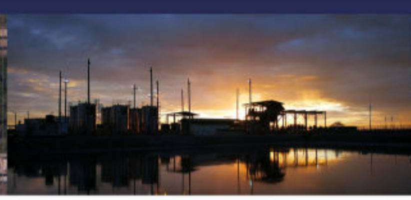
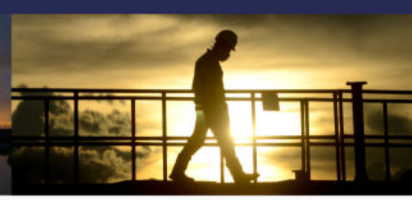
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS


*(**UNAUDITED**)*

For the three months ended March 31, 2022 and 2021

FRONTERA ENERGY

Interim Condensed Consolidated Statements of Income (Loss)

(Unaudited; in thousands of U.S.$, except per share information))	Notes	Three Months Ended March 31 2022	2021
Oil and gas sales and other revenue	4	$ 273,871	$ 190,844
Royalties		(19,244)	(6,110)
Revenue		254,627	184,734
Oil and gas operating costs	5	104,047	91,312
General and administrative	6	14,656	13,202
Share-based compensation		5,088	1,317
Depletion, depreciation and amortization		38,784	32,636
Recovery of asset retirement obligation and other expenses		(3,957)	(5,656)
Restructuring, severance and other costs		331	381
Income from operations		95,678	51,542
Share of income from associates	11	9,094	9,786
Foreign exchange income (loss)		3,642	(18,488)
Finance income		607	840
Finance expense		(12,235)	(13,587)
Loss on risk management contracts	14	(1,538)	(19,818)
Other loss, net		(6,019)	(9,601)
Net income before income tax		89,229	674
Current income tax expense		(1,553)	(4,191)
Deferred income tax recovery (expense)		14,304	(9,089)
Income tax recovery (expense)	7	12,751	(13,280)
Net income (loss) for the period		$ 101,980	$ (12,606)
Attributable to:			
Equity holders of the Company		102,228	(14,126)
Non-controlling interests		(248)	1,520
		$ 101,980	$ (12,606)
Earnings (loss) per share attributable to equity holders of the Company			
Basic	8	$ 1.08	$ (0.14)
Diluted	8	$ 1.05	$ (0.14)

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited; in thousands of U.S.$)	Three Months Ended March 31 2022	2021
Net income (loss) for the period	$ 101,980	$ (12,606)
Other comprehensive loss (income) may be reclassified to net income (loss) in subsequent periods (nil tax effect)		
Foreign currency translation	16,482	(17,735)
Total comprehensive income (loss) for the period	$ 118,462	$ (30,341)
Attributable to:		
Equity holders of the Company	$ 114,170	$ (26,066)
Non-controlling interests	4,292	(4,275)
	$ 118,462	$ (30,341)

Interim Condensed Consolidated Statements of Financial Position

As at *(Unaudited; in thousands of U.S.$)*	Notes	March 31 2022	December 31 2021
ASSETS			
Current			
Cash and cash equivalents		$ 257,373	$ 257,504
Restricted cash		32,823	32,900
Accounts receivable	14	157,795	115,515
Inventories		85,395	50,076
Income taxes receivable		52,044	41,917
Prepaid expenses and deposits		18,085	18,974
Risk management assets	14	4,604	274
Total current assets		608,119	517,160
Non-current			
Properties, plant and equipment	9	1,538,986	1,532,751
Exploration and evaluation assets	10	249,005	188,904
Investments in associates	11	56,972	87,199
Deferred tax assets	7	239,629	225,143
Restricted cash		33,323	30,421
Other assets		34,126	29,502
Total non-current assets		2,152,041	2,093,920
Total assets		$ 2,760,160	$ 2,611,080
LIABILITIES			
Current			
Accounts payable and accrued liabilities	14	$ 460,189	$ 402,595
Current portion of long-term debt		147,604	146,724
Risk management liabilities	14	2,850	4,116
Income taxes payable		2,847	11,362
Lease liabilities		4,668	4,241
Asset retirement obligations	12	26,093	27,007
Total current liabilities		644,251	596,045
Non-current			
Long-term debt		403,430	405,838
Other payables	14	5,123	2,665
Lease liabilities		2,579	3,332
Deferred tax liabilities		4,734	4,278
Risk management liabilities	14	1,073	2,697
Asset retirement obligations	12	137,384	147,334
Total non-current liabilities		554,323	566,144
Total liabilities		$ 1,198,574	$ 1,162,189
Commitments and contingencies	16		
EQUITY			
Share capital		$ 4,688,246	$ 4,694,370
Contributed surplus		122,713	122,489
Other reserves		(79,423)	(91,365)
Accumulated deficit		(3,222,300)	(3,324,528)
Equity attributable to equity holders of the Company		$ 1,509,236	$ 1,400,966
Non-controlling interests		52,350	47,925
Total equity		$ 1,561,586	$ 1,448,891
Total liabilities and equity		$ 2,760,160	$ 2,611,080

Interim Condensed Consolidated Statements of Changes in Equity

(Unaudited; in thousands of U.S.$)	Attributable to Equity Holders of the Company								
	Number of Common Shares	Share Capital	Contributed Surplus	Cumulative Translation Adjustment	Fair Value Investment	Accumulated Deficit	Total	Non-Controlling Interests	Total Equity
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 (loss) 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 [1]	(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

(Unaudited; in thousands of U.S.$)	Attributable to Equity Holders of the Company								
	Number of Common Shares	Share Capital	Contributed Surplus	Cumulative Translation Adjustment	Fair Value Investment	Accumulated Deficit	Total	Non-Controlling Interests	Total Equity
As at January 1, 2021	97,466,224	$ 4,711,620	$ 124,978	$ (174,882)	$ (5,202)	$ (3,952,661)	$ 703,853	$ 60,979	$ 764,832
Net (loss) income for the period	—	—	—	—	—	(14,126)	(14,126)	1,520	(12,606)
Other comprehensive loss	—	—	—	(11,940)	—	—	(11,940)	(5,795)	(17,735)
Total comprehensive loss	—	—	—	(11,940)	—	(14,126)	(26,066)	(4,275)	(30,341)
Repurchase of Common Shares [1]	(262,000)	(1,316)	—	—	—	—	(1,316)	—	(1,316)
Share-based compensation	—	—	1,287	—	—	—	1,287	329	1,616
As at March 31, 2021	97,204,224	$ 4,710,304	$ 126,265	$ (186,822)	$ (5,202)	$ (3,966,787)	$ 677,758	$ 57,033	$ 734,791

*[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 may purchase for cancellation up to 4,787,976 of its Common Shares during the twelve-month period commencing March 17, 2022 and ending March 16, 2023. During the three months ended March 31, 2022, the Company repurchased for cancellation $6.1 million of common shares (2021: $1.3 million), for an average repurchase cost of $9.79/share (2021: $5.02/share).*

Interim Condensed Consolidated Statements of Cash Flows

(In thousands of U.S.$)	Notes	Three Months Ended March 31 2022	2021
OPERATING ACTIVITIES			
Net income (loss) for the period		$ 101,980	$ (12,606)
Items not affecting cash:			
Depletion, depreciation and amortization		38,784	32,636
Recovery of asset retirement obligations	12	(4,429)	(5,738)
Unrealized (gain) loss on risk management contracts	15	(1,144)	8,838
Share-based compensation		5,088	1,317
Deferred income tax (recovery) expense	7	(14,304)	9,089
Unrealized foreign exchange (gain) loss		(8,041)	19,525
Share of income from associates	11	(9,094)	(9,786)
Finance expense		12,235	13,587
Finance income		(607)	(840)
Dividends from associates	11	9,101	9,045
Income tax paid		(4,546)	(540)
Interest received		442	583
Settlement of asset retirement obligations	12	(2,224)	(303)
Other		3,258	698
Changes in non-cash working capital	15	(11,519)	(18,112)
Cash provided by operating activities		$ 114,980	$ 47,393
INVESTING ACTIVITIES			
Additions to oil and gas properties and plant and equipment		$ (50,283)	$ (7,583)
Additions to exploration and evaluation assets		(60,422)	(6,212)
Return of capital contributions from investment in associates	11	1,942	2,026
Sale of subsidiaries, net of cash	16	(4,000)	—
Decrease (increase) in restricted cash and other		525	(1,321)
Changes in non-cash working capital	15	6,640	(8,161)
Cash used in investing activities		$ (105,598)	$ (21,251)
FINANCING ACTIVITIES			
Repayment of long-term debt		$ (1,697)	$ —
Lease payments		(1,071)	(4,155)
Repurchase of Common Shares		(6,124)	(1,316)
Interest and other charges paid		(1,068)	(535)
Cash used in financing activities		$ (9,960)	$ (6,006)
Effect of exchange rate changes		447	(4,187)
Increase in cash and cash equivalents during the period		(131)	15,949
Cash and cash equivalents, beginning of the period		257,504	232,288
Cash and cash equivalents, end of the period		$ 257,373	$ 248,237
Cash		194,080	178,889
Cash equivalents		63,293	69,348
Total cash and cash equivalents		$ 257,373	$ 248,237

1. Corporate Information

Frontera Energy Corporation (the "**Company**") is an oil and gas company formed and existing under the laws of British Columbia, Canada, that is engaged in the exploration, development and production of crude oil and natural gas in South America. The Company's 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 1610, 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, comprising those of the Company and its subsidiaries, were approved and authorized for issuance by the Audit Committee of the Board of Directors on, May 3, 2022.

2. Basis of Preparation and Significant Accounting Policies

Statement of Compliance

These interim condensed consolidated financial statements for the three months ended March 31, 2022 and 2021 (the "**Interim 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 Financial Statements on the basis that it will continue to operate as a going concern.

The Interim 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, 2021 (the "**2021 Annual Financial Statements**").

Functional and Presentation Currency

The consolidated 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 Financial Statements are consistent with those disclosed in the 2021 Annual Financial Statements, except as outlined below.

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

Changes in Accounting Policies and Disclosures

The Company applied certain new amendments and interpretations effective from January 1, 2022, for the first time.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location, and conditions necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The Company adopted the standard effective January 1, 2022, applying the retrospective transition to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the Company first applies the amendment.

As a result of adopting the standard on January 1, 2022, the Company has assessed the impact of this amendment, and due to the insignificant impact on the recalculation of the carrying amount of Property, Plant and Equipment the comparative period information has not been restated.

Changes in Exploration and Evaluation Costs Accounting Policy

Exploration and evaluation ("**E&E**") costs include expenditures to acquire licenses to explore, farm into or acquire rights to working interest on exploration properties, appraisal costs of technical services and studies, seismic acquisition, exploratory drilling and testing. These costs are initially capitalized by well, field, unit of account or specific exploration unit, as appropriate, and are not subject to depreciation or depletion. Costs incurred prior to obtaining the legal rights to explore an area, geological and geophysical ("**G&G**") costs, including payroll, and payments made to fulfill the remaining balance of minimum exploration work commitment for certain blocks, are recognized in net income (loss) as exploration expenses. E&E assets are reclassified to oil and gas properties, after an impairment review, when commercial reserves have been discovered and technical feasibility and commercial viability are demonstrable. If technical feasibility and commercial viability cannot be demonstrated upon completion of the exploration phase, the carrying value of the E&E costs is expensed in the period this determination is made.

The proceeds from selling items produced of an E&E assets is not deducted from the cost. The proceeds from selling such items, and the costs of producing those items, are recognized in profit or loss.

Key Accounting Estimates and Judgments

COVID-19 Pandemic

In March 2020, the World Health Organization declared the coronavirus outbreak a pandemic. The spread of COVID-19 has resulted in a challenging economic environment, with more volatile commodity prices, foreign exchange rates, and long-term interest rates. It remains difficult to reliably estimate the length or severity of these developments and their financial impact. As there are many variables and uncertainties regarding the COVID-19 pandemic, as well as its impact on global demand in the oil and gas industry, it is not possible to precisely estimate the potential impact of the COVID-19 pandemic on the Company's financial condition and operations. This presents uncertainty and risk with respect to management's judgments, estimates and assumptions that could affect the application of accounting policies.

Russia-Ukraine War

The Company does not have sales, production or operations within Russia or Ukraine, and is not expected that the war will directly impact its operations. Nevertheless, the ongoing war could result in volatility in oil prices, inflation, and shortage or delays for certain goods or services. The Company continues assessing its exposure.

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 16). 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 addition to Oil and Gas properties.

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

3. Segmented Information

The Company has five 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.
- Peru: Includes certain business activities in Peru. The Company continues to sell oil inventory and complete 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.
- Ecuador and others: Includes all upstream business activities of exploration in Ecuador. In addition, this includes the corporate office in Canada, and non-operating entities that have been aggregated as they do not generate revenue for the Company.
- Guyana: Includes all offshore upstream business activities of exploration in Guyana.
- Midstream: Includes the Company's investments in pipelines, storage, port, and other facilities relating to the distribution and exportation of crude oil products in Colombia.

For the three months ended March 31, 2022, operating segmented information for the Interim Condensed Consolidated Statements of Income (Loss) is as follows:

	Exploration and Production Onshore						Exploration Offshore							
	Colombia		Peru		Ecuador & Others		Guyana		Midstream		Eliminations		Total	
Three Months Ended March 31	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Oil and gas sales and other revenue	$ 264,991	$ 162,578	$ —	$ 22,382	$ —	$ —	$ —	$ —	$ 19,824	$ 16,845	$ (10,944)	$ (10,961)	$ 273,871	$ 190,844
Royalties	(19,244)	(6,110)	—	—	—	—	—	—	—	—	—	—	(19,244)	(6,110)
Revenue	245,747	156,468	—	22,382	—	—	—	—	19,824	16,845	(10,944)	(10,961)	254,627	184,734
Oil and gas operating costs	109,839	75,367	473	18,336	—	—	—	—	4,679	4,528	(10,944)	(6,919)	104,047	91,312
General and administrative	8,607	8,219	265	513	2,380	1,561	1,742	1,444	1,671	1,476	(9)	(11)	14,656	13,202
Share-based compensation	3,631	142	(251)	38	1,420	808	288	329	—	—	—	—	5,088	1,317
Depletion, depreciation and amortization	37,228	35,028	—	50	69	191	11	3	1,476	793	—	(3,429)	38,784	32,636
Recovery of asset retirement obligation and other expenses	(3,445)	(4,908)	(544)	(748)	32	—	—	—	—	—	—	—	(3,957)	(5,656)
Restructuring, severance and other costs	154	351	—	30	3	—	—	—	174	—	—	—	331	381
Income (loss) from operations	89,733	42,269	57	4,163	(3,904)	(2,560)	(2,041)	(1,776)	11,824	10,048	9	(602)	95,678	51,542
Share of income from associates	—	—	—	—	—	—	—	—	9,094	9,786	—	—	9,094	9,786
Segment income (loss)	$ 89,733	$ 42,269	$ 57	$ 4,163	$ (3,904)	$ (2,560)	$ (2,041)	$ (1,776)	$ 20,918	$ 19,834	$ 9	$ (602)	$ 104,772	$ 61,328
Other non-operating expense items													(15,543)	(60,654)
Income tax recovery (expense)													12,751	(13,280)
Net income (loss) for the period													$ 101,980	$ (12,606)

(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 2022	December 31 2021
Colombia	$ 1,893,187	$ 1,896,374
Guyana	242,042	188,566
Ecuador	16,639	8,689
Canada & Others	173	291
Total non-current assets	$ 2,152,041	$ 2,093,920

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	
	2022	2021
Colombia		
Crude oil sales	$ 261,200	$ 160,737
Gas sales	3,791	1,841
Colombia oil and gas sales	264,991	162,578
Peru crude oil sales	—	22,382
Oil and gas sales	264,991	184,960
Midstream sales to external customers	8,880	5,884
Inter-segment sales	10,944	10,961
Midstream sales	19,824	16,845
Elimination of midstream inter-segment sales	(10,944)	(10,961)
Oil and gas sales and other revenue	$ 273,871	$ 190,844

5. Operating Costs

	Three Months Ended March 31	
	2022	2021
Production costs	$ 49,861	$ 34,649
Transportation costs	32,153	40,089
Cost of purchases	35,422	4,004
Inventory valuation	(18,572)	3,228
Dilution costs	298	7,473
Post-termination obligation	228	—
Settlement overlift	(22)	(2,659)
Total oil and gas operating costs	99,368	86,784
Port operating costs	4,679	4,528
Total operating costs	$ 104,047	$ 91,312

6. General and Administrative

	Three Months Ended March 31	
	2022	2021
Salaries and benefits	$ 8,258	$ 7,215
Professional fees	4,174	3,578
Taxes	1,464	921
Others expenses	760	1,488
Total	$ 14,656	$ 13,202

7. 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	
	2022	**2021**
Net income before income tax	$ 89,229	$ 674
Colombian statutory income tax rate	35%	31%
Income tax expense at statutory rate	31,230	209
Increase (decrease) in income tax provision resulting from:		
Non-deductible/taxable expense/income and other differences	11,337	25,263
Share-based compensation	1,516	344
Differences in tax rates	(10,246)	(8,942)
Change in deferred income tax	(46,588)	(3,594)
Income tax (recovery) expense	(12,751)	13,280
Current income tax expense	1,553	4,191
Deferred income tax (recovery) expense:		
Relating to origination and reversal of temporary differences	(14,304)	9,089
Income tax (recovery) expense	$ (12,751)	$ 13,280

During the three months ended March 31, 2022, the Company recognized a current income tax expense of $1.6 million, (2021: $4.2 million) related to current income tax expenses of $1.5 million, $4.1 million of income tax on dividends from investment in associates and an offsetting of $4.0 million related to changes in prior years tax assessments recognized during the first quarter of 2022.

During the three months ended March 31, 2022, the Company recognized a deferred income tax recovery of $14.3 million (2021: $9.1 million expense), mainly due to the Colombian pesos revaluation. As of March 31, 2022, the deferred income tax assets is $239.6 million (2021: $225.1 million).

8. Earnings (Loss) per Share

	Three Months Ended March 31	
(In thousands of U.S.$, except share and per share amounts)	**2022**	**2021**
Net income (loss) attributable to equity holders of the Company	$ 102,228	$ (14,126)
Basic weighted average number of shares outstanding	94,560,453	97,464,158
Effect of dilution from dilutive instruments	2,737,853	—
Diluted weighted average number of shares outstanding	97,298,306	97,464,158
Earnings (loss) per share attributable to equity holders of the Company		
Basic	$ 1.08	$ (0.14)
Diluted	$ 1.05	$ (0.14)

9. Properties, Plant and Equipment

Cost	Oil & Gas Properties	Port Infrastructure	Plant & Equipment	Total
As at January 1, 2022	$ 7,985,061	$ 242,472	$ 111,457	$ 8,338,990
Additions	49,107	1,912	318	51,337
Change in asset retirement obligations (Note 12)	(10,275)	—	—	(10,275)
Disposal	(80)	(203)	(212)	(495)
Currency translation adjustment	4,828	13,091	273	18,192
As at March 31, 2022	$ 8,028,641	$ 257,272	$ 111,836	$ 8,397,749

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

Accumulated Depletion, Depreciation and Impairment	Oil & Gas Properties	Port Infrastructure	Plant & Equipment	Amount
As at January 1, 2022	$ 6,697,092	$ 9,239	$ 99,908	$ 6,806,239
Charge for the period	46,425	1,434	853	48,712
Disposal	(7)	—	(104)	(111)
Currency translation adjustment	4,456	(708)	175	3,923
As at March 31, 2022	$ 6,747,966	$ 9,965	$ 100,832	$ 6,858,763

Net Book Value	Oil & Gas Properties	Port Infrastructure	Plant & Equipment	Amount
As at January 1, 2022	$ 1,287,969	$ 233,233	$ 11,549	$ 1,532,751
As at March 31, 2022	$ 1,280,675	$ 247,307	$ 11,004	$ 1,538,986

Properties, plant and equipment comprise owned and leased assets, as follows:

	Oil & Gas Properties	Port Infrastructure	Plant & Equipment	Amount
Properties, plant and equipment - owned	1,276,110	247,307	7,741	1,531,158
ROU assets - leased	4,565	—	3,263	7,828
As at March 31, 2022	$ 1,280,675	$ 247,307	$ 11,004	$ 1,538,986

Details ROU assets are as follows:

	Power Generation	Plant & Equipment	Total
As at January 1, 2022	$ 5,330	$ 3,580	$ 8,910
Additions	—	189	189
Changes in estimates	—	(53)	(53)
Depreciation	(765)	(453)	(1,218)
As at March 31, 2022	$ 4,565	$ 3,263	$ 7,828

10. Exploration and Evaluation Assets

	2022
As at January 1	$ 188,904
Additions [1]	60,422
Change in asset retirement obligations	(171)
Disposals	(150)
As at March 31	$ 249,005

[1] *Mainly, includes additions in Guyana related to Corentyne block of $51.7 million and in Ecuador related to Perico block of $6.7 million.*

11. Investments in Associates

	ODL
As at January 1, 2022	$ 87,199
Share of income from associates	9,094
Dividends	(40,483)
Return of capital contributions	(3,887)
Currency translation adjustment	5,049
As at March 31, 2022	$ 56,972
Company's interest as at March 31, 2022	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 significance of 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")

During the period ended March 31, 2022, the Company recognized gross dividends of $40.5 million (2021: $41.6 million) and received cash dividends of $9.1 million (2021: $9.0 million). As at March 31, 2022, the carrying value of dividends receivable after withholding taxes is $27.8 million (2021: $Nil).

In addition, during the three months ended March 31, 2022, the Company recognized a return of capital contributions of $3.9 million (2021: $4.2 million) and received cash in the amount of $1.9 million, (2021: $2.0 million).

12. Asset Retirement Obligations

		2022
As at January 1	$	174,341
Accretion expense		1,368
Additions		403
Changes in estimates		(5,982)
Liabilities settled		(2,224)
Recovery of asset retirement obligation		(4,429)
As at March 31	$	163,477

As at		**March 31 2022**		**December 31 2021**
Current portion	$	26,093	$	27,007
Non-current portion		137,384		147,334
Total	$	163,477	$	174,341

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 $249.5 million (2021: $245.4 million), which is expected to be executed between 2022 and 2042, of which $217.6 million (2021: $213.4 million) will be incurred in Colombia and $31.9 million (2021: $31.9 million) in Peru.

During the three months ended March 31, 2022, the Company recognized a decrease in its ARO from changes in estimates of $6.0 million, which includes a reduction of $6.8 million relating to updating the risk-free and inflation rates and $7.7 million relating to updated cost estimates to abandon and reclaim wells and well sites, including environmental liabilities, and an increase of $8.5 million due to the impact of foreign exchange rates. A total of $10.3 million relating to changes in estimates was recognized within Properties, Plant and Equipment (Note 9).

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

- A risk-free rate between 7.9% and 9.6% and an inflation rate between 2.5% and 4.1% for cash flows expected to be settled in Colombian Pesos (**"COP"**) (2021: risk-free rate between 6.3% and 8.6% with inflation rate between 3.0% and 3.9%); and
- A risk-free rate between 3.4% and 3.6% and an inflation rate between 2.4% and 2.8% for cash flows expected to be settled in U.S. dollars (2021: risk-free rate between 2.1% and 2.6% with inflation rate between 2.2% and 2.6%).

13. Related-Party Transactions

The following tables provide the total balances outstanding, commitments and transactional amounts with related parties as at March 31, 2022, and December 31,2021, and for three months ended March 31, 2022, and 2021:

		Accounts Receivable	**Accounts Payable**	**Commitments**	**Purchases / Services**
ODL	2022	$ 29,779	$ 284	$ 48,944	$ 5,363
	2021	—	112	56,716	9,072

ODL is an investment in associate of the Company. The related-party transactions correspond to the ship-or-pay contract for the transportation of crude oil in Colombia for a total commitment of $48.9 million until 2025 (Note 16).

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

14. 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, foreign exchange rates and interest rates) 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 ECL model allowances:

As at	**March 31 2022**	**December 31 2021**
Trade receivables	$ 89,657	$ 83,087
Other receivables	40,197	14,486
Receivables from joint arrangements	34,143	31,326
Withholding tax and others	21,465	15,652
Allowance for expected credit losses [1]	(27,667)	(29,036)
Accounts receivable	$ 157,795	$ 115,515
Withholding tax and others - not considered for credit risk	(21,465)	(15,652)
Total financial assets carried at amortized cost	$ 136,330	$ 99,863

[1] *Includes ECLs of $15.7 million for trade receivables (2021: $15.7 million).*

Reconciliation of ECLs

The following table shows a continuity of ECLs:

	2022
As at January 1	$ 29,036
Provision for ECLs	27
Write-off	(1,396)
As at March 31	27,667

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 equivalent.

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

The following tables summarizes the undiscounted cash outflows relating to contractual maturities of the Company's non-derivative financial liabilities as at March 31, 2022:

Financial Liability Due In	2022	2023	2024	2025	2026	Subsequent to 2027	Total
Accounts payable and accrued liabilities (1)	$ 465,312	$ —	$ —	$ —	$ —	$ —	$ 465,312
Long-term debt (2)	145,817	13,549	—	—	—	400,000	$ 559,366
Interest on Long-term debt	39,236	32,108	31,500	31,500	31,500	47,250	213,094
Lease liabilities	4,534	3,159	82	52	—	—	7,827
Total	$ 654,899	$ 48,816	$ 31,582	$ 31,552	$ 31,500	$ 447,250	$ 1,245,599

(1) Includes provisions of $125.3 million, which do not have a definitive repayment period and are therefore classified as current liabilities. These provisions are not expected to be settled within the next 12 months.

(2) The 2025 Puerto Bahia Debt of $143.1 million is presented as a current liability as the lenders have given notices stating that Puerto Bahia is in breach of various loan covenants. However, the maturity of this loan is not expected to occur within the next 12 months as the Company continues to service the loan in accordance with the repayment schedule and no amounts have been accelerated. Amounts currently due within the next 12 months total $40.0 million.

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

As at	March 31 2022	December 31 2021
Trade and other payables	$ 173,541	$ 151,704
Accrued liabilities	88,031	68,341
Supplier holdbacks and advances	34,330	26,822
Withholding and tax provisions	7,265	7,756
Share-based payment liability	12,710	7,079
	315,877	261,702
Provision for contingencies and others	149,435	143,558
Total payable and accrual liabilities	$ 465,312	$ 405,260

The Company has various guarantees in place in the normal course of business, supported by issued letters of credit. As at March 31, 2022, the Company had issued letters of credit for a total of $86.3 million (2021: $82.8 million).

iii) Market and Interest Risk

Market and interest risk is 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, foreign exchange hedging instruments to manage foreign currency fluctuations, and interest rate swaps to hedge its interest relating to the long-term debt.

Risk Management Contracts

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

Risk Management Contracts - Crude Oil

				Avg. Strike Prices	Carrying Amount	
Type of Instrument	**Term**	**Benchmark**	**Volume (bbl)**	**Put $/bbl**	**Assets**	**Liabilities**
Put	April to September 2022	Brent	2,765,000	70.00	$ 3,648	$ —
Total as at March 31, 2022					3,648	—
Total as at December 31, 2021					$ 274	$ 279

Risk Management Contracts - Foreign Exchange

				Avg. Put / Call	Carrying Amount	
Type of Instrument	**Term**	**Benchmark**	**Notional Amount / Volume in USD**	**Par forward (COP$)**	**Assets**	**Liabilities**
Zero-cost collars	April to June 2022	COP / USD	$ 60,000,000	3,750 / 4,402	$ 956	$ —
Total as at March 31, 2022					956	—
Total as at December 31, 2021					$ —	$ 276

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

Risk Management Contracts - Interest swaps

The Company has a financial derivative to manage exposure to risks due to the fluctuation of the interest rate expressed in LIBOR in the 2025 Puerto Bahia Debt. Puerto Bahia monitors and manages its exposure through the swaps.

As at March 31, 2022, the Company has a swap contract from July 2022 to June 2025:

				Avg. Strike Prices	Carrying Amount	
Type of Instrument	**Term**	**Benchmark**	**Notional Amount**	**Floating rate**	**Assets**	**Liabilities**
Swap	April 2022 to June 2025	LIBOR + 180	$ 121,100	3.9 %	$ —	$ 3,923
Total as at March 31, 2022					—	3,923
Total as at December 31, 2021					$ —	$ 6,258

	Assets	Liabilities
Current portion	$ 4,604	$ 2,850
Non-current portion	$ —	$ 1,073
Total Risk Management Contracts as at March 31, 2022	$ 4,604	$ 3,923
Total Risk Management Contracts as at December 31, 2021	$ 274	$ 6,813

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

	Three Months Ended March 31	
	2022	**2021**
Premiums paid on risk management contracts settled	$ (2,682)	$ (2,120)
Cash settlement on risk management contracts	—	(8,860)
Realized loss on risk management contracts	(2,682)	(10,980)
Unrealized gain (loss) on risk management contracts	1,144	(8,838)
Total	$ (1,538)	$ (19,818)

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.

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, 2022, and December 31, 2021:

			Fair Value		
	Period	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets Measured at Fair Value through Profit & Loss					
Risk management assets	2022	$ 4,604	$ —	$ 4,604	$ —
	2021	274	—	274	—
Financial Assets Measured at Fair Value through Other Comprehensive Income					
Investments in equity instruments	2022	$ 1,026	$ —	$ —	$ 1,026
	2021	1,167	—	—	1,167
Financial Liabilities Measured at Fair Value through Profit & Loss					
Risk management liabilities	2022	$ (3,923)	$ —	$ (3,923)	$ —
	2021	(6,813)	—	(6,813)	—
Financial Liabilities Measured at Amortized Cost					
2028 Unsecured Notes	2022	$ (391,668)	$ —	$ (375,324)	$ —
	2021	(391,498)	—	(375,688)	—
2025 Puerto Bahia and PetroSud debts	2022	$ (159,366)	$ —	$ (159,366)	$ —
	2021	(161,064)	—	(161,064)	—

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

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

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 makes adjustments 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 unsecured notes due on June 21, 2028 (the "**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 2022	December 31 2021
Equity attributable to equity holders of the Company	$ 1,509,236	$ 1,400,966
Long-term debt	403,430	405,838
Working capital deficit [(1)]	36,132	78,885
Total	$ 1,948,798	$ 1,885,689

[(1)] Working capital deficit is a non-GAAP measure, and is defined as the net of total current assets after deducting total current liabilities, including the current portion of long-term debt.

15. Supplemental Disclosure on Cash Flows

Changes in non-cash working capital are as follows:

	Three Months Ended March 31 2022	2021
Increase (decrease) in accounts payable and accrued liabilities	$ 42,673	$ (20,783)
Increase in accounts receivable	(13,335)	(4,864)
(Decrease) increase in income taxes payable	(2,518)	53
(Increase) decrease in inventories	(25,201)	3,470
Decrease in prepaid expenses and deposits	889	1,284
Increase in income taxes receivable	(7,387)	(5,433)
Changes in non-cash working capital	$ (4,879)	$ (26,273)
Attributable to		
Operating activities	$ (11,519)	$ (18,112)
Investing activities	6,640	(8,161)
Changes in non-cash working capital	$ (4,879)	$ (26,273)

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

16. Commitments and Contingencies

Commitments

The Company's commitments as at March 31, 2022, undiscounted and by calendar year, are presented below:

As at March 31, 2022	2022	2023	2024	2025	2026	Subsequent to 2027	Total
Transportation							
Ocensa P-135 ship-or-pay agreement	$ 52,717	$ 70,289	$ 70,289	$ 35,144	$ —	$ —	$ 228,439
ODL agreements	11,806	14,855	14,855	7,428	—	—	48,944
Other transportation and processing commitments	6,967	11,793	11,793	11,793	11,793	6,646	60,785
Exploration and evaluation							
Minimum work commitments [1]	80,545	90,488	17,265	24,351	—	—	212,649
Other commitments							
Operating purchases, community obligations and others.	35,671	18,735	12,050	17,200	8,709	15,732	108,097
Total	$ 187,706	$ 206,160	$ 126,252	$ 95,916	$ 20,502	$ 22,378	$ 658,914

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

Guyana Exploration

As of March 31, 2022, the Company, through its 76.98% interest in CGX and directly through its 33,33% working interest in the Corentyne and Demerara Blocks, has exploration work commitments under Petroleum Prospecting Licenses ("**PPL**") for certain Guyana blocks, as follows:

- In accordance with the Corentyne PPL, which is currently in phase two of the second renewal period, one exploration well must be drilled by November 26, 2022.
- On February 14, 2022, CGX and Frontera, the majority shareholder of CGX and joint venture partner of CGX in the PPL for the Demerara block, announced that as a result of the initial positive results at the Kawa-1 exploration well on the Corentyne block, the joint venture will focus on the significant exploration opportunities in the Corentyne block and will not engage in drilling activities on the Demerara block in 2022.

CGX (as operator) and Frontera, as joint venture partners have entered into agreements with suppliers for activities to complete requirements under the PPL for the Corentyne block. Also, CGX, has entered into agreements with suppliers for the Guyana Port Project. As at March 31, 2022, the aggregate minimum future obligation still outstanding under these agreements is $9.5 million, which is expected to be paid in 2022 (December 31, 2021: $32.1 million).

On April 22, 2021, the Company and CGX jointly announced that CGX, operator of the Corentyne block, entered into an agreement with Maersk Drilling Holdings Singapore Pte. Ltd. ("**Maersk**") for the provision of a semi-submersible drilling unit owned by Maersk (the "**Maersk Discoverer**") and associated services to drill the joint venture's Kawa-1 well. In relation to that agreement, Frontera entered into a deed of guarantee with Maersk for certain obligations, up to a maximum of $25.0 million, and the option to drill a second well. On January 31, 2022, the Company and CGX announced that CGX had exercised its option with Maersk to drill a second well using the Maersk Discoverer.

Oleoducto Central S.A. ("Ocensa") and Cenit Transporte y Logistica de Hidrocarburos S.A.S. ("Cenit") Pledge

On April 29, 2020, Ocensa and the Company entered into a pledge agreement pursuant to which the Company guaranteed payment to Ocensa through a pledge of the crude oil transported in the Ocensa Pipeline. The term of the pledge agreement has been amended and extended until April 30, 2022. During the term of the pledge agreement, Ocensa has agreed not to exercise its early termination and prepayment rights. The pledge agreement will automatically terminate if the Company subsequently meets certain credit conditions set forth in the ship-or-pay agreement.

In May, 2022, a new ship-or-pay contract with Bicentenario and Cenit will take effect, and as a result the pledged inventory crude oil will be 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 Cenit and Ocensa, which will guarantee the payment obligations of both contracts, for the period from May 1, 2022, to September 30, 2022, with Ocensa up to $30.0 million, and May 1, 2022, to October 31, 2022, with Cenit up to $6.0 million.

Sale of Subsidiary Maurel et Prom Colombia B.V. ("M&P")

On October 22, 2021, the Company executed and closed a sale and settlement agreement, transferring to Etablissement Maurel & Prom ("**EMP**") 49.999% of all issued and outstanding shares of M&P which holds 100% interests in the COR-15 and Muisca blocks in Colombia. The Company's cash consideration was $1.8 million. In addition, during the first quarter of 2022, the Company made payments of $4.0 million related to outstanding commitments at COR-15.

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 is achieved. As at March 31, 2022, the Company has paid or accrued a total of $10.9 million of such amounts under the agreement.

Contingencies

The Company is involved in various claims and litigation arising in the normal course of business. Since the outcomes of these matters are uncertain, there can be no assurance that such matters will be resolved in the Company's favour. The outcome of adverse decisions in any pending or threatened proceedings related to these and other matters could have a material impact on the Company's financial position, results of operations or cash flows. No material changes have occurred regarding the matters disclosed in Note 27 - Commitments and Contingencies of the 2021 Annual Financial Statements.

17. Subsequent Events

Acquisition of 35% Interest in El Dificil Block

The Company through its acquisition of PetroSud acquired a 65% working interest in the El Dificil block. On December 30, 2021, the Company entered into an agreement to acquire the remaining 35% working interest held by PCR Investments S.A., for total aggregate cash consideration of approximately $13.0 million. On April 27, 2022, the Agencia Nacional de Hidrocarburos ("ANH") signed the amendment to the El Dificil Agreement formalizing the assignment of the participation in the block to the Company, which now holds a 100% working interest in the El Dificil block.