 15 feet of net pay in the Lower Sand-1A formation. The Lower Sand-1A formation has been flow tested for approximately 10 days at an average rate of 1,050 bbl/d of 15.3 degree API oil with an average water cut of 1% at stabilized bottomhole flowing pressure with a 60% drawdown. The well is currently shut-in for a pressure buildup test on the Lower Sand-1A formation. During the testing period, the well produced a total of 9,200 bbl. The well is currently being completed.

## 3. GUIDANCE

We confirm our Guidance as released March 28, 2018. Based on an average Brent oil price of $63.00/bbl, we expect to generate Operating EBITDA of $375.0 to $425.0 million from net production after royalties of 65,000 boe/d to 70,000 boe/d. Our capital expenditures for the year are expected to be $450.0 to $500.0 million.

| | | **2018 Guidance** (1) | **2018 YTD** |
|---|---|---|---|
| Average annual net production after royalties | (boe/d) | 65,000 to 70,000 | 66,227 |
| Production cost | ($/boe) | 12.00 to 14.00 | 12.47 |
| Transportation cost | ($/boe) | 12.50 to 14.50 | 12.68 |
| Operating EBITDA | ($MM) | 375 to 425 | 86 |
| General and administrative expenses | ($MM) | 100 to 110 | 22 |
| Capital expenditures | ($MM) | 450 to 500 | 79 |

*1. The guidance provided for Operating EBITDA, general and administrative expenses, and capital expenditures are aggregate ranges for the year.*

# 4. FINANCIAL AND OPERATIONAL RESULTS

## Production and Development Review

The following table summarizes the average daily production by total field, gross share and net production from all of the Company's producing fields in Colombia and Peru.

| | Average Production (in boe/d) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total field production | | | Gross share before royalties (1) | | | Net production after royalties (2) | | |
| **Producing fields in Colombia** | **Q1 2018** | **Q4 2017** | **Q1 2017** | **Q1 2018** | **Q4 2017** | **Q1 2017** | **Q1 2018** | **Q4 2017** | **Q1 2017** |
| Light and medium oil (3) | 31,143 | 34,465 | 39,054 | 29,370 | 32,747 | 37,161 | 27,125 | 30,142 | 34,177 |
| Heavy oil (4) | 47,847 | 47,798 | 50,243 | 28,876 | 28,972 | 30,617 | 25,070 | 26,451 | 28,003 |
| Natural gas (5) | 5,566 | 6,074 | 7,468 | 4,875 | 5,315 | 6,489 | 4,875 | 5,314 | 6,489 |
| **Total production Colombia** | **84,556** | **88,337** | **96,765** | **63,121** | **67,034** | **74,267** | **57,070** | **61,907** | **68,669** |
| **Producing fields in Peru** | | | | | | | | | |
| Light and medium oil (6) | 13,191 | 4,175 | 7,805 | 9,157 | 2,538 | 3,855 | 9,157 | 2,538 | 3,855 |
| **Total production Peru** | **13,191** | **4,175** | **7,805** | **9,157** | **2,538** | **3,855** | **9,157** | **2,538** | **3,855** |
| **Total production Colombia and Peru** | **97,747** | **92,512** | **104,570** | **72,278** | **69,572** | **78,122** | **66,227** | **64,445** | **72,524** |

1. *Includes gross share before royalties, internal consumption and if applicable, high-price participation payments.*
2. *Includes net production after royalties internal consumption and if applicable high-price participation payments.*
3. *Includes Cubiro, Cravo Viejo, Casanare Este, Canaguaro, Guatiquia, Casimena, Corcel, CPI Neiva, Cachicamo, Arrendajo, and other producing blocks.*
4. *Includes Quifa, Cajua, Sabanero, CPE-6, and Rio Ariari blocks.*
5. *Includes La Creciente and Guama blocks.*
6. *Includes Block Z1 and Block 192. In addition, production for the first quarter of 2017 includes block 131 which was formally transferred to Cepsa on May 12, 2017.*

The Company's daily net production after royalties and internal consumption for the first quarter of 2018 averaged 66,227 boe/d, representing a reduction of 6,297 boe/d from the average net production of 72,524 boe/d reported for the same period in 2017. Average net production increased by 1,782 boe/d, or 3%, in comparison with the fourth quarter of 2017, primarily due to the increase in production from Peru.

### Colombia

*Light and Medium Oil Production*

For the period ended March 31, 2018, daily light and medium oil net production after royalties and internal consumption averaged 27,125 boe/d, 21% lower than the same period in 2017, due to the natural decline of the Company's light and medium oil assets. Net production from the Company's light and medium blocks decreased by 10% in comparison to the previous quarter due to limited production during the quarter from the Cubiro block as a result of a community blockade and from the Guatiquia and Canaguaro blocks due to mechanical well failures. In March 2018, the Company completed a well stimulation at the Guatiquia block that restored daily production back to normal levels.

During the quarter, the Company completed the drilling of two development wells at the Guatiquia block and one development well at the Cubiro block as well as 12 workovers and well services.

*Heavy Oil Production*

During the first quarter of 2018, daily heavy oil net production after royalties and internal consumption averaged 25,070 boe/d, 10% lower than the same period in 2017. This was largely due to lower results than expected in the Quifa SW drilling campaign combined with the natural decline of the Company's heavy oil assets.

During the quarter, the Company completed the drilling of 30 development wells at the Quifa block and completed 12 workovers and well services.

*Natural Gas Production*

During the first quarter of 2018, natural gas net production after royalties and internal consumption averaged 4,875 boe/d, which represented a 25% decrease from the same period in 2017, mainly attributable to the natural decline in production at the La Creciente block.

*High-Price Participation ("**PAP**") Payments*

Due to the increase in global oil prices, the Company made certain PAP payments to Ecopetrol S.A. and the Agencia Nacional de Hidrocarburos (the "**ANH**") on production at the Quifa, Cubiro, Corcel, Guatiquia and Cravoviejo blocks during the first quarter of 2018. The Company paid approximately 3.16% of its total production in the quarter as PAP payments, higher than 1.76% for the previous quarter and 1.44% in the same period of 2017. The PAP payments are paid in cash for all blocks except for those relating to the Quifa block, which is paid in-kind.

## Peru

*Light and Medium Oil Production*

During the quarter, light and medium oil production after royalties and internal consumption averaged 9,157 boe/d, 138% higher than the same period in 2017 and 261% higher than the previous quarter. The increase in production was mainly attributable to the increase in the total number of days Block 192 was operational during the quarter as compared to the same period in 2017 and the previous quarter.

## Net production after royalties reconciled to volume sold

| | | Q1 2018 | Q4 2017 | Q1 2017 |
|---|---|---|---|---|
| **Net production after royalties** | **(boe/d)** | **66,227** | **64,445** | **72,524** |
| Oil inventory build [(1)] | (boe/d) | (7,282) | 349 | (574) |
| Overlift (settlement) | (boe/d) | (3,161) | 3,032 | 1,505 |
| Trading and diluent volumes purchased [(2)] | (boe/d) | 437 | 3,924 | 6,533 |
| E&E assets volumes sold [(3)] | (boe/d) | (1,168) | (1,420) | (1,455) |
| Trading volumes sold [(4)] | (boe/d) | (394) | (3,101) | (5,804) |
| Other inventory movements [(5)] | (boe/d) | (2,219) | (1,748) | (2,277) |
| **Sales volumes** | **(boe/d)** | **52,440** | **65,481** | **70,452** |
| Oil sales | (boe/d) | 47,646 | 60,279 | 64,330 |
| Natural gas sales [(6)] | (Mcf/d) | 27,326 | 29,651 | 34,895 |

1. *Produced volumes that were not sold in the period and instead resulted in an increase in crude inventories held in storage.*
2. *Volumes purchased for trading and diluent purposes to fulfill pipeline take-or-pay agreements and pipeline quality specifications.*
3. *Volumes from E&E assets are excluded from total sales volumes because E&E revenues and costs are capitalized under IFRS.*
4. *Trading volumes sold that were purchased to meet volumes required for pipeline take-or-pay agreements.*
5. *Mainly corresponds to volumetric compensation and oil refined for internal consumption.*
6. *BOE has been expressed using the 5.7 to 1 Colombian Mcf/bbl conversion standard required by the Colombian Ministry of Mines & Energy.*

During the first quarter of 2018, oil inventory increased significantly in comparison with the previous quarter and the first quarter of 2017 primarily due to one oil cargo that was planned for shipment during the first quarter of 2018 but was not shipped until April and therefore could not be recognized as sales in the first quarter. With this cargo delivered in April, sales volumes will be higher for the second quarter. Frontera expects sales volumes to normalize over the balance of 2018.

## Operational Update

The Company continues to improve its reservoir management practices through various technical studies and detailed reservoir management work. These activities have improved the overall production decline, reduced overall operating costs, and positioned the Company to grow its reserves base. The following producing blocks continue to be positively affected by this work:

- Quifa block - During the first quarter of 2018, the Company drilled multiple horizontal wells in higher oil producing zones and defined a significant number of future development wells as a result of the reservoir studies completed in 2017. Changes to the drilling and completion practices have contributed to an overall improvement in well performance. The vertical wells drilled outside of the previous mapped field boundaries successfully encountered new areas of oil saturated reservoir. New reserves are expected to be booked and have defined up new development areas for drilling in 2018 and beyond.
- Guatiquia block - The continued drilling of development wells in the Ardilla, Ceibo and Avispa fields ("**ACA**") within the block increased the potential area for the pool, thereby adding potential new reserve volumes and has assisted in identifying new future development well locations. Further exploration drilling to evaluate the near-field exploration success achieved at the end of 2017 resulted in an increase of the Alligator discovery located on the west of the main ACA fields. This expansion is expected to allow the Company to increase production from the Guatiquia block and book additional reserves at the end of 2018. The reservoirs within the ACA fields continued to perform with lower production decline than expected, which has resulted in the Company delaying the near-term drilling of injector wells for reservoir pressure maintenance.

- Orito and Neiva blocks - The reservoir modelling process on the Orito block is nearly complete and will allow the Company to evaluate the potential for implementing a water injection program. The Company continues to monitor the pilot water injection program implemented at the Neiva block to enhance recovery. As of the date hereof, there has been a significant increase in production as a result of this pilot program.
- Cubiro block - The Company implemented a pilot secondary recovery water flood program at the beginning of the first quarter of 2018. As a result of the positive response in the reservoir and increased production rates, the Company is planning to expand this water flood program during the remainder of 2018.

## Netbacks

The following table provides a summary of the Company's netbacks:

| | Q1 2018 | | Q4 2017 | | Q1 2017 | |
|---|---|---|---|---|---|---|
| | ($/boe) | $M | ($/boe) | $M | ($/boe) | $M |
| **Combined price (including realized loss on risk management contracts)** (1) | **52.36** | **247,141** | **53.26** | **320,868** | **45.95** | **291,367** |
| Production cost | (12.47) | (74,322) | (13.13) | (77,860) | (9.43) | (61,527) |
| High-price participation payments and cash royalties | (1.30) | (7,751) | (1.23) | (7,305) | (0.90) | (5,873) |
| Transportation cost | (12.68) | (75,578) | (14.28) | (84,682) | (13.98) | (91,252) |
| Diluent cost | (1.49) | (8,865) | (1.01) | (6,016) | (1.05) | (6,869) |
| **Total operating cost** (2) | **(27.94)** | **(166,516)** | **(29.65)** | **(175,863)** | **(25.36)** | **(165,521)** |
| **Operating Netback** | **24.42** | **80,625** | **23.61** | **145,005** | **20.59** | **125,846** |
| Fees paid on suspended pipeline capacity (2) | (6.02) | (35,904) | (4.16) | (24,656) | (4.15) | (27,100) |
| Share of income from associates – pipelines (3) | 2.95 | 17,607 | 2.38 | 14,130 | 2.05 | 13,380 |
| **Adjusted Netback** | **21.35** | **62,328** | **21.83** | **134,479** | **18.49** | **112,126** |
| General and administrative (4) | (3.70) | (22,053) | (4.12) | (24,450) | (4.24) | (27,706) |
| Cash finance costs (5) | (1.05) | (6,250) | (1.05) | (6,250) | (0.96) | (6,250) |
| Other cash costs (6) | 0.04 | 235 | (1.53) | (9,084) | 0.09 | 590 |
| **Adjusted FFO Netback** | **16.64** | **34,260** | **15.13** | **94,695** | **13.38** | **78,760** |
| **Total production volume (boe/d)** (7) | 66,227 | | 64,445 | | 72,524 | |
| **Sales volume (D&P) (boe/d)** (8) | 52,440 | | 65,481 | | 70,452 | |

*Refer to the "Non-IFRS Measures" section on page 13 for definitions on how the Company calculates and uses Operating Netback, Adjusted Netback, and Adjusted FFO Netback. For reconciliations to IFRS figures, refer to:*
1. *Per boe price calculated over sales volume D&P, in the "Realized and Reference Price" section on page 8.*
2. *"Operating Costs" section on page 9.*
3. *Share of income from associates – pipelines, in the "Non-Operating Costs" section on page 10.*
4. *General and administrative costs on page 10.*
5. *Finance costs in the "Non-Operating Costs" section on page 10.*
6. *Mainly includes dividends from associates, Frontera's share of income (loss) from associates, income tax, equity tax paid (equity tax was eliminated on December 31, 2017), realized foreign exchange, inventory fluctuation, overlift/(settlement) and settlement of asset retirement obligations.*
7. *Production and Development Review section on page 5.*
8. *Sales volumes D&P excludes E&E as the revenues and costs are capitalized under IFRS.*

Operating Netback was $24.42/boe for the first quarter of 2018, 19% higher than $20.59/boe for the same period in 2017 and 3% higher than $23.61/boe in the fourth quarter of 2017. The increase in Operating Netback from the prior year period is largely attributable to higher realized prices from the improvement in the Brent oil benchmark prices, which is partially offset by higher production costs as a result of the reactivation of Block 192. During the quarter, the Company lowered its transportation costs by reducing its utilization of the Bicentenario system which has a higher tariff than alternative pipelines.

Adjusted Netback was $21.35/boe for the first quarter of 2018, 15% higher than $18.49/boe for the same period in 2017 and marginally lower than $21.83/boe in the previous quarter. The increase from the prior year period was the result of the higher Operating Netback partially offset by increased fees paid for commitments on pipeline capacity at the Bicentenario system which was not operational for 81 days compared with 50 days in the first quarter of 2017.

Adjusted FFO netback was $16.64/boe for the first quarter of 2018, 24% higher than $13.38/boe in the first quarter of 2017, primarily due to higher realized prices from the improvement in global oil prices.

## Realized and Reference Price

| | | Q1 2018 | Q4 2017 | Q1 2017 |
|---|---|---|---|---|
| **Reference price** | | | | |
| Brent | ($/bbl) | 67.23 | 61.46 | 54.57 |
| **Average realized prices** | | | | |
| Realized oil price | ($/bbl) | 63.43 | 57.76 | 48.64 |
| Realized natural gas price | ($/Mcf) | 4.08 | 3.78 | 3.74 |
| Realized natural gas price (1) | ($/boe) | 23.25 | 21.55 | 21.29 |
| **Combined price before risk management contracts** | **($/boe)** | **59.75** | **54.88** | **46.26** |
| Realized loss on risk management contracts | ($/boe) | (8.98) | (2.93) | (1.39) |
| Other revenue (2) | ($/boe) | 1.59 | 1.31 | 1.08 |
| **Combined realized price after risk management contracts** | **($/boe)** | **52.36** | **53.26** | **45.95** |

*1. Refer to "Further Disclosures" section on page 20 for conversion factor.*
*2. Mainly includes income from infrastructure assets.*

The average Brent oil benchmark price increased by $12.66/bbl, or 23%, to an average of $67.23/bbl in the first quarter of 2018 from $54.57/bbl in the same period of 2017. Brent oil prices continue to improve based on strong global oil demand and lower oil inventories, higher than expected compliance rates from Organization of Petroleum Exporting Countries ("**OPEC**") and Non-OPEC, and higher geopolitical risk.

During the first quarter of 2018, the differential between the Company's oil sales and Brent oil prices narrowed by $2.13/bbl compared with the first quarter of 2017. The tightening in the differentials was the result of new market strategies and the ability to meet demand in the U.S. West Coast market as the deficit of crude barrels in the region persisted.

## Sales

| | Three months ended March 31 | |
|---|---|---|
| (in thousands of US$) | **2018** | **2017** |
| Oil and natural gas sales and other revenue | 289,534 | 300,153 |
| Sales of oil and natural gas for trading | 2,327 | 25,271 |
| **Total sales** | **291,861** | **325,424** |
| Realized loss on risk management contracts | (42,393) | (8,786) |
| **Total sales after realized loss on risk management contracts** | **249,468** | **316,638** |
| Total sales after realized loss on risk management contracts excluding trading revenue | 247,141 | 291,367 |
| $/per volume sold | 52.36 | 45.95 |

Total sales after realized loss on risk management contracts during the quarter were $249.5 million, 21% lower compared to the same period in 2017. In Colombia, total sales were $248.4 million for the three months ended March 31, 2018 compared to $285.9 million in the prior year period, as a result of lower production volumes. In Peru, total sales were $41.1 million for the three months ended March 31, 2018 compared to $14.3 million in the prior year period. The increase in total sales was primarily due to higher volumes sold from the reactivation of Block 192. The following table illustrates the various factors that have impacted sales volume movements from the first quarter of 2017 to this quarter:

### Total sales after realized loss on risk management contracts movement reconciliation

| (in thousands of US$) | | |
|---|---|---|
| **Total sales after realized loss on risk management contracts for the three months ended March 31, 2017** | **$** | **316,638** |
| Decrease due to 26% (18,012 boe/d) reduction in produced and sold volumes | | (76,090) |
| Decrease due to 5,410 bbl/d lower volume of trading | | (23,556) |
| Realized loss on risk management contracts | | (33,607) |
| Increase due to 29% higher realized prices before risk management contracts | | 64,269 |
| Other revenue increase | | 1,814 |
| **Total sales after realized loss on risk management contracts for the three months ended March 31, 2018** | **$** | **249,468** |

| (in thousands of US$) | | |
|---|---|---|
| **Total sales after realized loss on risk management contracts for the three months ended December 31, 2017** | **$** | **335,346** |
| Decrease due to 22% (13,041 boe/d) reduction in produced and sold volumes | | (71,599) |
| Decrease due to 2,707 bbl/d lower volume of trading | | (12,681) |
| Realized loss on risk management contracts | | (24,752) |
| Increase due to 9% higher realized prices before risk management contracts | | 23,511 |
| Other revenue decrease | | (357) |
| **Total sales after realized loss on risk management contracts for the three months ended March 31, 2018** | **$** | **249,468** |

Total sales reported for previous quarters included in this MD&A are different from those previously reported in our public disclosure as a result of the adoption of IFRS 15 effective January 1, 2018. As a result of this new standard, realized gains and losses on risk management contracts are no longer included in total sales. For further information on this change in presentation, refer to Note 2 of the Interim Financial Statements.

## Operating Costs

| | **Three Months Ended March 31** | |
|---|---|---|
| (in thousands of US$) | **2018** | **2017** |
| Production cost | $ 74,322 | $ 61,527 |
| High-price participation payments and cash royalties | 7,751 | 5,873 |
| Transportation cost | 75,578 | 91,252 |
| Diluent cost | 8,865 | 6,869 |
| **Total operating cost** | **$ 166,516** | **$ 165,521** |
| **Average operating cost $/per boe production** | **27.94** | **25.36** |
| Fees paid on suspended pipeline capacity | 35,904 | 27,100 |
| Purchase of oil and natural gas for trading | 1,743 | 24,972 |
| Inventory valuation | (9,813) | (411) |
| Overlift (settlement) | (17,019) | 6,408 |
| **Total cost** | **$ 177,331** | **$ 223,590** |

During the first quarter of 2018, total operating costs were $166.5 million, slightly higher than $165.5 million in the same period of 2017. During the quarter, the Company reported lower transportation costs from a reduction in average pipeline tariff rates; however, it was partially offset by higher production costs relating to the reactivation of operations at Block 192. Total cost for the quarter was $177.3 million, a decrease of $46.3 million or 21% compared to the prior year period. The decrease in the quarter was mainly due to an inventory increase due to the timing of cargo shipments, lower costs from trading activities, and the settlement of an overlift position from the fourth quarter of 2017.

## Depletion, Depreciation and Amortization

| | **Three Months Ended March 31** | |
|---|---|---|
| (in thousands of US$) | **2018** | **2017** |
| Depletion, depreciation, and amortization | $ 72,673 | $ 101,794 |
| $/per boe production | 12.19 | 15.60 |

Depletion, depreciation and amortization ("**DD&A**") decreased by $29.1 million, or 29%, mainly due to lower sales volumes, higher oil inventories, and a lower depletable base as a result of impairment charges recognized during 2017.

## Impairment and Impairment Reversal

| | **Three Months Ended March 31** | |
|---|---|---|
| (in thousands of US$) | **2018** | **2017** |
| Impairment (reversal) of oil and natural gas properties and plant and equipment | $ — | $ (11,625) |
| Impairment of asset held for sale - PEL | 9,125 | — |
| Impairment of investments and other receivables | 11,216 | 1,178 |
| **Total impairment (reversal)** | **$ 20,341** | **$ (10,447)** |

During the three months ended March 31, 2018, an impairment charge of $9.1 million was recognized with respect to the sale of the Company's transmission line assets owned by PEL (the sale was closed in the second quarter of 2018) and an impairment of $11.2 million related to the Company's investment in Interamerican Energy Corporation.

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

## General and Administrative

| | Three Months Ended March 31 | |
|---|---|---|
| (in thousands of US$) | **2018** | **2017** |
| General and administrative | $ 22,053 | $ 27,706 |
| $/per boe production | 3.70 | 4.24 |

General and administrative expenses decreased by $5.7 million, or 20%, for the first quarter of 2018 compared to the prior year period, primarily due to a reduction in employee-related costs and the Company's continued efforts to reduce overhead cost.

## Restructuring, severance and other costs

| | Three Months Ended March 31 | |
|---|---|---|
| (in thousands of US$) | **2018** | **2017** |
| Restructuring and other costs | 469 | — |
| Severance | 2,369 | 5,946 |
| **Total restructuring, severance and other costs** | **2,838** | **5,946** |

Restructuring, severance and other costs decreased by $3.1 million, or 52%, primarily a result of higher expenses recorded in the first quarter of 2017 following the completion of the Company's restructuring transaction in November 2016. In 2018, the Company will continue to invest in initiatives that are expected to deliver continued process improvements, particularly in areas relating to controls, compliance and operational efficiencies.

## Non-Operating Costs

| | Three Months Ended March 31 | |
|---|---|---|
| (in thousands of US$) | **2018** | **2017** |
| Cash finance costs | (6,250) | (6,250) |
| Non-cash finance income | 2,003 | 1,353 |
| **Total finance costs, net** | **(4,247)** | **(4,897)** |
| Cash finance costs $/per boe production | (1.05) | (0.96) |
| Share of income from associates - pipelines | 17,607 | 13,380 |
| Share of income from associates - and other | 18,152 | 10,608 |
| **Total share of income from associates** | **35,759** | **23,988** |
| Share of income from associates - pipelines $/per boe production | 2.95 | 2.05 |
| **Foreign exchange gain** | **19,005** | **11,246** |
| Realized loss on risk management contracts | (42,393) | (8,786) |
| Unrealized gain on risk management contracts | 17,313 | 40,145 |
| **Total (loss) gain on risk management contracts** | **(25,080)** | **31,359** |
| Current income tax expense | (10,329) | (10,034) |
| Deferred income tax expense | (417) | — |
| **Total income tax expense** | **(10,746)** | **(10,034)** |
| Income tax expense $/per boe production | (1.80) | (1.54) |

## Finance Costs, Net

Finance costs include interest expense on the Company's long-term debt, short-term borrowings, finance leases, and fees on letters of credit, net of interest income received on cash deposits. During the first quarter of 2018, finance costs remained relatively consistent with the prior year period primarily due to the fixed interest rate on the Company's long-term debt.

## Share of Income from Associates

The Company's share of income from associates increased by $11.8 million, or 49%, in the first quarter of 2018 compared to the same period in 2017 primarily due to the functional currency of certain associates being the Colombian peso ("**COP**"), which appreciated 6.8% relative to the U.S. dollar.

## Foreign Exchange

The Company is exposed to foreign currency fluctuations from the movement of the COP against the U.S. dollar as a significant portion of working capital and operating expenditures are denominated in COP. The foreign exchange gain in the first quarter of 2018 increased by $7.8 million, or 69%, compared with the prior year period primarily due to the strengthening of the COP relative to the U.S. dollar and the related impact from the translation of the Company's net working capital.

## (Loss) Gain on Risk Management Contracts

As part of its risk management strategy, the Company uses derivative commodity instruments to manage exposure to price volatility by hedging a portion of oil production. As at March 31, 2018, the Company hedged approximately 60% of its estimated production up to and including October 2018. The objective for 2018 is to hedge the maximum allowable under the Note Indenture (as defined herein) and Secured LC Agreement (as defined herein) of 60% of the Company's planned production; however, this is constantly re-evaluated in the context of current prices, market expectations, and changes in the production forecast.

The hedging portfolio consists of zero-cost collars and call spread instruments. As at March 31, 2018, the Company had outstanding hedge positions for approximately 8.4 MMbbl with average floor and ceiling strike Brent prices of $51.98/bbl and $58.24/bbl, respectively, with a net current liability of $86.4 million.

| Type of Instrument | Settlement Month | Benchmark | Notional Amount / Volume (bbl) | Put/ Call Strike | Carrying Amount (in thousands of US$) Assets | Liabilities |
|---|---|---|---|---|---|---|
| Collar | April 2018 | Brent | 1,200,000 | 50.77 / 55.73 | — | 16,267 |
| Collar | May 2018 | Brent | 1,200,000 | 51.10 / 55.86 | — | 15,588 |
| Collar | June 2018 | Brent | 1,200,000 | 51.23 / 55.91 | — | 15,012 |
| Collar | July 2018 | Brent | 1,200,000 | 52.00 / 59.31 | — | 10,984 |
| Collar | August 2018 | Brent | 1,200,000 | 52.42 / 60.05 | — | 10,010 |
| Collar | September 2018 | Brent | 1,200,000 | 53.42 / 61.63 | — | 8,342 |
| Collar/ Call Spreads | October 2018 | Brent | 1,200,000 | 52.92 / 59.22 | — | 10,231 |
| **Total as at March 31, 2018** | | | | | **$ —** | **$ 86,434** |

The Company's risk management contracts may expose it to the risk of financial loss in certain circumstances, including instances in which production falls short of the hedged volumes, the price of oil increases above the call strike price, or if the counterparties fail to perform under those arrangements.

## Income Tax Expense

The current income tax expense includes a minimum income tax ("**presumptive tax**") of $7.6 million, $2.4 million from dividends received on investments in associates, and $0.3 million of current taxes in countries other than Colombia.

For more information, please refer to Note 8 - Income Tax - from the Interim Financial Statements.

## Capital Expenditures

| (in thousands of US$) | Three Months Ended March 31 2018 | 2017 |
|---|---|---|
| Maintenance and development drilling | $ 43,783 | $ 35,117 |
| Facilities and infrastructure | 24,836 | 1,421 |
| Exploration activities [1] | 7,655 | 971 |
| Administrative assets and other projects | 2,567 | 1,290 |
| **Total capital expenditures** | **$ 78,841** | **$ 38,799** |

1. *Includes E&E assets revenues and costs.*

Capital expenditures were $78.8 million in the first quarter of 2018 compared to $38.8 million in the first quarter of 2017. The increase in capital expenditures was due to higher development drilling and exploration activities, as well as higher costs associated with the expansion of production infrastructure in the Guatiquia, Corcel and Cravoviejo blocks.

## Selected Quarterly Information

| | | 2018 | 2017 | | | | 2016 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 |
| **Financial and operational results:** | | | | | | | | | |
| Net production after royalties [1,2] | (boe/d) | 66,227 | 64,445 | 71,068 | 72,370 | 72,524 | 69,432 | 75,096 | 127,951 |
| Oil production | (boe/d) | 61,352 | 59,131 | 65,641 | 66,448 | 66,035 | 62,229 | 67,128 | 118,526 |
| Natural gas production | (Mcf/d) | 27,788 | 30,290 | 30,934 | 33,755 | 36,987 | 41,057 | 45,418 | 53,723 |
| Oil and natural gas sales | (boe/d) | 52,440 | 65,481 | 63,162 | 64,908 | 70,452 | 67,470 | 81,877 | 109,736 |
| Combined price (including realized (loss) gain on risk management contracts) | ($/boe) | 52.36 | 53.26 | 47.86 | 46.28 | 45.95 | 41.92 | 40.83 | 37.60 |
| Realized oil and natural gas and other revenue price | ($/boe) | 61.34 | 56.19 | 47.55 | 45.71 | 47.34 | 43.44 | 40.83 | 37.60 |
| Realized (loss) gain on risk management contracts | ($/boe) | (8.98) | (2.93) | 0.31 | 0.57 | (1.39) | (1.52) | — | — |
| Brent | ($/bbl) | 67.23 | 61.46 | 52.17 | 50.79 | 54.57 | 51.06 | 46.99 | 47.03 |
| Operating cost | ($/boe) | (27.94) | (29.65) | (24.32) | (25.97) | (25.36) | (27.40) | (24.06) | (20.30) |
| Operating Netback [3] | ($/boe) | 24.42 | 23.61 | 23.54 | 20.31 | 20.59 | 14.52 | 16.77 | 17.30 |
| Adjusted Netback [3] | ($/boe) | 21.35 | 21.83 | 20.68 | 19.13 | 18.49 | 13.89 | 12.91 | 17.25 |
| Adjusted FFO Netback [3] | ($/boe) | 16.64 | 15.13 | 12.64 | 11.76 | 13.38 | 2.48 | 2.55 | 9.17 |
| Total sales after realized (loss) gain on risk management contracts | ($M) | 249,468 | 335,346 | 307,080 | 299,452 | 316,638 | 269,772 | 308,705 | 376,403 |
| Net (loss) income [4] | ($M) | (3,121) | (32,544) | (141,115) | (51,542) | 8,498 | 4,025,194 | (557,068) | (118,654) |
| Per share – basic [5] | $ | (0.06) | (0.65) | (2.82) | (1.03) | 0.17 | 80.50 | (176,835.08) | (37,665.40) |
| Per share – diluted [5] | $ | (0.06) | (0.65) | (2.82) | (1.03) | 0.17 | 80.47 | (176,835.08) | (37,665.40) |
| Operating EBITDA [3] | ($M) | 85,988 | 105,010 | 105,885 | 86,857 | 92,442 | 44,275 | 89,846 | 120,452 |
| Adjusted EBITDA [3] | ($M) | 86,654 | 1,999 | 44,203 | 87,389 | 115,058 | (1,967) | 37,689 | 126,083 |
| Adjusted FFO [3] | ($M) | 34,260 | 94,695 | 47,889 | 46,151 | 78,760 | 8,256 | 43,036 | 44,314 |
| Capital expenditures [6] | ($M) | 78,841 | 111,213 | 48,563 | 37,826 | 38,799 | 64,707 | 33,631 | 50,044 |
| Total assets | ($M) | 2,664,920 | 2,579,651 | 2,546,631 | 2,621,871 | 2,772,423 | 2,741,719 | 2,403,602 | 2,990,699 |

1. *Net production after royalties represents the Company's working interest volumes, net of royalties and internal consumption.*
2. *BOE has been expressed using the 5.7 to 1 Colombian Mcf/bbl conversion standard required by the Colombian Ministry of Mines & Energy.*
3. *Refer to the "Non-IFRS Measures" section on page 13.*
4. *Net (loss) income attributable to equity holders of the Company.*
5. *Both basic and diluted weighted average numbers of Common Shares for the three months ended March 31, 2018, were 50,005,832 (March 31, 2017: 50,002,363 and 50,025,751, respectively).*
6. *Capital expenditures includes revenues from E&E assets for the three months ended March 31, 2018 and 2017, of $6.5 million and $4.8 million, respectively.*

Over the past eight quarters, the Company's oil and natural gas sales have fluctuated due to changes in production, movements in the Brent benchmark oil price, fluctuations in oil price differentials and realized risk management activities. Trends in the Company's production levels have resulted from natural declines on existing fields, disposals or relinquishment of oil and natural gas properties, and suspension of operations due to unforeseen circumstances, such as community blockades. Trends in the Company's net income are also impacted by changes in risk management activities that fluctuate with changes in forward market prices, DD&A and net impairment charges of oil and natural gas assets, along with significant reductions in corporate financing and administrative costs as the Company exited the restructuring process in November 2016.

Please refer to the Company's previously issued annual and interim management discussion and analysis for further information regarding changes in prior quarters.

## Non-IFRS Measures

This report contains the following financial terms that are not considered in IFRS: Operating and Adjusted EBITDA, Operating Netback, Adjusted Netback, Adjusted FFO Netback, and Adjusted FFO. These non-IFRS measures do not have any standardized meaning and, therefore, are unlikely to be comparable to similar measures presented by other companies. These non-IFRS measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These financial measures are included because management uses this information to analyze operating performance and liquidity. These measures are different from those measures disclosed before the third quarter of 2017, reflecting the Company's new strategic focus on operational efficiency and capital discipline.

### Operating and Adjusted EBITDA

Management believes that EBITDA is a common measure used to assess profitability before the impact of different financing methods, income taxes, depreciation and impairment of capital assets, and amortization of intangible assets.

- Operating EBITDA represents the operating results of the Company's primary business, excluding the effects of capital structure, other investments (infrastructure assets), non-cash items that depend on accounting policy choices, and one-time items that are not expected to recur.
- Adjusted EBITDA excludes items of a non-recurring nature (one-time items) or items that could make the period-over-period comparison of results from operations less meaningful, but includes results from the Company's other investments (infrastructure assets).

A reconciliation of Operating and Adjusted EBITDA to net (loss) income is as follows:

| | Three Months Ended March 31 | |
|---|---|---|
| (in thousands of US$) | 2018 | 2017 |
| **Net (loss) income (1)** | **$ (3,121)** | **$ 8,498** |
| **Adjustments** | | |
| Income tax expense | 10,746 | 10,034 |
| Depletion, depreciation and amortization | 72,673 | 101,794 |
| Impairment (reversal) | 20,341 | (10,447) |
| Finance costs, net | 4,247 | 4,897 |
| Restructuring, severance and other costs | 2,838 | 5,946 |
| Equity tax | — | 11,694 |
| Other loss (income) | 604 | (2,498) |
| Foreign exchange unrealized gain | (21,674) | (14,860) |
| **Adjusted EBITDA** | **86,654** | **115,058** |
| Unrealized gain on risk management contracts | (17,313) | (40,145) |
| Share of income from associates | (35,759) | (23,988) |
| Gain attributable to non-controlling interest | 12,779 | 10,783 |
| Share-based compensation | 1,054 | 20 |
| Foreign exchange realized loss | 2,669 | 3,614 |
| Fees paid on suspended pipeline capacity | 35,904 | 27,100 |
| **Operating EBITDA** | **85,988** | **92,442** |

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

### Netbacks

Management believes that Netback is a useful measure to assess the net profit after subtracting all costs associated with bringing one barrel of oil to the market. It is also commonly used by the oil and natural gas industry to analyze financial and operating performance expressed as profit per barrel.

- Operating Netback represents realized price per barrel including realized gain or loss from risk management contracts, less production costs, high-price participation payments and cash royalties, transportation and diluent costs - and shows how efficient the Company is at extracting and selling its product.
- Adjusted Netback represents Operating Netback plus the results from corporate investments, such as pipeline investments that are in addition to oil and natural gas production and the take-or-pay fees paid on suspend pipeline capacity.
- Adjusted Funds Flow from Operations Netback ("**Adjusted FFO Netback**") represents Adjusted Netback less corporate cash expenses (G&A and cash finance costs) and other cash items (primarily dividends and Frontera's share of income from associates, income tax, equity tax paid, realized foreign exchange, inventory fluctuations, overlift (settlement) and settlement of asset retirement obligations.

Refer to the "Netbacks" section on page 7.

### Adjusted Funds Flow from Operations

Adjusted FFO is a non-IFRS financial measure that adjusts an IFRS measure, cash flow provided (used) by operating activities, for changes in non-cash working capital, which management uses to analyze operating performance and liquidity. Changes to non-cash working capital can include differences in timing of cash flows related to accounts receivable and accounts payable, which management believes reduces comparability among periods. The indicator also excludes settlement of asset retirement obligations, one-time expenses for the Company not related to ongoing operations such as restructuring, severance and other costs, and loss (gain) from past assets.

Refer to the "Performance Highlights - Financial" section on page 4 for FFO to Adjusted FFO reconciliation.

## 5. PRINCIPAL PROPERTIES

| | Working Interest | Operated | Gross Acres | Net Acres |
|---|---|---|---|---|
| **Colombia Central** | | | | |
| Quifa | 60.00% | Operated | 265,954 | 159,572 |
| Guatiquia | 100.00% | Operated | 9,274 | 9,274 |
| Cubiro | 100.00% | Operated | 44,360 | 44,360 |
| Cravo Viejo | 100.00% | Operated | 35,429 | 35,429 |
| Casimena | 100.00% | Operated | 6,850 | 6,850 |
| Arrendajo | 97.50% | Operated | 33,280 | 32,448 |
| Neiva | 55.60% | Non-operated | 2,395 | 1,332 |
| Corcel | 100.00% | Operated | 25,141 | 25,141 |
| Cachicamo | 100.00% | Operated | 28,471 | 28,471 |
| Canaguaro | 87.50% | Operated | 6,289 | 5,503 |
| Dindal | 45.00% | Operated | 32,400 | 14,677 |
| Rio Seco | 45.00% | Operated | 25,267 | 11,370 |
| Sabanero | 100.00% | Operated | 67,896 | 67,896 |
| Llanos 7 | 100.00% | Operated | 152,674 | 152,674 |
| Llanos 55 | 100.00% | Operated | 101,466 | 101,466 |
| Llanos 83 | 100.00% | Operated | 35,755 | 35,755 |
| Llanos 25 | 100.00% | Operated | 169,805 | 169,805 |
| Casanare Este (1) | 100.00% | Operated | 18,476 | 18,476 |
| Rio Ariari | 100.00% | Operated | 307,036 | 307,036 |
| Mapache | 100.00% | Operated | 57,904 | 57,904 |
| CPE-6 | 100.00% | Operated | 593,018 | 593,018 |
| Abanico | 25.00% | Operated | 62,560 | 15,640 |
| Buganvilles | 49.00% | Operated | 77,754 | 38,100 |
| Cordillera-24 | 100.00% | Operated | 619,817 | 619,817 |
| Cordillera-15 (2) | 49.99% | Non-operated | 141,308 | 70,654 |
| Muisca (2) | 49.99% | Non-operated | 585,126 | 292,563 |
| **Colombia North** | | | | |
| La Creciente | 100.00% | Operated | 26,653 | 26,653 |
| Guama | 100.00% | Operated | 70,995 | 70,995 |
| CR-1 | 60.00% | Operated | 307,384 | 184,431 |
| **Colombia South** | | | | |
| Orito | 79.00% | Non-operated | 42,492 | 33,569 |
| Caguan-5 | 50.00% | Operated | 919,321 | 459,661 |
| Caguan-6 | 60.00% | Operated | 119,048 | 71,429 |
| Portofino (3) | 40.00% | Non-operated | 258,676 | 103,470 |
| Tinigua | 50.00% | Non-operated | 105,467 | 52,734 |
| **Peru** | | | | |
| Block Z1 | 49.00% | Non-operated | 554,443 | 271,677 |
| Lot 116 (4) | 50.00% | Operated | 1,628,126 | 814,063 |
| Lot 192 (5) | N/A | Operated | 1,266,037 | 1,266,037 |

1. *Casanare Este block held for sale to Gold Oil PLC Sucursal Colombia, subject to ANH approval.*
2. *The Company's participating interest in these blocks is through the 49.99% of the outstanding shares held by PRE-PSIE Coöperatief U.A. in Maurel & Prom Colombia B.V.*
3. *The Company has requested the transfer of investment and overall relinquishment of its interest in the block. The application is pending ANH approval.*
4. *The Company has entered into a purchase and sale agreement and trust 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, among other things, the transfer of all participating interest in Lot 116 to the Company. The transfer of all participating interest in Lot 116 to the Company was approved by PeruPetro S.A. and is pending the execution of final documentation to conclude the formalization of the transfer.*
5. *Block 192 is operated by us through a service contract with PeruPetro S.A., the Peruvian state-owned hydrocarbons company.*

## 6. LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2018, the Company had total cash of $695.9 million, an increase of $135.5 million compared to the prior year-end. This increase was primarily due to $30.3 million cash generated from operating activities and the receipt of gross cash proceeds from the sale of PEL ($20.0 million) and the Papua New Guinea assets sale ($57.0 million). These factors were partially offset by net capital expenditures of $78.8 million in the quarter. In accordance with the Company's investment policy, available cash balances are held in high interest savings accounts, term deposits, and Colombian mutual funds with high credit ratings and short-term liquidity.

As at March 31, 2018, the Company had total working capital of $343.2 million, an increase of $33.2 million compared to $310.0 million at the prior year-end. The increase in working capital was mainly the result of the Company generating operating cash flow in excess of capital expenditures for the three months ended March 31, 2018, and increase in inventory balances.

The Company's long-term borrowing consists of $250.0 million of senior secured notes due in 2021, which carry a fixed interest rate of 10% per annum ("**Senior Secured Notes**"). The Senior Secured Notes are secured on a first lien basis through a package of liens, pledges, mortgages and charges that extend directly or indirectly to most of the assets of the Company and its subsidiaries. All significant bank accounts are subject to certain springing blocked account agreements and may be brought under the control of the creditors in the event of default of the Company under the Indenture or the Secured LC Agreement (as defined below), which share the same pool of security on a first and second lien basis.

### Covenant/Limitation on Indebtedness

Under the indenture for the Senior Secured Notes (the "**Indenture**"), the Company may not incur, with some exceptions, directly or indirectly, any additional indebtedness prior to November 2, 2018. Subsequent to November 2, 2018, and after giving effect to certain conditions provided under the Indenture, the Company may incur additional indebtedness provided that the Company complies with the following financial covenants:

| Covenant | Ratio |
|---|---|
| Consolidated Debt to Consolidated Adjusted EBITDA [1] | < 2.5 : 1.0 |
| Consolidated Fixed Charge [2] | > 3.25 : 1.0 |

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

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

Other covenants under the Indenture limit, with some exceptions, the Company's ability to sell assets, incur liens, declare dividends and enter into lease-back transactions. As at March 31, 2018, the Company is in compliance with such covenants.

### Letters of Credit and Guarantees

The Company has a letter of credit facility with a syndicate of lenders that matures on June 22, 2018 ("**Secured LC Agreement**"). As at March 31, 2018, the outstanding letters of credit under the Secured LC Agreement totalled $ 81.9 million, compared to $82.3 million as at December 31, 2017. The lenders receive an amount equal to 5.0% per annum, computed on a quarterly basis in advance and due and payable on the first business day of each fiscal quarter, calculated on the undrawn portion, if any, of outstanding letters of credit, as a fee for their risk of drawing. The Secured LC Agreement contains covenants and events of default substantially similar to those in the Indenture. As of the date hereof, the Company is in compliance with such covenants.

The Company has various guarantees in place in the normal course of business. As at March 31, 2018, we had issued letters of credit and guarantees for $100.5 million, including: (i) $88.5 million of letters of credit, (ii) $5.0 million of cash collateralized letters of credit, and (iii) term deposits in Colombian currency for $7.0 million for exploration and operational commitments.

In light of the significant financial restrictions imposed by the Indenture, there can be no assurances that the Company will be successful in its efforts to obtain replacement letters of credit on terms satisfactory to the Company.

### Commitments and Contingencies

The following table summarizes the Company's estimated commitments, on an undiscounted basis, at March 31, 2018:

| (in thousands of US$) | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 and Beyond | Total |
|---|---|---|---|---|---|---|---|
| **Financial** | | | | | | | |
| Debt | — | — | — | 250,000 | — | — | 250,000 |
| Finance lease | 5,107 | 6,778 | 6,797 | 4,513 | — | — | 24,867 |
| **Transportation Commitments** | | | | | | | |
| ODL Ship-or-Pay Agreement | 37,175 | 49,052 | 30,073 | 1,144 | — | 165 | 117,609 |
| Bicentenario Ship-or-Pay Agreement | 104,265 | 139,020 | 139,020 | 139,020 | 139,020 | 211,623 | 871,968 |
| Transportation and processing commitments | 206,023 | 234,509 | 233,763 | 232,939 | 192,022 | 723,325 | 1,822,581 |
| **Exploration Commitments** | | | | | | | |
| Minimum work commitments | 113,996 | 31,413 | 54,615 | 27,546 | — | — | 227,570 |
| **Other Commitments** | | | | | | | |
| Operating purchases and leases | 46,859 | 13,881 | 13,752 | 12,633 | 11,512 | 7,738 | 106,375 |
| Community obligations | 7,002 | 821 | 821 | 554 | 554 | 1,108 | 10,860 |
| **Total** | **520,427** | **475,474** | **478,841** | **668,349** | **343,108** | **943,959** | **3,431,830** |

### Puerto Bahia - Equity Contribution Agreement

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

### Contingencies

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

No material changes have occurred with respect to the matters disclosed in "Note 24 - Commitments and Contingencies" of the Company's 2017 Audited Financial Statements.

## 7. OUTSTANDING SHARE DATA

The Company has the following outstanding share data as at May 9, 2018:

| | Number |
|---|---|
| Common Shares | 50,005,832 |
| Deferred Share Units ("**DSUs**") (1) | 56,080 |
| Restricted Share Units ("**RSUs**") (2) | 739,253 |

1. *DSUs represent a future right to receive Common Shares (or the cash equivalent) at the time of the holder's retirement, death or the holder otherwise ceasing to provide services to the Company. Each DSU awarded by the Company is initially equal to the fair market value of a Common Share at the time the DSU is awarded. The value of DSUs 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.*
2. *RSUs are granted with vesting conditions (typically based on continued service or achievement of personal or corporate objective). The value of RSUs 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.*

The Company does not have shares subject to escrow restrictions or pooling agreements.

## 8. RELATED-PARTY TRANSACTIONS

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

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

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

1. *Accounts receivable balances for ODL and Bicentenario include $48.4 million of dividends receivable (December 31, 2017: $Nil).*
2. *Amounts presented based on contractual payment obligations, prior to impairments.*

Except as described below, there have been no significant changes to any transaction with a related-party since December 31, 2017. For more information, refer to the Company's management discussion and analysis for the year ended December 31, 2017.

- CGX - The Company has a series of loans with CGX. The Company also has service arrangements with respect to certain corporate administrative services and technical service support provided for CGX's operations in Guyana. On April 26, 2018, the Company and CGX entered into an amended and restated bridge loan facility, pursuant to which the previous bridge loan facility dated April 26, 2017 was amended to: (i) increase the principal amount available under the facility to $14.1 million, and (ii) extend the maturity date of the facility from April 25, 2018 to July 31, 2018.

## 9. RISKS AND UNCERTAINTIES

The Company is exposed to a variety of risks, including but not limited to, operational, financial, competitive, political and environmental risks.

The Company is exposed to operational risks such as unsuccessful exploration and exploitation activities, inability to find new reserves that are commercially and economically feasible, uneconomic transportation methods, premature declines of reservoirs, changes to environmental regulations and other customary operating hazards and risks. The Company attempts to mitigate these risks by employing highly skilled employees and utilizing available technology. Furthermore, the Company also maintains insurance coverage that is consistent with industry practices to protect against insurable operating losses.

The Company is also exposed to normal financial risks inherent in the oil and natural gas industry including commodity price risk, exchange rate risk, interest rate risk and credit risk. The Company continuously monitors opportunities to use financial instruments to manage exposure to fluctuations in commodity prices, foreign currency rates, and interest rates.

The Company considers the risks identified above as the most significant risks associated with the disclosure contained in the Consolidated Financial Statements and this MD&A. The list above does not contain all of the risks associated with an investment in the securities of the Company. For a more comprehensive discussion of the risk and uncertainties that could have an effect on the business and operations of the Company, investors are urged to review the Company's AIF and Consolidated Financial Statements, copies of which are available on SEDAR at www.sedar.com.

# 10. ACCOUNTING POLICIES, CRITICAL JUDGMENTS, AND ESTIMATES

The Consolidated Financial Statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board, and with interpretations of the International Financial Reporting Interpretations Committee, which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook - Accounting. A summary of significant accounting policies applied is included in Note 2 of the Interim Financial Statements. The Company has not early adopted any standard, interpretation, or amendment that has been issued but is not yet effective. Recent accounting pronouncements of significance or potential significance are described in Note 2 of the Interim Financial Statements, including management's evaluation of impact and implementation progress.

The preparation of the Consolidated Financial Statements in accordance with IFRS requires the Company to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates, and assumptions affect the reported amounts of assets, liabilities, revenues, and other items in net operating earnings or loss and the related disclosure of contingent assets and liabilities included in the consolidated financial statements. The Company evaluates its estimates on an ongoing basis. The estimates are based on historical experience and on various other assumptions that the Company believes are reasonable under the circumstances. These estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amounts of revenues and other items. Actual results may differ from these estimates under different assumptions or conditions. A summary of the more significant judgments and estimates made by management in the preparation of its financial information is provided in Note 2 of the Interim Financial Statements.

# 11. INTERNAL CONTROL

In accordance with National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("**NI 52-109**") of the Canadian Securities Administrators, the Company issues a "Certification of Interim Filings." This Certification requires certifying officers to certify, among other things, that they are responsible for establishing and maintaining Disclosure Controls and Procedures ("**DC&P**") and Internal Controls over Financial Reporting ("**ICFR**") as those terms are defined in NI 52-109.

The Company's ICFR are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's ICFR may not prevent or detect all misstatements because of inherent limitations. Additionally, projections of any evaluation of effectiveness in future periods are subject to the risk that controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with the Company's policies and procedures.

There have been no changes in the Company's ICFR during the quarter ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, its ICFR.

The Company's DC&P is designed to provide reasonable assurance that:

- Material information relating to the Company is made known to the Company's certifying officers by others, particularly during the period in which the interim filings are being prepared.
- Information required to be disclosed by the Company in its annual filings, interim filings, and other reports filed or submitted by the Company under securities legislation is recorded, processed, summarized, and reported within the time period specified in securities legislation.

## 12. FURTHER DISCLOSURES

### Boe Conversion

The term "boe" is used in this MD&A. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of cubic feet to barrels is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In this MD&A, boe has been expressed using the Colombian conversion standard of 5.7 Mcf: 1 bbl required by the Colombian Ministry of Mines and Energy. For properties in Peru, the Company has expressed boe using the Peruvian conversion standard of 5.626 Mcf: 1 bbl required by Perupetro.

### Abbreviations

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

| | | | |
|---|---|---|---|
| **API** | American Petroleum Institute - gravity measure of petroleum liquid | **Mbbl/d** | Thousand barrels per day |
| **bbl** | Barrels | **Mboe** | Thousand barrels of oil equivalent |
| **bbl/d** | Barrels per day | **Mboe/d** | Thousand barrels of oil equivalent per day |
| **boe** | Barrels of oil equivalent | **MMbbl** | Million barrels |
| **boe/d** | Barrels of oil equivalent per day | **MMbbl/d** | Million barrels of oil per day |
| **D&P** | Development and producing | **MMboe** | Million barrels of oil equivalent |
| **CPI** | Incremental production contract | **$** | U.S. dollars |
| **E&E** | Exploration and evaluation | **$M** | Thousand U.S. dollars |
| **Mbbl** | Thousand barrels | **$MM** | Million U.S. dollars |