

# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



**(UNAUDITED)**

*For the three and nine months ended  
September 30, 2023, and 2022*



# Interim Condensed Consolidated Statements of Income (Loss)

(Unaudited; in thousands of U.S.\$, except per share information)	Notes	Three Months Ended September 30		Nine Months Ended September 30	
		2023	2022*	2023	2022*
Oil and gas sales and other revenue	4	\$ 321,083	\$ 378,919	\$ 880,368	\$ 1,028,823
Royalties		(12,216)	(24,371)	(31,266)	(75,633)
Revenue		308,867	354,548	849,102	953,190
Operating costs	5	106,998	99,060	296,212	255,317
Costs of purchases	5	54,555	63,478	180,444	152,394
General and administrative	6	11,925	12,549	37,016	42,302
Share-based compensation		1,018	1,422	1,893	5,927
Depletion, depreciation and amortization	10	61,756	57,927	209,858	146,221
Impairment, exploration expenses, and other	7	6,257	1,467	1,032	2,608
Restructuring, severance and other costs		1,407	453	4,804	1,839
Income from operations		64,951	118,192	117,843	346,582
Share of income from associates	12	13,726	11,166	41,643	29,908
Foreign exchange income (loss)		4,305	(38,745)	9,551	(48,183)
Finance income		1,941	1,699	7,714	3,182
Finance expense		(16,411)	(13,896)	(47,320)	(38,752)
(Loss) income on risk management contracts	16	(1,820)	(6,030)	10,245	(12,841)
Other (loss) income		(1,207)	5,662	4,382	(5,419)
Net income before income tax		65,485	78,048	144,058	274,477
Current income tax expense		(15,333)	(8,584)	(27,141)	(11,162)
Deferred income tax expense		(17,679)	(93,778)	(15,996)	(169,514)
Income tax expense	8	(33,012)	(102,362)	(43,137)	(180,676)
Net income (loss) for the period		\$ 32,473	\$ (24,314)	\$ 100,921	\$ 93,801
Attributable to:					
Equity holders of the Company		32,582	(26,893)	101,459	88,819
Non-controlling interests		(109)	2,579	(538)	4,982
		\$ 32,473	\$ (24,314)	\$ 100,921	\$ 93,801
Earnings per share attributable to equity holders of the Company					
Basic	9	\$ 0.38	\$ (0.30)	\$ 1.19	\$ 0.96
Diluted	9	\$ 0.37	\$ (0.30)	\$ 1.16	\$ 0.94

\*As a result of a review of the financial statements, the presentation of certain amounts has been changed. These changes will result in more useful information to the users of the financial statements.

# Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited; in thousands of U.S.\$)	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Net income (loss) for the period	\$ 32,473	\$ (24,314)	\$ 100,921	\$ 93,801
<b>Other comprehensive income may be reclassified to net income (loss) in subsequent periods (nil tax effect)</b>				
Foreign currency translation	3,508	2,638	33,853	1,478
Total comprehensive income (loss) for the period	\$ 35,981	\$ (21,676)	\$ 134,774	\$ 95,279
<b>Attributable to:</b>				
Equity holders of the Company	36,090	(22,212)	\$ 135,312	\$ 91,419
Non-controlling interests	(109)	536	(538)	3,860
	\$ 35,981	\$ (21,676)	\$ 134,774	\$ 95,279

# Interim Condensed Consolidated Statements of Financial Position

As at (Unaudited; in thousands of U.S.\$)	Notes	September 30 2023	December 31 2022*
<b>ASSETS</b>			
Current			
Cash and cash equivalents		\$ 189,190	\$ 289,845
Restricted cash		11,334	2,505
Trade receivables	16	16,858	21,434
Other receivables	16	62,270	66,514
Inventories		81,142	75,109
Income taxes receivable		91,355	30,551
Prepaid expenses and deposits		13,606	21,184
Risk management assets	16	6,331	2,308
Total current assets		472,086	509,450
Non-current			
Properties, plant and equipment	10	1,797,525	1,765,354
Exploration and evaluation assets	11	486,737	316,006
Investments in associates	12	68,338	59,974
Deferred tax assets	8	50,995	64,290
Restricted cash		20,714	20,697
Other assets		2,858	2,684
Total non-current assets		2,427,167	2,229,005
Total assets		\$ 2,899,253	\$ 2,738,455
<b>LIABILITIES</b>			
Current			
Accounts payable and accrued liabilities	16	\$ 444,418	\$ 466,580
Short term debt and current portion of long-term debt	13	39,299	115,922
Risk management liabilities	16	—	1,045
Income taxes payable		12,556	7,146
Lease liabilities		2,067	2,550
Asset retirement obligations	14	24,189	25,814
Total current liabilities		522,529	619,057
Non-current			
Long-term debt	13	483,639	392,535
Other payables	16	2,680	3,524
Lease liabilities		512	545
Deferred tax liabilities	8	7,473	4,610
Asset retirement obligations	14	159,971	128,980
Total non-current liabilities		654,275	530,194
Total liabilities		\$ 1,176,804	\$ 1,149,251
Commitments and contingencies	18		
<b>EQUITY</b>			
Share capital		\$ 4,606,400	\$ 4,608,234
Contributed surplus		108,971	109,918
Other reserves		(67,039)	(100,892)
Accumulated deficit		(2,936,454)	(3,037,913)
Equity attributable to equity holders of the Company		\$ 1,711,878	\$ 1,579,347
Non-controlling interests		10,571	9,857
Total equity		\$ 1,722,449	\$ 1,589,204
Total liabilities and equity		\$ 2,899,253	\$ 2,738,455

\*As a result of a review of the financial statements, the presentation of certain amounts has been changed. These changes will result in more useful information to the users of the financial statements.

# Interim Condensed Consolidated Statements of Changes in Equity

(Unaudited; in thousands of U.S.\$)	Number of Common Shares	Attributable to Equity Holders of the Company					Total	Non-Controlling Interests	Total Equity
		Share Capital	Contributed Surplus	Cumulative Translation Adjustment	Fair Value Investment	Accumulated Deficit			
As at January 1, 2023	85,592,075	\$ 4,608,234	\$ 109,918	\$ (95,690)	\$ (5,202)	\$ (3,037,913)	\$ 1,579,347	\$ 9,857	\$ 1,589,204
Net income for the period	—	—	—	—	—	101,459	101,459	(538)	100,921
Other comprehensive income	—	—	—	33,853	—	—	33,853	—	33,853
Total comprehensive income	—	—	—	33,853	—	101,459	135,312	(538)	134,774
Acquisition of non-controlling interests	—	—	(1,469)	—	—	—	(1,469)	—	(1,469)
Repurchase of Common Shares under NCIB <sup>(1)</sup>	(461,200)	(4,170)	—	—	—	—	(4,170)	—	(4,170)
Share-based compensation <sup>(2)</sup>	300,841	2,336	522	—	—	—	2,858	1,252	4,110
As at September 30, 2023	85,431,716	\$ 4,606,400	\$ 108,971	\$ (61,837)	\$ (5,202)	\$ (2,936,454)	\$ 1,711,878	\$ 10,571	\$ 1,722,449

(Unaudited; in thousands of U.S.\$)	Number of Common Shares	Attributable to Equity Holders of the Company					Total	Non-Controlling Interests	Total Equity
		Share Capital	Contributed Surplus	Cumulative Translation Adjustment	Fair Value Investment	Accumulated Deficit			
As at January 1, 2022	94,695,694	\$ 4,694,370	\$ 122,489	\$ (86,163)	\$ (5,202)	\$ (3,324,528)	\$ 1,400,966	\$ 47,925	\$ 1,448,891
Net income for the period	—	—	—	—	—	88,819	88,819	4,982	93,801
Other comprehensive income	—	—	—	2,600	—	—	2,600	(1,122)	1,478
Total comprehensive income	—	—	—	2,600	—	88,819	91,419	3,860	95,279
Acquisition of non-controlling interests	—	—	(13,505)	—	—	—	(13,505)	(33,877)	(47,382)
Repurchase of common shares under SIB <sup>(3)</sup>	(5,416,666)	(51,114)	—	—	—	—	(51,114)	—	(51,114)
Repurchase of common shares under NCIB	(3,214,000)	(32,441)	—	—	—	—	(32,441)	—	(32,441)
Share-based compensation <sup>(2)</sup>	510,147	5,292	623	—	—	—	5,915	459	6,374
Dividends paid to non-controlling interest	—	—	—	—	—	—	—	(8,252)	(8,252)
As at September 30, 2022	86,575,175	\$ 4,616,107	\$ 109,607	\$ (83,563)	\$ (5,202)	\$ (3,235,709)	\$ 1,401,240	\$ 10,115	\$ 1,411,355

<sup>(1)</sup> 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 (the "Common Shares"). Pursuant to the NCIB, the Company was permitted to purchase for cancellation up to 4,787,976 Common Shares during the twelve-month period that commenced on March 17, 2022, and ended on March 16, 2023. During the three and nine months ended September 30, 2023, the Company repurchased for cancellation \$Nil million and \$4.2 million of Common Shares, respectively (2022: \$6.8 million and \$32.4 million, respectively), for an average repurchase cost of \$Nil/share and \$9.04/share, respectively (2022: \$8.15/share and \$10.09/share, respectively).

<sup>(2)</sup> During the period ended on September 30, 2023, the Company settled 433,654 restricted share units ("RSUs") (2022: 657,719 RSUs). This includes issuance of 300,841 Common Shares (2022: 510,147 Common Shares), for an average price of \$7.76/Common Share (2022: \$10.37/share). The remaining 132,813 RSUs were settled in cash (2022: 147,572 RSUs).

<sup>(3)</sup> On June 24, 2022, the Company launched a substantial issuer bid (the "SIB"), pursuant to which the Company offered to purchase from shareholders for cancellation up to C\$65.0 million of its outstanding Common Shares. The SIB proceeded by way of a "modified Dutch auction" procedure, with a tender price range from C\$11.00 to C\$13.00 per Common Share. The SIB expired on August 8, 2022. On August 11, 2022, the Company announced that, in accordance with the terms and conditions of the SIB, the Company took up for cancellation 5,416,666 Common Shares at a price of C\$12.00 per Common Share, representing an aggregate purchase price of C\$65 million funded by cash, for a total cost of \$51.1 million, including transaction costs. The Common Shares taken up for cancellation under the SIB represented approximately 5.84% of the total number of the Company's issued and outstanding Common Shares as of August 8, 2022.

## Interim Condensed Consolidated Statements of Cash Flows

		Three Months Ended September 30		Nine Months Ended September 30	
(Unaudited; in thousands of U.S.\$)	Notes	2023	2022	2023	2022
<b>OPERATING ACTIVITIES</b>					
Net income (loss) for the period		\$ 32,473	\$ (24,314)	\$ 100,921	\$ 93,801
Items not affecting cash:					
Depletion, depreciation and amortization		61,756	57,927	209,858	146,221
Impairment expense	7	2,342	—	23,819	5,297
Expense (recovery) of asset retirement obligations	7	3,480	969	(24,001)	(5,058)
Unrealized loss (gain) on risk management contracts	16	4,002	1,637	(4,880)	2,290
Share-based compensation		399	1,321	841	4,564
Deferred income tax expense	8	17,679	93,778	15,996	169,514
Unrealized foreign exchange (gain) loss		(13,348)	37,077	(37,196)	41,621
Share of income from associates	12	(13,726)	(11,166)	(41,643)	(29,908)
Finance expense		16,411	13,896	47,320	38,752
Finance income		(1,941)	(1,699)	(7,714)	(3,182)
Dividends from associates	12	8,243	7,913	31,269	26,255
Income tax paid or withheld		(32,041)	(12,040)	(73,403)	(41,400)
Interest received		1,543	2,417	5,154	3,961
Settlement of asset retirement obligations	14	(435)	(3,200)	(3,925)	(5,973)
Other		(1,169)	2,271	774	8,862
Changes in working capital (excluding cash)	17	68,289	(45,983)	95,172	26,550
Cash provided by operating activities		\$ 153,957	\$ 120,804	\$ 338,362	\$ 482,167
<b>INVESTING ACTIVITIES</b>					
Additions to oil and gas properties, infrastructure port, and plant and equipment		\$ (61,745)	\$ (59,261)	\$ (170,891)	\$ (176,070)
Additions to exploration and evaluation assets		(12,169)	(16,511)	(190,039)	(108,235)
Acquisition of non-controlling interests		(3,475)	(21,171)	(12,702)	(21,171)
Return of capital contributions from investment in associates	12	3,475	1,688	6,191	3,630
Sale of subsidiaries		—	—	(7,500)	(6,000)
Decrease in restricted cash and other		2,362	(30)	6,675	6,399
Changes in working capital (excluding cash)	17	(61,194)	174	(44,721)	(33,407)
Cash used in investing activities		\$ (132,746)	\$ (95,111)	\$ (412,987)	\$ (334,854)
<b>FINANCING ACTIVITIES</b>					
Net proceeds from PIL Loan Facility	13	\$ —	\$ —	\$ 114,935	\$ —
Repayment of 2025 Puerto Bahia Loan	13	—	—	(106,192)	—
Short term debt - Working Capital Loan	13	—	—	20,000	—
Constitution debt service reserve account of PIL Loan Facility, net	13	—	—	(8,743)	—
Transaction cost of PIL Loan Facility	13	—	—	(1,147)	—
Repayment of long-term debt	13	(8,000)	(1,628)	(17,128)	(24,232)
Lease payments		(1,169)	(1,027)	(3,249)	(4,291)
Repurchase of Common Shares under SIB		—	(51,114)	—	(51,114)
Repurchase of Common Shares under NCIB		—	(6,797)	(4,170)	(32,441)
Interest paid and other charges	13	(1,390)	(1,330)	(22,396)	(21,991)
Dividends paid to non-controlling interests		—	—	—	(8,252)
Cash used in financing activities		\$ (10,559)	\$ (61,896)	\$ (28,090)	\$ (142,321)
Effect of exchange rate changes		(1,756)	(5,345)	2,060	(8,946)
Decrease (increase) in cash and cash equivalents during the period		8,896	(41,548)	(100,655)	(3,954)
Cash and cash equivalents, beginning of the period		180,294	295,098	289,845	257,504
Cash and cash equivalents, end of the period		\$ 189,190	\$ 253,550	\$ 189,190	\$ 253,550
Cash		101,224	213,016	101,224	213,016
Cash equivalents		87,966	40,534	87,966	40,534
Total cash and cash equivalents		\$ 189,190	\$ 253,550	\$ 189,190	\$ 253,550



# Notes to the Interim Condensed Consolidated Financial Statements

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

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## 1. Corporate Information

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

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

## 2. Basis of Preparation and Significant Accounting Policies

### Statement of Compliance

These Interim Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2023, and 2022 (the “**Interim Condensed Financial Statements**”), have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board (“**IASB**”). The Company has prepared the Interim Condensed Financial Statements on the basis that it will continue to operate as a going concern.

The Interim Condensed Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended December 31, 2022 (the “**2022 Annual Financial Statements**”). These Interim Condensed Financial Statements were approved and authorized for issuance by the Audit Committee of the Board of Directors and are dated as of November 9, 2023.

### Functional and Presentation Currency

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

### Significant Accounting Policies

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

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

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

### Key Accounting Estimates and Judgments

#### Global Economy

The Russia-Ukraine conflict continues to influence economic conditions around the world. The uncertainty this event brings has resulted in a challenging economic environment, with more volatile commodity prices, foreign exchange rates, and long-term interest rates. The current global crude oil price environment continues, being lifted by the Russia-Ukraine conflict, the intervention by members of OPEC reducing oil and gas supplies and the consequences of these events on the certainty of the supply of hydrocarbons in the world. On one hand, these events are supportive of global oil prices. On the other, these events also undermine economic conditions and exacerbate inflation in several economies, directly impacting the cost of goods and services. This presents uncertainty and risk with respect to management’s judgments, estimates and assumptions that affect the application of accounting policies. In addition, the recent Israel-Palestine conflict arising from the Hamas attack on Israel on October 7, 2023, has brought further uncertainty with respect to global oil prices, inflation and the global economy, which presents further uncertainty and risk with respect to management’s judgments, estimates and assumptions that affect the application of accounting policies.

# Notes to the Interim Condensed Consolidated Financial Statements

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

## 3. Segmented Information

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

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

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

For the three and nine months ended September 30, 2023, operating segmented information for the Interim Condensed Financial Statements of Income (loss) is as follows:

Three Months Ended September 30	Exploration and Production Onshore				Exploration and Infrastructure Guyana		Midstream Colombia		Canada & Others		Eliminations		Total	
	Colombia		Ecuador		2023	2022	2023	2022	2023	2022	2023	2022	2023	2022*
	2023	2022*	2023	2022										
Oil and gas sales	\$ 303,740	\$ 366,437	\$ 5,620	\$ 1,940	\$ —	\$ —	\$ 13,083	\$ 12,103	\$ —	\$ —	\$ (2,093)	\$ (1,777)	\$ 320,350	\$ 378,703
Other Revenues	733	216	—	—	—	—	—	—	—	—	—	—	733	216
Royalties	(12,033)	(24,183)	(183)	(188)	—	—	—	—	—	—	—	—	(12,216)	(24,371)
Revenue	292,440	342,470	5,437	1,752	—	—	13,083	12,103	—	—	(2,093)	(1,777)	308,867	354,548
Operating costs	99,510	94,775	2,926	330	—	—	6,419	5,400	236	332	(2,093)	(1,777)	106,998	99,060
Costs of purchases	54,555	63,478	—	—	—	—	—	—	—	—	—	—	54,555	63,478
General and administrative	7,989	7,588	333	145	608	1,681	1,400	1,246	1,618	1,897	(23)	(8)	11,925	12,549
Share-based compensation	1,007	853	—	—	(195)	81	—	—	206	488	—	—	1,018	1,422
Depletion, depreciation and amortization	59,709	56,058	12	8	5	10	1,441	1,345	589	506	—	—	61,756	57,927
Impairment, exploration expenses and other	6,352	1,378	—	—	—	—	—	—	(95)	89	—	—	6,257	1,467
Restructuring, severance and other costs	109	374	—	—	—	—	298	57	1,000	22	—	—	1,407	453
Income (loss) from operations	63,209	117,966	2,166	1,269	(418)	(1,772)	3,525	4,055	(3,554)	(3,334)	23	8	64,951	118,192
Share of income from associates	—	—	—	—	—	—	13,726	11,166	—	—	—	—	13,726	11,166
Segment income (loss)	\$ 63,209	\$ 117,966	\$ 2,166	\$ 1,269	\$ (418)	\$ (1,772)	\$ 17,251	\$ 15,221	\$ (3,554)	\$ (3,334)	\$ 23	\$ 8	\$ 78,677	\$ 129,358
Other non-operating expense items													(13,192)	(51,310)
Income tax expense													(33,012)	(102,362)
Net income (loss) for the period													\$ 32,473	\$ (24,314)

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# Notes to the Interim Condensed Consolidated Financial Statements

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

Nine Months Ended September 30	Exploration and Production Onshore				Exploration and Infrastructure		Midstream Colombia		Canada & Others		Eliminations		Total	
	Colombia		Ecuador		Guyana									
	2023	2022*	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022*
Oil and gas sales	\$ 832,895	\$ 992,049	\$ 12,693	\$ 5,024	\$ —	\$ —	\$ 37,309	\$ 34,674	\$ —	\$ —	\$ (5,660)	\$ (5,165)	\$ 877,237	\$1,026,582
Other revenues	3,131	2,241	—	—	—	—	—	—	—	—	—	—	3,131	2,241
Royalties	(30,690)	(75,320)	(576)	(313)	—	—	—	—	—	—	—	—	(31,266)	(75,633)
Revenue	805,336	918,970	12,117	4,711	—	—	37,309	34,674	—	—	(5,660)	(5,165)	849,102	953,190
Operating costs	277,852	235,982	5,633	813	—	—	17,269	15,691	1,118	7,996	(5,660)	(5,165)	296,212	255,317
Costs of purchases	180,444	152,394	—	—	—	—	—	—	—	—	—	—	180,444	152,394
General and administrative	23,064	26,323	927	656	3,710	4,657	4,197	3,999	5,231	6,694	(113)	(27)	37,016	42,302
Share-based compensation	1,371	4,254	8	—	95	607	—	—	419	1,066	—	—	1,893	5,927
Depletion, depreciation and amortization	204,449	141,123	36	19	23	31	3,992	4,384	1,358	664	—	—	209,858	146,221
Impairment, exploration expenses and other	25,387	97	—	1	—	85	—	—	(24,355)	2,425	—	—	1,032	2,608
Restructuring, severance and other costs	1,188	668	—	3	—	—	1,101	1,113	2,515	55	—	—	4,804	1,839
Income (loss) from operations	91,581	358,129	5,513	3,219	(3,828)	(5,380)	10,750	9,487	13,714	(18,900)	113	27	117,843	346,582
Share of income from associates	—	—	—	—	—	—	41,643	29,908	—	—	—	—	41,643	29,908
Segment income (loss)	\$ 91,581	\$ 358,129	\$ 5,513	\$ 3,219	\$ (3,828)	\$ (5,380)	\$ 52,393	\$ 39,395	\$ 13,714	\$ (18,900)	\$ 113	\$ 27	\$ 159,486	\$ 376,490
Other non-operating expense items													(15,428)	(102,013)
Income tax expense													(43,137)	(180,676)
Net income for the period													\$ 100,921	\$ 93,801

\* As a result of a review of the financial statements, the presentation of certain amounts has been changed. These changes will result in more useful information to the users of the financial statements.

# Notes to the Interim Condensed Consolidated Financial Statements

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

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

As at	September 30 2023	December 31 2022
Colombia	\$ 1,931,235	\$ 1,902,712
Guyana	448,779	291,939
Ecuador	46,781	33,786
Canada & Others	372	568
Total non-current assets	\$ 2,427,167	\$ 2,229,005

## 4. Revenue from Contracts with Customers

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022*	2023	2022*
Colombia				
Produced crude oil sales	\$ 252,421	\$ 303,556	\$ 663,757	\$ 841,419
Purchased crude oil and products sales	48,532	58,479	159,745	138,159
Gas sales	2,787	4,402	9,393	12,471
Colombia oil and gas sales	303,740	366,437	832,895	992,049
Ecuador crude oil sales <sup>(1)</sup>	5,620	1,940	12,693	5,024
Oil and gas sales	309,360	368,377	845,588	997,073
Midstream sales to external customers	10,990	10,326	31,649	29,509
Inter-segment sales	2,093	1,777	5,660	5,165
Midstream sales	13,083	12,103	37,309	34,674
Elimination of midstream inter-segment sales	(2,093)	(1,777)	(5,660)	(5,165)
Other revenues <sup>(2)</sup>	733	216	3,131	2,241
Oil and gas sales and other revenue	\$ 321,083	\$ 378,919	\$ 880,368	\$ 1,028,823

<sup>(1)</sup> Proceeds from selling oil produced from exploration and evaluation ("E&E") assets.

<sup>(2)</sup> Revenues from Promotora Agrícola de los Llanos S.A.

\* As a result of a review of the financial statements, the presentation of certain amounts has been changed. These changes will result in more useful information to the users of the financial statements.

## 5. Operating Costs

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022*	2023	2022*
Production costs <sup>(1)</sup>	\$ 54,942	\$ 42,263	\$ 153,714	\$ 138,937
Transportation costs <sup>(1)</sup>	40,166	34,746	116,666	101,894
Post-termination obligation	1,377	—	7,654	7,070
Inventory valuation <sup>(1)</sup>	1,178	15,682	(7,436)	(10,509)
Total oil and gas operating costs	97,663	92,691	270,598	237,392
Port operating costs	6,419	5,400	17,269	15,691
Special project and other costs <sup>(2)</sup>	2,916	969	8,345	2,234
Total operating costs	\$ 106,998	\$ 99,060	\$ 296,212	\$ 255,317

<sup>(1)</sup> For three and nine months ended September 30, 2023, includes production costs, of \$1.0 million and \$4.1 million, transportation costs of \$0.2 million and \$0.7 million, inventory valuation of \$1.7 million and \$0.8 million, from oil produced from E&E assets, respectively.

<sup>(2)</sup> Mainly includes costs related to Promotora Agrícola de los Llanos S.A., Peru, and the commissioning of the reverse osmosis water treatment facility ("SAARA", previously Agrocascada) expansion in 2023.

\* As a result of a review of the financial statements, the presentation of certain amounts has been changed. These changes will result in more useful information to the users of the financial statements.

# Notes to the Interim Condensed Consolidated Financial Statements

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

## Costs of Purchases

Cost of purchases corresponds to the cost of third-party hydrocarbon volumes purchased primarily for use in dilution and refining as part of the Company's oil operations, and marketing and transportation strategy. For the three months ended September 30, 2023, the cost of purchases was \$54.6 million (2022: \$63.5 million) including the transportation and processing fees for purchased volumes sold. The cost of purchases was lower than the same period of 2022, mainly due to lower Brent benchmark oil prices.

For the nine months ended September 30, 2023, the cost of purchases was \$180.4 million (2022: \$152.4 million). The cost of purchases was higher than the same period of 2022, due to additional volumes acquired as a result of higher dilution and energy consumption requirements driven by an increase of heavy crude oil production, partially offset by lower Brent benchmark oil prices. For the three and nine months ended September 30, 2023, the sale of purchased volumes generated an income of \$48.5 million and \$159.7 million, respectively (2022: \$58.5 million and \$138.2 million respectively).

## 6. General and Administrative

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Salaries and benefits	\$ 7,181	\$ 7,317	\$ 22,536	\$ 23,290
Professional fees	2,738	4,451	9,219	13,355
Taxes	1,401	781	3,395	3,361
Other expenses	605	—	1,866	2,296
Total	\$ 11,925	\$ 12,549	\$ 37,016	\$ 42,302

## 7. Impairment, Exploration Expenses and Other

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Impairment expense of:				
Exploration and evaluation assets (Note 11)	\$ —	\$ —	\$ 19,503	\$ 2,264
Other	2,342	—	4,316	3,033
Total impairment expense	2,342	—	23,819	5,297
Exploration expenses of:				
Geological and geophysical costs, and other	435	498	1,214	1,450
Minimum work commitment paid <sup>(1)</sup>	—	—	—	919
Total exploration expenses	435	498	1,214	2,369
Expense (recovery) of asset retirement obligations	3,480	969	(24,001)	(5,058)
Impairment, exploration expenses and other	\$ 6,257	\$ 1,467	\$ 1,032	\$ 2,608

<sup>(1)</sup> Payments made to fulfill the remaining balance of minimum exploration work commitment for certain blocks.

### Exploration and Evaluation Assets

During the three and nine months ended September 30, 2023, the Company recorded an impairment charge on exploration and evaluation of assets in Colombia of \$Nil and \$19.5 million, respectively (2022: \$Nil and \$2.3 million, respectively), mainly as a result of the Company's decision to proceed with steps to relinquish the VIM-22 block, which remains subject to approval by the Agencia Nacional de Hidrocarburos ("ANH").

### Other

During the three and nine months ended September 30, 2023, the Company recognized other impairment expenses of \$2.3 million and \$4.3 million, respectively (2022: \$Nil and \$3.0 million, respectively) related to obsolete inventories and allowance of doubtful account receivables.

# Notes to the Interim Condensed Consolidated Financial Statements

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

## Expense (recovery) of asset retirement obligations

During the three months ended September 30, 2023, the Company recognized an expense of asset retirement obligations of \$3.5 million (2022: \$1.0 million). During the nine months ended September 30, 2023, the Company recognized a recovery of asset retirement obligations of \$24.0 million (2022: \$5.1 million), mainly as a result of the sale of Frontera Energy OffShore Perú, the 100% consolidated entity that owns the 100% W.I. in Block Z1, for a payment of \$7.5 million to a third party. As a result of this transaction, the Company derecognized the asset retirement obligation related to Block Z1 and recognized a \$37.4 million asset retirement obligation recovery.

## 8. Income Taxes

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Net income before income tax	\$ 65,485	\$ 78,048	\$ 144,058	\$ 274,477
Colombian statutory income tax rate <sup>(1)</sup>	50%	35%	50%	35%
Income tax expense at statutory rate	32,743	27,317	72,029	96,067
(Decrease) increase in income tax provision resulting from:				
Non-deductible/taxable expense/income and other differences	10,513	(770)	23,302	18,966
Share-based compensation	(203)	344	101	1,530
Differences in tax rates	(460)	(102)	(11,722)	(10,348)
Change in deferred income tax	(9,581)	75,573	(40,573)	74,461
Income tax expense	33,012	102,362	43,137	180,676
Current income tax expense	15,333	8,584	27,141	11,162
Deferred income tax expense:				
Relating to origination and reversal of temporary differences	17,679	93,778	15,996	169,514
Income tax expense	\$ 33,012	\$ 102,362	\$ 43,137	\$ 180,676
Effective tax rate	50.41%	131.15%	29.94%	65.83%

<sup>(1)</sup> Statutory income tax rate includes an additional estimated surcharge of 15% according to the forecasted average Brent prices for full year 2023.

During the three and nine months ended September 30, 2023, the Company recognized a current income tax expense of \$15.3 million and \$27.1 million, respectively, (2022: \$8.6 million and \$11.2 million). The increase in current income tax expense in 2023, as compared to the respective periods in 2022, is mainly to the recognition of an accounting provision for interest and penalties on a claim related to 2020 income taxes, plus the changes introduced by the 2022 tax bill.

During the three and nine months ended September 30, 2023, the Company recognized a deferred income tax expense of \$17.7 million and \$16.0 million, respectively, (2022: Expense of \$93.8 million and \$169.5 million). The variation is mainly due to the changes in the use of tax losses between both periods. As of September 30, 2023, the deferred tax asset was \$51.0 million (2022: \$64.3 million), and the deferred tax liability was \$7.5 million (2022: \$4.6 million).

## 9. Earnings per Share

	Three Months Ended September 30		Nine Months Ended September 30	
(In thousands of U.S.\$, except share and per share amounts)	2023	2022	2023	2022
Income (loss) attributable to equity holders of the Company	\$ 32,582	\$ (26,893)	\$ 101,459	\$ 88,819
Basic weighted average number of shares outstanding	85,278,430	89,064,297	85,270,203	92,267,686
Effect of dilution from dilutive instruments	2,228,004	—	2,208,131	2,342,399
Diluted weighted average number of shares outstanding	87,506,434	89,064,297	87,478,334	94,610,085
Earnings (loss) per share attributable to equity holders of the Company				
Basic	\$ 0.38	\$ (0.30)	\$ 1.19	\$ 0.96
Diluted	\$ 0.37	\$ (0.30)	\$ 1.16	\$ 0.94

# Notes to the Interim Condensed Consolidated Financial Statements

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

## 10. Properties, Plant and Equipment

Cost	Oil & Gas Properties	Port Infrastructure	Plant & Equipment	Total
As at January 1, 2023*	\$ 8,258,325	\$ 207,429	\$ 92,312	\$ 8,558,066
Additions	161,499	5,054	6,331	172,884
Change in asset retirement obligations (Note 14)	38,814	—	—	38,814
Disposal	(517,899)	(99)	(26,648)	(544,646)
Currency translation adjustment	12,680	34,442	616	47,738
As at September 30, 2023	\$ 7,953,419	\$ 246,826	\$ 72,611	\$ 8,272,856

Accumulated Depletion, Depreciation and Impairment	Oil & Gas Properties	Port Infrastructure	Plant & Equipment	Total
As at January 1, 2023 *	\$ 6,700,621	\$ 12,847	\$ 79,244	\$ 6,792,712
Charge for the period	203,858	3,947	4,332	212,137
Impairment	60	—	—	60
Disposal	(516,058)	—	(26,742)	(542,800)
Currency translation adjustment	11,002	1,840	380	13,222
As at September 30, 2023	\$ 6,399,483	\$ 18,634	\$ 57,214	\$ 6,475,331

Net Book Value	Oil & Gas Properties	Port Infrastructure	Plant & Equipment	Total
As at January 1, 2023	\$ 1,557,704	\$ 194,582	\$ 13,068	\$ 1,765,354
As at September 30, 2023	\$ 1,553,936	\$ 228,192	\$ 15,397	\$ 1,797,525

\*As a result of a review of the financial statements, the presentation of certain amounts has been changed. These changes will result in more useful information to the users of the financial statements.

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

	Oil & Gas Properties	Port Infrastructure	Plant & Equipment	Amount
Properties, plant and equipment - owned	\$ 1,553,936	\$ 228,192	\$ 12,954	\$ 1,795,082
Right-of-use ("ROU") assets - leased	—	—	2,443	2,443
As at September 30, 2023	\$ 1,553,936	\$ 228,192	\$ 15,397	\$ 1,797,525

Details of ROU assets are as follows:

	Power Generation	Plant & Equipment	Amount
As at January 1, 2023	\$ 2,275	\$ 2,496	\$ 4,771
Additions	—	2,230	2,230
Depreciation	(2,275)	(2,283)	(4,558)
As at September 30, 2023	\$ —	\$ 2,443	\$ 2,443

## 11. Exploration and Evaluation Assets

	2023
As at January 1 *	\$ 316,006
Additions <sup>(1)</sup>	190,039
Impairment expense (Note 7)	(19,503)
Change in asset retirement obligations	442
Disposals	(247)
As at September 30	\$ 486,737

<sup>(1)</sup> Mainly includes additions of \$155.0 million in Guyana related to the Corentyne block, \$11.7 million in Ecuador related to the Perico block and \$22.7 million in Colombia, mainly in the VIM-22 and Llanos 99 blocks.

\*As a result of a review of the financial statements, the presentation of certain amounts has been changed. These changes will result in more useful information to the users of the financial statements.

# Notes to the Interim Condensed Consolidated Financial Statements

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

## 12. Investments in Associates

	ODL
As at January 1, 2023	\$ 59,974
Share of income from associates	41,643
Dividends	(37,018)
Return of capital contributions	(5,202)
Currency translation adjustment	8,941
As at September 30, 2023	\$ 68,338
Company's interest as at September 30, 2023	35.0 %

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

### Oleoducto de los Llanos Orientales S.A. ("ODL")

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

During the three and nine months ended September 30, 2023, the Company recognized gross dividends of \$Nil and \$37.0 million, respectively (2022: \$Nil and \$40.5 million, respectively), and received cash dividends of \$8.2 million and \$31.3 million, respectively (2022: \$7.9 million and \$26.3 million, respectively). As at September 30, 2023, the carrying value of dividends receivable after withholding taxes was \$Nil (2022: \$Nil).

In addition, during three and nine months ended September 30, 2023, the Company recognized a return of capital of \$Nil and \$5.2 million, respectively (2022: \$15.8 million and \$19.7 million) and received \$3.5 million and \$6.2 million in cash, respectively (2022: \$1.7 million and \$3.6 million, respectively). As at September 30, 2023, the carrying value of return of capital receivable was \$Nil (2022: \$15.4 million).

## 13. Short Term and Long-Term Debt

As at	Maturity	Principal	Interest Rate	September 30 2023	December 31 2022
2028 Unsecured Notes	June 2028	\$ 400,000	7.875%	\$ 393,286	\$ 392,535
PIL Loan Facility (Tranche A)	December 2027	\$ 100,000	SOFR 6M + 7.25%	90,004	—
Citibank Working Capital Loan	December 2023	\$ 20,000	SOFR+4.25%	12,000	—
PIL Loan Facility (Tranche B)	December 2027	\$ 20,000	11%	18,949	—
PetroSud Working Capital Loan	December 2023	\$ 2,800	SOFR + 5.30%	2,800	2,800
PetroSud Davivienda Loan	June 2024	\$ 22,000	SOFR + 5.30%	5,899	10,028
2025 Puerto Bahia Debt	June 2025	\$ 370,000	LIBOR 6M + 5%	—	103,094
Total				\$ 522,938	\$ 508,457

  

As at	September 30 2023	December 31 2022
Current portion	\$ 39,299	\$ 115,922
Non-current portion	483,639	392,535
Total	\$ 522,938	\$ 508,457



# Notes to the Interim Condensed Consolidated Financial Statements

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

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## Citibank Working Capital Loan

On June 5, 2023, the Company entered into a working capital loan agreement with Citibank NY (the “**Citibank Working Capital Loan**”). The Citibank Working Capital Loan is denominated in USD, for an amount of \$20.0 million, and a maturity date of December 7, 2023. The Citibank Working Capital Loan bears interest equivalent to Secured Overnight Financing Rate (“**SOFR**”) +4.25%, payable monthly, and amortizes in five equal installments from August to December 2023. Proceeds from this loan were used for general corporate purposes. As of September 30, 2023, the outstanding balance under the Citibank Working Capital Loan is \$12.0 million.

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

On March 27, 2023, PIL, entered into a new credit agreement through which the lender provided a \$120.0 million loan facility to PIL, secured by substantially all the assets and shares of PIL, the shares of Sociedad Portuaria Puerto Bahia S.A. (“**Puerto Bahía**”) held by the Company and assets related to Puerto Bahia’s liquids terminal, and is guaranteed by Frontera Bahía Holding Ltd., and Frontera ODL Holding Corp., the parent company of PIL. The PIL Loan Facility is a 5-year credit facility, which matures in December 2027, pays semi-annually, and amortizes during the term of the loan with a scheduled \$45.0 million payment due upon maturity. The PIL Loan Facility has two tranches: a \$100.0 million amortizing tranche that pays a SOFR 6-month term plus margin of 7.25% per annum and a \$20.0 million bullet maturity tranche that pays a fixed rate of 11.00% per annum. The conditions precedent to the PIL Loan Facility were fully satisfied and both tranches of the facility were funded on March 31, 2023. As at September 30, 2023, the carrying value of PIL Loan Facility was \$109.0 million (2022: \$Nil).

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

The proceeds of the PIL Loan Facility were used to repay in full the 2025 Puerto Bahia Debt (as defined below) maturing in June 2025, which had an outstanding balance plus accrued interest of \$106.2 million, pay transaction fees and expenses, and fund a 6-month debt service reserve account. The PIL Loan Facility has no impact on the Company’s financial covenant calculations under its outstanding unsecured notes due on June 21, 2028, in the aggregate amount of \$400.0 million (the “**2028 Unsecured Notes**”).

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

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

As at September 30, 2023, Puerto Bahía and Frontera have no obligation under the 2025 Puerto Bahia Debt.

## PetroSud Loans

On December 30, 2021, the Company acquired 100% of the issued and outstanding shares of PetroSud (for further information refer to Note 4 of the 2022 Annual Financial Statements).

On March 15, 2019 and December 20, 2021, PetroSud entered into two credit agreements with Banco Davivienda S.A. for a principal amount of \$22.0 million and \$2.8 million, respectively (the “**PetroSud Debt**”). Both agreements originally had a maturity date in December 2023. On September 2023 Banco Davivienda approved an extension for the original \$22.0 million loan, with an outstanding balance of \$5.9 million as of September 30, 2023, extending the maturity date to June 2024. The PetroSud Debt bears interest at 3-month SOFR plus 5.30%, payable quarterly. The PetroSud Debt is secured by a trust agreement that receives 100% of PetroSud’s sales and contemplates a debt service account for an amount equal to 100% of the next scheduled debt service, and a debt service reserve account for an amount of \$2.2 million. As at September 30, 2023, the outstanding amount under the PetroSud Debt was \$8.7 million. The PetroSud Debt is subject to certain covenants that require PetroSud to maintain a financial debt to EBITDA ratio of less than or equal to 3.50:1.0 and an operating free cash flow plus the debt reserve account balance to debt service ratio that is greater than or equal to 1.20:1.0. As of September 30, 2023, PetroSud was in compliance with all such covenants.

## CPE-6 Solar Plant Project Leasing Agreement

During the fourth quarter of 2022, the Company entered into a leasing agreement with Bancolombia S.A. (“**Bancolombia**”) to finance the construction and commissioning of a solar power plant project at the CPE-6 block (the “**Solar Plant Debt**”). The financing is denominated in COP, for an amount equivalent to \$6.3 million as at September 30, 2023, and a maturity date that is 72 months following the date the conditions precedent to the financing are satisfied. The Solar Plant Debt bears interest equivalent to IBR<sup>(1)</sup> +5.75%, payable monthly over the disbursed amount outstanding to be paid.

# Notes to the Interim Condensed Consolidated Financial Statements

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

As of September 30, 2023, the Company has drawn \$2.7 million of the Solar Plant Debt, which has been disbursed from Bancolombia to Enel Colombia S.A. ESP, the developer of the CPE-6 solar plant project. The Company pays a monthly availability fee of 0.35% to Bancolombia for any principal amount that remains undisbursed.

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

## 14. Asset Retirement Obligations

	2023
As at January 1	\$ 154,794
Accretion expense	8,036
Additions	2,342
Changes in estimates	42,908
Liabilities settled	(11,425)
Recovery of asset retirement obligations <sup>(1)</sup>	(12,495)
As at September 30	\$ 184,160

<sup>(1)</sup> During the nine months ended September 30, 2023, the Company recognized a recovery of \$37.4 million resulting from the sale of Frontera Energy OffShore Perú (for further information, refer to Note 7).

	September 30 2023	December 31 2022
Current portion	\$ 24,189	\$ 25,814
Non-current portion	159,971	128,980
Total	\$ 184,160	\$ 154,794

Asset retirement obligations ("ARO") represent the present value of decommissioning and environmental liability costs relating to oil and gas properties and E&E assets. The total undiscounted ARO is \$310.4 million (2022: \$284.2 million), expected to be executed between 2023 and 2045, of which \$300.2 million (2022: \$249.2 million) relates to Colombia, \$8.6 million (2022: \$31.8 million) to Peru and \$1.6 million (2022: \$1.1 million) to Ecuador.

During the nine months ended September 30, 2023, the Company recognized an increase in ARO due to changes in estimates of \$42.9 million, which includes an increase of \$24.1 million related to updating the risk-free and inflation rates, an increase of \$19.1 million due to the impact of foreign exchange rates and a decrease of \$0.3 million related to updated cost estimates. A total of \$38.8 million relating to changes in estimates was recognized within Properties, Plant and Equipment (Note 10).

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

- A risk-free rate between 9.56% and 11.05% and an inflation rate between 2.70% and 4.2% for cash flows expected to be settled in COP for Colombia (2022: risk-free rate between 12.2% and 13.3% with inflation rate between 2.5% and 3.3%);
- A risk-free rate between 22.18% and 23.85% and an inflation rate between 1.3% and 2.3% for cash flows expected to be settled in U.S. dollars for Ecuador (2022: risk-free rate between 16.72% and 17.23% with inflation rate between 0% and 2.6%); and
- A risk-free rate between 8.13% and 8.87% and an inflation rate between 2.6% and 3.1% for cash flows expected to be settled in U.S. dollars for Peru (2022: risk-free rate between 7.75% and 8.26% with inflation rate between 2.5% and 4.1%).

## 15. Related-Party Transactions

The following table provides the total balances outstanding, commitments and transactional amounts with related parties, as at September 30, 2023, and December 31, 2022, and for the three and nine months ended September 30, 2023, and 2022, respectively:

		September 30, 2023, and December 31, 2022		Three Months Ended September 30	Nine Months Ended September 30
		Accounts Payable	Commitments	Purchases / Services	Purchases / Services
ODL (Note 12)	2023	\$ 5,793	\$ 10,287	\$ 7,960	\$ 22,749
	2022	2,553	31,796	5,795	16,336

The related-party transactions correspond to the ship-or-pay contract for the transportation of crude oil in Colombia for a total commitment of \$10.3 million until 2024 (Note 18).

# Notes to the Interim Condensed Consolidated Financial Statements

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

## 16. Financial Instruments and Risk Management

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

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

#### i) Credit Risk

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

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

<i>As at</i>	September 30 2023	December 31 2022
Trade receivables before ECL	\$ 33,153	\$ 37,091
Allowance for ECLs - trade receivables	(16,295)	(15,657)
Trade receivables	16,858	21,434
Other receivables:		
Receivables from joint arrangements	24,182	28,595
VAT Receivable and others	33,651	33,798
Other receivables	12,555	11,776
Allowance for ECLs - other receivables	(8,118)	(7,655)
Other receivables	\$ 62,270	\$ 66,514
Withholding tax and others - not considered for credit risk	(33,651)	(33,798)
Total financial assets carried at amortized cost	\$ 45,477	\$ 54,150

#### Reconciliation of ECLs

The following table shows a continuity of ECLs:

	2023
As at January 1	\$ 23,312
Provision for ECLs	638
Effect of exchange rate changes	492
Write-off	(29)
As at September 30	\$ 24,413

#### ii) Liquidity Risk

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

## Notes to the Interim Condensed Consolidated Financial Statements (Unaudited; in thousands of U.S.\$, unless otherwise stated)

The following table summarizes the undiscounted cash outflows relating to contractual maturities of the Company's non-derivative financial liabilities as at September 30, 2023:

Financial Liability Due In	2023	2024	2025	2026	2027	Subsequent to 2027	Total
Accounts payable and accrued liabilities <sup>(1)</sup>	\$ 444,418	\$ 2,680	\$ —	\$ —	\$ —	\$ —	\$ 447,098
Short term and long-term debt	28,400	20,899	15,000	20,000	51,400	400,000	535,699
Interest on short-term and long-term debt	23,313	43,842	41,510	39,492	36,293	—	184,450
Lease liabilities	506	2,011	217	19	—	—	2,753
<b>Total</b>	<b>\$ 496,637</b>	<b>\$ 69,432</b>	<b>\$ 56,727</b>	<b>\$ 59,511</b>	<b>\$ 87,693</b>	<b>\$ 400,000</b>	<b>\$ 1,170,000</b>

<sup>(1)</sup> Includes provisions of \$119.6 million, which do not have a definitive amortization term and are therefore classified as current liabilities. These provisions are not expected to be settled within the next 12 months.

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

	September 30 2023	December 31 2022
Trade and other payables	\$ 140,521	\$ 170,573
Accrued liabilities	119,406	123,509
Supplier holdbacks and advances	41,588	30,382
Withholding and tax provisions <sup>(1)</sup>	20,073	11,095
Share-based payment liability	5,924	7,605
	327,512	343,164
Provision for contingencies and others	119,586	126,940
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 447,098</b>	<b>\$ 470,104</b>

<sup>(1)</sup> Since March 1, 2023, Colombia tax rules increased the self-withholding tax rates related to crude oil extraction and exportation from 4.6% to 9.9%.

The Company has various guarantees in place in the normal course of business, supported by letters of credit. As at September 30, 2023, the Company had issued letters of credit for a total of \$124.6 million (2022: \$104.1 million).

### iii) Market and Interest Risk

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

#### Risk Management Contracts

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

##### Risk Management Contracts - Crude Oil

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

Type of Instrument	Term	Benchmark	Volume (bbl)	Avg. Strike Prices	Carrying Amount	
				Put \$/bbl	Assets	Liabilities
Put	October to November 2023	Brent	118,000	70.00	5	—
Put	October to January 2024	Brent	1,390,000	80.00	1,573	—
Total as at September 30, 2023					\$ 1,578	\$ —
Total as at December 31, 2022					\$ 1,216	\$ —

##### Risk Management Contracts - Foreign Exchange

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

# Notes to the Interim Condensed Consolidated Financial Statements

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

Type of Instrument	Term	Benchmark	Notional Amount / Volume in USD	Avg. Put / Call	Carrying Amount	
				Par forward (COP\$)	Assets	Liabilities
Zero-cost collars	October to December 2023	COP / USD	60,000,000	3,914 / 4,320	4,479	—
Zero-cost collars	January to June 2024	COP / USD	30,000,000	4,100 / 4,550	274	—
Total as at September 30, 2023					\$ 4,753	\$ —
Total as at December 31, 2022					\$ —	\$ 1,045

## Risk Management Contracts - Interest swaps

As at September 30, 2023, as a result of the full repayment of the 2025 Puerto Bahia Debt during the first quarter of 2023, the Company terminated the financial derivative that was used to manage the exposure to risks due to the fluctuation of interest rates (Note 13).

Type of Instrument	Term	Benchmark	Notional Amount	Avg. Strike Prices	Carrying Amount				
				Floating rate	Assets	Liabilities			
Total as at September 30, 2023				\$	—	\$	—		
Swap	January 2023 to June 2025	LIBOR + 180	\$	79,100	3.9 %	\$	1,092	\$	—
Total as at December 31, 2022				\$	1,092	\$	—		

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Premiums paid on oil price risk management contracts	\$ (1,930)	\$ (4,393)	\$ (7,705)	\$ (10,551)
Realized gain on foreign exchange risk hedge <sup>(1)</sup>	4,112	—	13,070	—
Realized gain (loss) on risk management contracts	2,182	(4,393)	5,365	(10,551)
Unrealized (loss) gain on risk management contracts	(4,002)	(1,637)	4,880	(2,290)
Total (loss) gain on risk management contracts	\$ (1,820)	\$ (6,030)	\$ 10,245	\$ (12,841)

<sup>(1)</sup> For the three and nine months ended September 30, 2023, includes \$Nil and \$9.0 million as a result of the early termination of zero-cost collars foreign exchange risk management contracts and cash settlement of foreign exchange risk management contracts by \$4.1 million and \$4.1 million, respectively.

## 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.

## Notes to the Interim Condensed Consolidated Financial Statements (Unaudited; in thousands of U.S.\$, unless otherwise stated)

The following table summarizes the Company's remaining financial instruments that are carried or disclosed at fair value in accordance with the classification under the fair value hierarchy as at September 30, 2023, and December 31, 2022:

			Fair Value			
	Period	Carrying Value	Level 1	Level 2	Level 3	
Financial Assets Measured at Fair Value through Profit & Loss						
Risk management assets	2023	\$ 6,331	\$ —	\$ 6,331	\$ —	
	2022	2,308	—	2,308	—	
Financial Assets Measured at Fair Value through Other Comprehensive Income						
Investments in equity instruments	2023	\$ 1,526	\$ —	\$ —	\$ 1,526	
	2022	1,872	—	—	1,872	
Financial Liabilities Measured at Fair Value through Profit & Loss						
Risk management liabilities	2023	\$ —	\$ —	\$ —	\$ —	
	2022	(1,045)	—	(1,045)	—	
Financial Liabilities Measured at Amortized Cost						
2028 Unsecured Notes	2023	\$ (393,286)	\$ —	\$ (315,300)	\$ —	
	2022	(392,535)	—	(334,348)	—	
Other short-term and long-term debt (Note 13)	2023	\$ (129,652)	\$ —	\$ (135,699)	\$ —	
	2022	(115,922)	—	(115,922)	—	

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

### c. Capital Management

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

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

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

	September 30 2023	December 31 2022
Equity attributable to equity holders of the Company	\$ 1,711,878	\$ 1,579,347
Long-term debt	483,639	392,535
Working capital deficit <sup>(1)</sup>	50,443	109,607
Total	\$ 2,245,960	\$ 2,081,489

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



# Notes to the Interim Condensed Consolidated Financial Statements

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

## 17. Supplemental Disclosure on Cash Flows

Changes in non-cash working capital are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
(Decrease) increase in accounts payable and accrued liabilities	\$ (53,905)	\$ (3,964)	\$ (31,693)	\$ 14,177
Decrease (increase) in accounts receivable	8,213	(61,372)	49,095	(15,715)
Increase in income taxes payable	10,509	7,474	5,410	4,764
Decrease (increase) in inventories	343	10,571	(6,878)	(14,839)
Decrease (increase) in prepaid expenses and deposits	5,026	(1,594)	7,578	334
Decrease in income taxes receivable	36,909	3,076	26,939	4,422
Changes in non-cash working capital	\$ 7,095	\$ (45,809)	\$ 50,451	\$ (6,857)
Attributable to				
Operating activities	\$ 68,289	\$ (45,983)	\$ 95,172	\$ 26,550
Investing activities	(61,194)	174	(44,721)	(33,407)
Changes in non-cash working capital	\$ 7,095	\$ (45,809)	\$ 50,451	\$ (6,857)

## 18. Commitments and Contingencies

### Commitments

The Company's commitments as at September 30, 2023, undiscounted and by calendar year, are presented below:

As at September 30, 2023	2023	2024	2025	2026	2027	Subsequent to 2027	Total
<b>Transportation</b>							
Ocensa P-135 ship-or-pay agreement	\$ 17,910	\$ 71,642	\$ 35,870	\$ —	\$ —	\$ —	\$ 125,422
ODL agreements	4,394	5,893	—	—	—	—	10,287
Other transportation and processing commitments	3,316	11,462	11,403	11,403	3,804	—	41,388
<b>Exploration and evaluation</b>							
Minimum work commitments <sup>(1) (2)</sup>	18,742	30,551	65,975	—	—	5,066	120,334
<b>Other commitments</b>							
Operating purchases, community obligations and others.	72,249	27,643	12,882	13,099	10,510	11,855	148,238
<b>Total</b>	<b>\$ 116,611</b>	<b>\$ 147,191</b>	<b>\$ 126,130</b>	<b>\$ 24,502</b>	<b>\$ 14,314</b>	<b>\$ 16,921</b>	<b>\$ 445,669</b>

<sup>(1)</sup> Includes minimum work commitments relating to exploration and evaluation activities in Colombia and Ecuador until the contractual phase, when the Company will decide whether to continue or relinquish the exploration areas.

<sup>(2)</sup> On July 17, 2023, the Company received a communication from the ANH accepting the termination of the CR1 contract by mutual agreement and without adverse consequences for the parties. CR1 had minimum outstanding commitments for a total of \$8.8 million (the Company's net share of such commitment is \$5.3 million) at the time of termination.

On July 31, 2023, the Company received a communication from the ANH accepting the execution of \$7.6 million investment in LLA-7, resulting in a reduction of the commitment in this amount.

On August 4, 2023, the Company received an additional communication from the ANH accepting the termination of the COR-24 contract by mutual agreement and without adverse consequences for the parties. COR-24 had minimum outstanding commitments of \$5.8 million at the time of termination.

### Guyana Commitments

As at September 30, 2023, the Company, through its 76.05% interest in CGX and directly through its working interest, has certain work commitments under the Petroleum Prospecting License ("PPL") for the Corentyne block, offshore Guyana (Frontera 68% W.I. and non-operator). In accordance with the PPL for the Corentyne block, a second exploration well was required to be spud by January 31, 2023, which was extended from the previous expiry date of November 26, 2022. On January 23, 2023, CGX and Frontera, the majority shareholder of CGX and joint venture (the "Joint Venture") partner of CGX, announced that the Joint Venture had spud the Wei-1 well on the Corentyne block, approximately 200 kilometers offshore from Georgetown, Guyana. In addition, the Government of Guyana has approved an appraisal plan for the northern section of the Corentyne block, which commenced with the Wei-1 well. Following completion of Wei-1 drilling operations and upon detailed analysis of the results, the Joint Venture may consider future wells per its appraisal program to evaluate possible development

## Notes to the Interim Condensed Consolidated Financial Statements (Unaudited; in thousands of U.S.\$, unless otherwise stated)

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feasibility in the Kawa-1 discovery area and throughout the northern section of the Corentyne block. The Joint Venture has complied with its exploration commitments under the Corentyne PPL.

On June 13, 2023, CGX and Frontera announced that the joint venture successfully reached total depth of 20,450 feet on the Wei-1 well. On June 28, 2023, CGX and Frontera announced that the Joint Venture discovered oil at the Wei-1 well, 210 feet of hydrocarbon bearing sands in the Santonian horizon were encountered. The Joint Venture successfully finished drilling operations without any safety incidents.

Following the safe and successful completion of Wei-1 well drilling operations, Frontera and CGX have entered into an agreement (the **"JOA Amending Agreement"**) to amend the Joint Operating Agreement originally signed between a subsidiary of Frontera and CGX on January 30, 2019 (as amended from time to time), to cover the unexpected additional costs of the Wei-1 well due to delays associated with the late release of the rig by a third-party, costs associated with a lost sampling tool, and the drilling of the bypass well. The transactions contemplated by the JOA Amending Agreement remain subject to regulatory approvals.

As part of the JOA Amending Agreement, CGX will transfer up to 4.7% of its participating interest in the Corentyne block to Frontera in exchange for Frontera funding CGX's additional expected outstanding share of the Joint Venture's costs associated with the Wei-1 well for up to \$16.5 million. As a result of the JOA Amending Agreement, if the full 4.7% participating interest is transferred by CGX and not re-assigned, Frontera will have a 72.7% participating interest and CGX will have a 27.3% participating interest in the Corentyne block.

In addition, in connection with (i) a drilling contract agreement (the **"Drilling Contract"**) between Maersk Drilling Holdings Singapore Pte. Ltd. (now NobleCorp.) and CGX Resources Inc. (**"CGX Resources"**), the operator of the Corentyne block, for the provision of a semi-submersible drilling unit owned by NobleCorp. and associated services to drill the Joint Venture's Wei-1 well, and (ii) a services agreement (the **"Services Agreement"**) between Schlumberger Guyana Inc. (**"Schlumberger"**) and CGX Resources for the provision of certain oilfield services and the supply of related goods and products for the Corentyne block, Frontera entered into a deed of guarantee with each of NobleCorp. and Schlumberger for certain obligations. Each of the parent company guarantees provided by Frontera to secure payment obligations under the Drilling Contract and the Services Agreement is limited to a maximum amount of \$30.0 million, provided that (i) in the case of Schlumberger, such maximum amount is automatically reduced in an amount equivalent to any payment received by Schlumberger; and (ii) in the case of NobleCorp. such maximum amount shall be reduced to the extent that NobleCorp. receives payments under the Drilling Contract; provided, however, that until there are no outstanding payments to be made under the Drilling Contract with NobleCorp, such maximum guaranteed amount shall not be reduced below \$8.0 million. As of September 30, 2023, (i) the outstanding balance under the Services Agreement and the corresponding parent company guarantee was of \$0.1 million; and (ii) there are no outstanding payments under the Drilling Contract or the corresponding parent company guarantee. The Company anticipates that during the fourth quarter of 2023 the outstanding balance under the Services Agreement will be paid in full.

As at September 30, 2023, CGX had entered into purchase orders and contracts for the drilling of the Wei-1 well and the Guyana Port Project, pursuant to which the Company has amounts outstanding of \$2.6 million, which is expected to be paid in fourth quarter 2023 and early 2024.

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

In May 2022, a new ship-or-pay contract with Bicentenario and Cenit entered into force, and as a result, the pledged inventory crude oil is stored in Cenit's terminal of Coveñas (TLU-3) instead of Ocesa's terminal. On March 31, 2022, the Company signed a new pledge agreement with Ocesa and Cenit, which guarantees the payment obligations of both contracts, up to \$30.0 million and \$6.0 million, respectively. On July 5, 2023, the term of the pledge agreement has been extended up to March 31, 2024, with Ocesa, and up to April 30, 2024, with Cenit.

### **Other Guarantees and Pledges**

As part of the Company's acquisition of Repsol Colombia Oil & Gas Ltd.'s (**"RCOG"**) 50% working interest in the CPE-6 block, the Company granted a pledge to RCOG over the production from the CPE-6 block to guarantee the payments, up to a maximum of \$48.0 million. Under the farm-out agreement, two kinds of payments are set, each contingent on production from this block and each applicable until the maximum payment of \$48.0 million is paid: (i) a variable monthly payment, and (ii) three potential production milestone payments of \$5.0 million each when 5 million, 10 million and 20 million total barrels production, respectively, are achieved. As at September 30, 2023, the Company has paid and accrued a total \$17.4 million of such amounts under the agreement.

# Notes to the Interim Condensed Consolidated Financial Statements

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

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## Contingencies

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

### Quifa Late Delivery Volumes Claim

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

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

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

On August 28, 2023, Ecopetrol filed a constitutional action (*tutela*) in order to revoke the final decision of the Council of State that declared the statute of limitations applied to Ecopetrol's claim of the difference in the value of the barrels of crude oil as a consequence of the late delivery by the Company, in the amount of \$8.5 million plus interest. The Company was linked to the proceeding as an interested third party and, on September 7, 2023, filed a statement of defense.

On September 27, 2023, the Council of State issued a first instance ruling in which it declared inadmissible the constitutional action filed by Ecopetrol due to its lack of constitutional relevance. The Company expects it is likely that Ecopetrol will appeal this decision.

### Puerto Bahia –Tank Construction Related Arbitration

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

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

In September, 2023, CITT filed a constitutional action (*tutela*) against the award rendered on March 1, 2023. However, on September 29, 2023, Colombian Supreme Court issued a first instance ruling dismissing the constitutional action indicating that CITT cannot use it as a replacement of the annulment action which was not timely exercised. On October 4, 2023, CITT filed and appeal against the tutela decision.

# Notes to the Interim Condensed Consolidated Financial Statements

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

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## Ecopetrol - Rubiales Field Disagreement

The Company has been involved in negotiations with Ecopetrol with respect to disagreements on wind-down costs and expenses, as well as inventory, in connection with the expiration of the Rubiales and Piriri exploration and production contracts in June 2016. On November 22, 2018, the Company filed a lawsuit against Ecopetrol before the Administrative Tribunal of Cundinamarca claiming it is owed \$25.3 million. On August 16, 2022, Frontera was served with the admission of the lawsuit against Frontera for over \$45.0 million filed by Ecopetrol, and on September 23, 2022, Frontera filed its statement of defense.

On June 30, 2022, Ecopetrol filed a second lawsuit against Frontera claiming approximately \$4.1 million and on November 24, 2022, Frontera filed a second lawsuit against Ecopetrol before the Administrative Tribunal of Cundinamarca claiming it is owed \$9.0 million.

On December 28, 2022, Frontera and Ecopetrol filed a joint settlement request before the General Attorney Office (the Procuraduría General de la Nación), pursuant to which the parties intend to settle 21 disagreements, including 13 related to Rubiales field disagreements, amounting to approximately \$40.0 million in total. As part of the settlement, the parties will set off mutual debts as follows: Frontera will acknowledge that it owes Ecopetrol approximately \$9.0 million and Ecopetrol will acknowledge that it owes Frontera approximately \$5.0 million. On March 27, 2023, the General Attorney Office issued a favorable opinion concerning the joint settlement agreement. However, due to a mistake in the filing of the joint settlement agreement by the General Attorney Office before the courts, the proceeding was sent to three different judges, one of whom received the filing by error of the General Attorney Office and dismissed the settlement agreement arguing a lack of competence regarding those disagreements, considering that the competence of approving the settlement should fall upon the judges that have full knowledge of the litigation proceeding in accordance with Colombian law. Frontera and Ecopetrol challenged that decision and a final ruling is pending.

## Tax reviews

The Company operates in various jurisdictions and is subject to assessments by tax authorities in each of those jurisdictions, which can be complex and based on interpretations. The Company is currently in discussions with tax authorities for various assessments with respect to certain income tax deductions relating to exportation expenditures, transportation costs, VAT credits, municipal taxes, and other expenses. As at September 30, 2023, the Company has assessed a possible tax exposure of \$142.8 million, (2022: \$85.4 million) relating to these assessments for taxes, interest, and penalties. During the three and nine months ended September 30, 2023, the Company has included a provision of \$10.5 million and \$11.3 million, respectively (2022: \$7.5 million and \$7.5 million, respectively) mainly related to interest and penalties on a claim associated with 2020 income taxes. As at September 30, 2023, the carrying value of the tax liability provisions was \$12.3 million (2022: \$1.0 million).

## 19. Subsequent Events

### Bancolombia Loan

On October 24, 2023, the Company entered into a one-year working capital loan agreement with Bancolombia, denominated in COP, with a principal amount of COP 75,000 million (approximately \$18.0 million) maturing on October 29, 2024 with an interest rate of IBR<sup>(1)</sup> + 4.00%, payable quarterly (the “Bancolombia Loan”). On October 30, 2023, Bancolombia disbursed the total of the amount. The main purposes of the Bancolombia Loan is to fund general corporate purposes. In connection to the Bancolombia Loan, the Company entered into a FX forward on October 31, 2023, hedging the original loan amount, at a forward rate of COP 4,386.17, and a maturity date on October 29, 2024.

Concurrent with the closing of the Bancolombia Loan, the Company repaid in full the existing Citibank Working Capital Loan, which had an outstanding balance of \$12.0 million as of September 30, 2023.

<sup>(1)</sup> Reference Banking Indicator from the central bank of Colombia (“IBR” for its acronym in Spanish).

### Return of Capital from ODL

On October 31, 2023, ODL's shareholders approved a return of capital to the shareholders of approximately \$14.8 million (equivalent to 30% of the outstanding capital contributions) payable on November 2, 2023. As a result, PIL received a \$5.0 million cash payment from ODL.

### Restructuring Plan

Subsequent to the quarter, the board of directors of the Company approved a restructuring plan that is designed to improve operational efficiencies, reduce operating costs and better align the Company's workforce with current business needs, top strategic priorities and key growth opportunities (collectively, the “Restructuring Plan”). The Restructuring Plan includes reduction of the Company's workforce by approximately 16%.