INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

For the three and six months ended June 30, 2023 and 2022

FRONTERA ENERGY

Interim Condensed Consolidated Statements of Income

(Unaudited; in thousands of U.S.$, except per share information)	Notes	Three Months Ended June 30 2023	Three Months Ended June 30 2022*	Six Months Ended June 30 2023	Six Months Ended June 30 2022*
Oil and gas sales and other revenue	4	$ 299,706	$ 376,033	$ 559,285	$ 649,904
Royalties		(9,837)	(32,018)	(19,050)	(51,262)
Revenue		289,869	344,015	540,235	598,642
Operating costs	5	106,470	87,930	189,214	156,257
Costs of purchases	5	66,602	53,196	125,889	88,916
General and administrative	6	12,422	15,097	25,091	29,753
Share-based compensation		1,035	(583)	875	4,505
Depletion, depreciation and amortization	10	81,389	49,510	148,102	88,294
Impairment, exploration expenses and other	7	(35,508)	5,098	(5,225)	1,141
Restructuring, severance and other costs		1,825	1,055	3,397	1,386
Income from operations		55,634	132,712	52,892	228,390
Share of income from associates	12	14,345	9,648	27,917	18,742
Foreign exchange income (loss)		17,006	(13,080)	5,246	(9,438)
Finance income		1,472	876	5,773	1,483
Finance expense		(15,688)	(12,621)	(30,909)	(24,856)
Income (loss) on risk management contracts	16	10,415	(5,273)	12,065	(6,811)
Other (loss) income		(716)	(5,062)	5,589	(11,081)
Net income before income tax		82,468	107,200	78,573	196,429
Current income tax expense		(10,801)	(1,025)	(11,808)	(2,578)
Deferred income tax recovery (expense)		8,196	(90,040)	1,683	(75,736)
Income tax expense	8	(2,605)	(91,065)	(10,125)	(78,314)
Net income for the period		$ 79,863	$ 16,135	$ 68,448	$ 118,115
Attributable to:					
Equity holders of the Company		80,207	13,484	68,877	115,712
Non-controlling interests		(344)	2,651	(429)	2,403
		$ 79,863	$ 16,135	$ 68,448	$ 118,115
Earnings per share attributable to equity holders of the Company					
Basic	9	$ 0.94	$ 0.14	$ 0.81	$ 1.23
Diluted	9	$ 0.92	$ 0.14	$ 0.79	$ 1.20

**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

(Unaudited; in thousands of U.S.$)	Three Months Ended June 30		Six Months Ended June 30	
	2023	**2022**	**2023**	**2022**
Net income for the period	$ 79,863	$ 16,135	$ 68,448	$ 118,115
Other comprehensive income may be reclassified to net income (loss) in subsequent periods (nil tax effect)				
Foreign currency translation	14,891	(17,642)	30,345	(1,160)
Total comprehensive income for the period	$ 94,754	$ (1,507)	$ 98,793	$ 116,955
Attributable to:				
Equity holders of the Company	95,098	(539)	$ 99,222	$ 113,631
Non-controlling interests	(344)	(968)	(429)	3,324
	$ 94,754	$ (1,507)	$ 98,793	$ 116,955

Interim Condensed Consolidated Statements of Financial Position

As at *(Unaudited; in thousands of U.S.$)*	Notes	June 30 2023	December 31 2022*
ASSETS			
Current			
Cash and cash equivalents		$ 180,294	$ 289,845
Restricted cash		11,957	2,505
Trade receivables	16	10,701	21,434
Other receivables	16	95,297	66,514
Inventories		84,347	75,109
Income taxes receivable		84,135	30,551
Prepaid expenses and deposits		18,632	21,184
Risk management assets	16	7,594	2,308
Total current assets		492,957	509,450
Non-current			
Properties, plant and equipment	10	1,784,919	1,765,354
Exploration and evaluation assets	11	474,512	316,006
Investments in associates	12	52,837	59,974
Deferred tax assets	8	67,498	64,290
Restricted cash		21,528	20,697
Other assets		2,961	2,684
Total non-current assets		2,404,255	2,229,005
Total assets		$ 2,897,212	$ 2,738,455
LIABILITIES			
Current			
Accounts payable and accrued liabilities	16	$ 496,669	$ 466,580
Short term debt and current portion of long-term debt	13	33,699	115,922
Risk management liabilities	16	—	1,045
Income taxes payable		2,047	7,146
Lease liabilities		1,189	2,550
Asset retirement obligations	14	18,312	25,814
Total current liabilities		551,916	619,057
Non-current			
Long-term debt	13	496,954	392,535
Other payables	16	1,980	3,524
Lease liabilities		431	545
Deferred tax liabilities	8	6,089	4,610
Asset retirement obligations	14	155,325	128,980
Total non-current liabilities		660,779	530,194
Total liabilities		$ 1,212,695	$ 1,149,251
Commitments and contingencies	18		
EQUITY			
Share capital		$ 4,604,602	$ 4,608,234
Contributed surplus		108,623	109,918
Other reserves		(70,547)	(100,892)
Accumulated deficit		(2,969,036)	(3,037,913)
Equity attributable to equity holders of the Company		$ 1,673,642	$ 1,579,347
Non-controlling interests		10,875	9,857
Total equity		$ 1,684,517	$ 1,589,204
Total liabilities and equity		$ 2,897,212	$ 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	Share Capital	Contributed Surplus	Cumulative Translation Adjustment	Fair Value Investment	Accumulated Deficit	Total	Non-Controlling Interests	Total Equity
		Attributable to Equity Holders of the Company							
As at January 1, 2023	85,592,075	$ 4,608,234	$ 109,918	$ (95,690)	$ (5,202)	$ (3,037,913)	$ 1,579,347	$ 9,857	$ 1,589,204
Net income for the period	—	—	—	—	—	68,877	68,877	(429)	68,448
Other comprehensive income	—	—	—	30,345	—	—	30,345	—	30,345
Total comprehensive income	—	—	—	30,345	—	68,877	99,222	(429)	98,793
Acquisition of non-controlling interests	—	—	(1,469)	—	—	—	(1,469)	—	(1,469)
Repurchase of Common Shares under NCIB [1]	(461,200)	(4,170)	—	—	—	—	(4,170)	—	(4,170)
Share-based compensation[2]	57,698	538	174	—	—	—	712	1,447	2,159
As at June 30, 2023	85,188,573	$ 4,604,602	$ 108,623	$ (65,345)	$ (5,202)	$ (2,969,036)	$ 1,673,642	$ 10,875	$ 1,684,517

(Unaudited; in thousands of U.S.$)	Number of Common Shares	Share Capital	Contributed Surplus	Cumulative Translation Adjustment	Fair Value Investment	Accumulated Deficit	Total	Non-Controlling Interests	Total Equity
		Attributable to Equity Holders of the Company							
As at January 1, 2022	94,695,694	$ 4,694,370	$ 122,489	$ (86,163)	$ (5,202)	$ (3,324,528)	$ 1,400,966	$ 47,925	$ 1,448,891
Net income for the period	—	—	—	—	—	115,712	115,712	2,403	118,115
Other comprehensive income	—	—	—	(2,081)	—	—	(2,081)	921	(1,160)
Total comprehensive income	—	—	—	(2,081)	—	115,712	113,631	3,324	116,955
Repurchase of common shares under NCIB	(2,380,300)	(25,644)	—	—	—	—	(25,644)	—	(25,644)
Share-based compensation	361,101	4,086	449	—	—	—	4,535	378	4,913
Dividends paid to non-controlling interest (Note)	—	—	—	—	—	—	—	(8,252)	(8,252)
As at June 30, 2022	92,676,495	$ 4,672,812	$ 122,938	$ (88,244)	$ (5,202)	$ (3,208,816)	$ 1,493,488	$ 43,375	$ 1,536,863

*[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 (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 six months ended June 30, 2023, the Company repurchased for cancellation $Nil million and $4.2 million of Common Shares, respectively (2022: $19.5 million and $25.6 million, respectively), for an average repurchase cost of $Nil/share and $9.04/share, respectively (2022: $11.12/share and $10.77/share, respectively).*

*[2] During the period ended on June 30, 2023, the Company settled 94,094 restricted share units ("**RSUs**") (2022: 822,727 RSUs). This includes issuance of 57,698 Common Shares (2022: 361,101 Common Shares), for an average price of $9.32/Common Share (2022: $11.32/share). The remaining 36,396 RSUs were settled in cash (2022: 461,626 RSUs).*

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited; in thousands of U.S.$)	Notes	Three Months Ended June 30 2023	Three Months Ended June 30 2022	Six Months Ended June 30 2023	Six Months Ended June 30 2022
OPERATING ACTIVITIES					
Net income for the period		$ 79,863	$ 16,135	$ 68,448	$ 118,115
Items not affecting cash:					
Depletion, depreciation and amortization		81,389	49,510	148,102	88,294
Impairment expense	7	4,662	5,297	21,477	5,297
Recovery of asset retirement obligations	7	(40,562)	(1,598)	(27,481)	(6,027)
Unrealized gain on risk management contracts	16	(4,057)	1,797	(8,882)	653
Share-based compensation		263	(1,845)	442	3,243
Deferred income tax (recovery) expense	8	(8,196)	90,040	(1,683)	75,736
Unrealized foreign exchange gain		(21,698)	12,585	(23,848)	4,544
Share of income from associates	12	(14,345)	(9,648)	(27,917)	(18,742)
Finance expense		15,688	12,621	30,909	24,856
Finance income		(1,472)	(876)	(5,773)	(1,483)
Dividends from associates	12	23,026	9,241	23,026	18,342
Income tax paid or withheld		(4,889)	(12,660)	(41,362)	(29,360)
Interest received		1,173	1,102	3,611	1,544
Settlement of asset retirement obligations	14	(2,030)	(549)	(3,490)	(2,773)
Other		1,019	3,333	1,943	6,591
Changes in working capital (excluding cash)	17	73,726	72,130	26,883	72,533
Cash provided by operating activities		$ 183,560	$ 246,615	$ 184,405	$ 361,363
INVESTING ACTIVITIES					
Additions to oil and gas properties, infrastructure port, and plant and equipment		$ (66,166)	$ (66,526)	$ (109,146)	$ (116,809)
Additions to exploration and evaluation assets		(88,924)	(31,302)	(177,870)	(91,724)
Acquisition of non-controlling interests		(9,227)	—	(9,227)	—
Return of capital contributions from investment in associates	12	2,716	—	2,716	1,942
Sale of subsidiaries		(7,500)	(2,000)	(7,500)	(6,000)
Decrease in restricted cash and other		2,719	5,904	4,313	6,429
Changes in working capital (excluding cash)	17	6,469	(40,221)	16,473	(33,581)
Cash used in investing activities		$ (159,913)	$ (134,145)	$ (280,241)	$ (239,743)
FINANCING ACTIVITIES					
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	—	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	(6,787)	(20,907)	(9,128)	(22,604)
Lease payments		(1,077)	(2,193)	(2,080)	(3,264)
Repurchase of Common Shares under NCIB		—	(19,520)	(4,170)	(25,644)
Interest paid and other charges	13	(19,873)	(19,825)	(21,006)	(20,661)
Dividends paid to non-controlling interests		—	(8,252)	—	(8,252)
Cash used in financing activities		$ (7,737)	$ (70,697)	$ (17,531)	$ (80,425)
Effect of exchange rate changes		2,112	(4,048)	3,816	(3,601)
Decrease (increase) in cash and cash equivalents during the period		18,022	37,725	(109,551)	37,594
Cash and cash equivalents, beginning of the period		162,272	257,373	289,845	257,504
Cash and cash equivalents, end of the period		$ 180,294	$ 295,098	$ 180,294	$ 295,098
Cash		147,166	242,732	147,166	242,732
Cash equivalents		33,128	52,366	33,128	52,366
Total cash and cash equivalents		$ 180,294	$ 295,098	$ 180,294	$ 295,098

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 six months ended June 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 August 10, 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.

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

	Exploration and Production Onshore				Exploration and Infrastructure											
	Colombia		Ecuador		Guyana		Midstream Colombia		Canada & Others		Eliminations		Total	
Three Months Ended June 30	**2023**	**2022***	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022***
Oil and gas sales	$ 283,792	$ 361,364	$ 4,029	$ 3,084	$ —	$ —	$ 13,080	$ 12,239	$ —	$ —	$ (1,903)	$ (1,936)	$ 298,998	$ 374,751
Other Revenues	708	1,282											708	1,282
Royalties	(9,594)	(31,893)	(243)	(125)	—	—	—	—	—	—	—	—	(9,837)	(32,018)
Revenue	274,906	330,753	3,786	2,959	—	—	13,080	12,239	—	—	(1,903)	(1,936)	289,869	344,015
Oil and gas operating costs	100,214	76,580	2,230	483	—	—	5,733	5,612	196	7,191	(1,903)	(1,936)	106,470	87,930
Costs of purchases	66,602	53,196	—	—	—	—	—	—	—	—	—	—	66,602	53,196
General and administrative	7,209	10,128	370	379	1,820	1,234	1,455	1,082	1,613	2,284	(45)	(10)	12,422	15,097
Share-based compensation	680	(230)	4	(8)	263	238	—	—	88	(583)	—	—	1,035	(583)
Depletion, depreciation and amortization	79,526	47,837	12	6	5	10	1,319	1,563	527	94	—	—	81,389	49,510
Impairment, exploration expenses and other	1,512	2,164	—	—	—	85	—	—	(37,020)	2,849	—	—	(35,508)	5,098
Restructuring, severance and other costs	398	140	—	3	—	—	700	882	727	30	—	—	1,825	1,055
Income (loss) from operations	18,765	140,938	1,170	2,096	(2,088)	(1,567)	3,873	3,100	33,869	(11,865)	45	10	55,634	132,712
Share of income from associates	—	—	—	—	—	—	14,345	9,648			—	—	14,345	9,648
Segment income (loss)	$ 18,765	$ 140,938	$ 1,170	$ 2,096	$ (2,088)	$ (1,567)	$ 18,218	$ 12,748	$ 33,869	$ (11,865)	$ 45	$ 10	$ 69,979	$ 142,360
Other non-operating expense items													12,489	(35,160)
Income tax expense													(2,605)	(91,065)
Net income for the period													$ 79,863	$ 16,135

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

Six Months Ended June 30	Exploration and Production Onshore				Exploration and Infrastructure									
	Colombia		Ecuador		Guyana		Midstream Colombia		Canada & Others		Eliminations		Total	
	2023	2022*	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022*
Oil and gas sales	$ 529,155	$ 625,612	$ 7,073	$ 3,084	$ —	$ —	$ 24,226	$ 22,571	$ —	$ —	$ (3,567)	$ (3,388)	$ 556,887	$ 647,879
Other revenues	2,398	2,025											2,398	2,025
Royalties	(18,657)	(51,137)	(393)	(125)	—	—	—	—	—	—	—	—	(19,050)	(51,262)
Revenue	512,896	576,500	6,680	2,959	—	—	24,226	22,571	—	—	(3,567)	(3,388)	540,235	598,642
Operating costs	178,342	141,207	2,707	483	—	—	10,850	10,291	882	7,664	(3,567)	(3,388)	189,214	156,257
Costs of purchases	125,889	88,916	—	—	—	—	—	—	—	—	—	—	125,889	88,916
General and administrative	15,075	18,735	594	511	3,102	2,976	2,797	2,753	3,613	4,797	(90)	(19)	25,091	29,753
Share-based compensation	364	3,401	8	—	290	526	—	—	213	578	—	—	875	4,505
Depletion, depreciation and amortization	144,740	85,065	24	11	18	21	2,551	3,039	769	158	—	—	148,102	88,294
Impairment, exploration expenses and other	19,035	(1,281)	—	1	—	85	—	—	(24,260)	2,336	—	—	(5,225)	1,141
Restructuring, severance and other costs	1,079	294	—	3	—	—	803	1,056	1,515	33	—	—	3,397	1,386
Income (loss) from operations	28,372	240,163	3,347	1,950	(3,410)	(3,608)	7,225	5,432	17,268	(15,566)	90	19	52,892	228,390
Share of income from associates	—	—	—	—	—	—	27,917	18,742	—	—	—	—	27,917	18,742
Segment income (loss)	$ 28,372	$ 240,163	$ 3,347	$ 1,950	$ (3,410)	$ (3,608)	$ 35,142	$ 24,174	$ 17,268	$ (15,566)	$ 90	$ 19	$ 80,809	$ 247,132
Other non-operating expense items													(2,236)	(50,703)
Income tax expense													(10,125)	(78,314)
Net income for the period													$ 68,448	$ 118,115

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

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

As at	June 30 2023	December 31 2022
Colombia	$ 1,925,093	$ 1,902,712
Guyana	440,621	291,939
Ecuador	38,071	33,786
Canada & Others	470	568
Total non-current assets	$ 2,404,255	$ 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 June 30		Six Months Ended June 30	
	2023	2022*	2023	2022*
Colombia				
Produced crude oil sales	$ 221,041	$ 309,118	$ 411,331	$ 537,863
Purchased crude oil and products sales	59,902	47,968	111,218	79,680
Gas sales	2,849	4,278	6,606	8,069
Colombia oil and gas sales	283,792	361,364	529,155	625,612
Ecuador crude oil sales [(1)]	4,029	3,084	7,073	3,084
Oil and gas sales	287,821	364,448	536,228	628,696
Midstream sales to external customers	11,177	10,303	20,659	19,183
Inter-segment sales	1,903	1,936	3,567	3,388
Midstream sales	13,080	12,239	24,226	22,571
Elimination of midstream inter-segment sales	(1,903)	(1,936)	(3,567)	(3,388)
Other revenues [(2)]	708	1,282	2,398	2,025
Oil and gas sales and other revenue	$ 299,706	$ 376,033	$ 559,285	$ 649,904

[(1)] Proceeds from selling oil produced from an exploration and evaluation (E&E) assets.

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

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5. Operating Costs

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022*	2023	2022*
Production costs [(1)]	$ 53,615	$ 47,335	$ 98,772	$ 96,674
Transportation costs [(1)]	39,130	35,065	76,500	67,148
Post-termination obligation	6,120	6,842	6,277	7,070
Inventory valuation [(1)]	(561)	(7,619)	(8,614)	(26,191)
Total oil and gas operating costs	98,304	81,623	172,935	144,701
Port operating costs	5,733	5,612	10,850	10,291
Special project and other costs [(2)]	2,433	695	5,429	1,265
Total operating costs	$ 106,470	$ 87,930	$ 189,214	$ 156,257

[(1)] For three and six months ended June 30, 2023, includes production costs, of $1.6 million and $3.0 million, transportation costs of $0.2 million and $0.5 million, increase of $0.4 million and reduction of $0.8 million in inventory valuation, from oil produced from E&E, respectively.

*[(2)] Mainly includes costs related to Promotora Agricola 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.*

(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 and six months ended June 30, 2023, the cost of purchases was $66.6 million and $125.9 million, respectively (2022: $53.2 million and $88.9 million, respectively) including the transportation and processing fees for purchased volumes sold. The cost of purchases were higher than the same periods of 2022 due to additional volumes acquired partially offset by lower Brent benchmark oil prices. For the three and six months ended June 30, 2023, the sale of purchased volumes generated an income of $111.2 million and $59.9 million, respectively (2022: $48.0 million and $79.7 million respectively).

6. General and Administrative

	Three Months Ended June 30		Six Months Ended June 30	
	2023	**2022**	**2023**	**2022**
Salaries and benefits	$ 7,887	$ 7,715	$ 15,355	$ 15,973
Professional fees	3,148	4,730	6,481	8,904
Taxes	927	1,116	1,994	2,580
Other expenses	460	1,536	1,261	2,296
Total	$ 12,422	$ 15,097	$ 25,091	$ 29,753

7. Impairment, Exploration Expenses and Other

	Three Months Ended June 30		Six Months Ended June 30	
	2023	**2022**	**2023**	**2022**
Impairment expense of:				
Exploration and evaluation assets (Note 11)	$ 4,339	$ 2,264	19,503	2,264
Other	323	3,033	1,974	3,033
Total impairment expense	**4,662**	**5,297**	**21,477**	**5,297**
Exploration expenses of:				
Geological and geophysical costs, and other	392	480	779	952
Minimum work commitment paid [1]	—	919	—	919
Total exploration expenses	392	1,399	779	1,871
Recovery of asset retirement obligations	(40,562)	(1,598)	(27,481)	(6,027)
Impairment, exploration expenses and other	$ (35,508)	$ 5,098	$ (5,225)	$ 1,141

[1] *Payments made to fulfill the remaining balance of minimum exploration work commitment for certain blocks.*

Exploration and Evaluation Assets

During the three and six months ended June 30, 2023, the Company recorded an impairment charge on exploration and evaluation of assets in Colombia of $4.3 million and $19.5 million, respectively (2022: $2.3 million 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 three and six months ended June 30, 2023, the Company recognized other impairment expenses of $0.3 million and $2.0 million, respectively (2022: $3.0 million and $3.0 million, respectively) related to obsolete inventories and allowance of doubtful account receivables.

Recovery of asset retirement obligations

During three and six months ended June 30, 2023, the Company recognized a recovery of asset retirement obligations of $40.6 million and $27.5 million, respectively (2022: $1.6 million and $6.0 million, respectively), 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 June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Net income before income tax	$ 82,468	$ 107,200	$ 78,573	$ 196,429
Colombian statutory income tax rate [(1)]	50%	35%	50%	35%
Income tax expense at statutory rate	41,234	37,520	39,286	68,750
(Decrease) increase in income tax provision resulting from:				
Non-deductible/taxable expense/income and other differences	3,192	8,399	12,789	19,736
Share-based compensation	436	(330)	304	1,186
Differences in tax rates	—	—	(11,262)	(10,246)
Change in deferred income tax	(42,257)	45,476	(30,992)	(1,112)
Income tax expense	2,605	91,065	10,125	78,314
Current income tax expense	10,801	1,025	11,808	2,578
Deferred income tax expense:				
Relating to origination and reversal of temporary differences	(8,196)	90,040	(1,683)	75,736
Income tax expense	$ 2,605	$ 91,065	$ 10,125	$ 78,314
Effective tax rate	3.16%	84.95 %	12.89%	39.87%

(1) 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 six months ended June 30, 2023, the Company recognized a current income tax expense of $10.8 million and $11.8 million, respectively, (2022: $1.0 million and $2.6 million), mainly from withholding taxes on dividends from investments in associates, recognition of minimum current tax partially offset by tax deductions, a tax assessment from previous years and changes in tax assessments recognized during the 2023.

During the three and six months ended June 30, 2023, the Company recognized a deferred income tax recovery of $8.2 million and $1.7 million, respectively, (2022: Expense of $90.0 million and $75.7 million). The variation is mainly due to the Colombian Pesos ("**COP**") revaluation partially offset by use of deferred tax assets as taxable profits accrued during the quarters. As of June 30, 2023, the deferred tax asset was $67.5 million (2022: $64.3 million), and the deferred tax liability was $6.1 million (2022: $4.6 million).

9. Earnings per Share

	Three Months Ended June 30		Six Months Ended June 30	
(In thousands of U.S.$, except share and per share amounts)	2023	2022	2023	2022
Income attributable to equity holders of the Company	$ 80,207	$ 13,484	$ 68,877	$ 115,712
Basic weighted average number of shares outstanding	85,188,573	93,238,705	85,266,021	93,895,928
Effect of dilution from dilutive instruments	2,409,361	2,384,388	2,198,030	2,560,144
Diluted weighted average number of shares outstanding	87,597,934	95,623,093	87,464,051	96,456,072
Earnings per share attributable to equity holders of the Company				
Basic	$ 0.94	$ 0.14	$ 0.81	$ 1.23
Diluted	$ 0.92	$ 0.14	$ 0.79	$ 1.20

(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	105,496	1,512	2,138	109,146
Change in asset retirement obligations (Note 14)	34,370	—	—	34,370
Disposal	(502,830)	(90)	(26,439)	(529,359)
Currency translation adjustment	10,018	28,535	511	39,064
As at June 30, 2023	$ 7,905,379	$ 237,386	$ 68,522	$ 8,211,287

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	145,770	2,669	2,520	150,959
Impairment	60	—	—	60
Disposal	(501,128)	—	(26,695)	(527,823)
Currency translation adjustment	8,705	1,430	325	10,460
As at June 30, 2023	$ 6,354,028	$ 16,946	$ 55,394	$ 6,426,368

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 June 30, 2023	$ 1,551,351	$ 220,440	$ 13,128	$ 1,784,919

**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	$ 1,550,594	$ 220,440	$ 11,533	$ 1,782,567
Right-of-use (“**ROU**”) assets - leased	757	—	1,595	2,352
As at June 30, 2023	$ 1,551,351	$ 220,440	$ 13,128	$ 1,784,919

Details of ROU assets are as follows:

	Power Generation	Plant & Equipment	Amount
As at January 1, 2023	$ 2,275	$ 2,496	$ 4,771
Additions	—	236	236
Depreciation	(1,518)	(1,137)	(2,655)
As at June 30, 2023	$ 757	$ 1,595	$ 2,352

11. Exploration and Evaluation Assets

	2023
As at January 1 *	$ 316,006
Additions (1)	177,870
Impairment expense (Note 7)	(19,503)
Change in asset retirement obligations	347
Disposals	(208)
As at June 30	$ 474,512

(1) Mainly includes additions of $148.2 million in Guyana related to the Corentyne block, $3.5 million in Ecuador related to Perico block and $25.6 million in Colombia, mainly in the VIM-22 and Llanos 99 blocks.

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(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		27,917
Dividends		(37,018)
Return of capital contributions		(5,202)
Currency translation adjustment		7,166
As at June 30, 2023	$	52,837
Company's interest as at June 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 Logistica de Hidrocarburos S.A.S. ("**Cenit**"). ODL's functional currency is COP and currency translation adjustments ("**CTA**") are recorded in other comprehensive income.

During the three and six months ended June 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 $23.0 million and $23.0 million, respectively (2022: $9.2 million and $18.3 million, respectively). As at June 30, 2023, the carrying value of dividends receivable after withholding taxes was $8.2 million (2022: $Nil).

In addition, during three and six months ended June 30, 2023, the Company recognized a return of capital of Nil and $5.2 million, respectively (2022: $Nil and $3.9 million) and received $2.7 million and $2.7 million in cash, respectively (2022: $Nil and $1.9 million, respectively). As at June 30, 2023, the carrying value of return of capital receivable was $2.9 million (2022: $Nil).

13. Short Term and Long-Term Debt

As at	Maturity		Principal	Interest Rate		June 30 2023		December 31 2022
2028 Unsecured Notes	June 2028	$	400,000	7.875%	$	393,082	$	392,535
PIL Loan Facility (Tranche A)	December 2027	$	100,000	SOFR 6M + 7.25%		89,938		—
Citibank Working Capital Loan	December 2023	$	20,000	SOFR+4.25%		20,000		—
PIL Loan Facility (Tranche B)	December 2027	$	20,000	11%		18,934		—
PetroSud credit loans	December 2023	$	24,800	LIBOR 3M + 4.95%		8,699		12,828
2025 Puerto Bahia Debt	June 2025	$	370,000	LIBOR 6M + 5%		—		103,094
Total					$	530,653	$	508,457

As at		June 30 2023		December 31 2022
Current portion	$	33,699	$	115,922
Non-current portion		496,954		392,535
Total	$	530,653	$	508,457

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 amortizates in five equal installments from August to December 2023. Proceeds from this loan were used for general corporate purposes.

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.

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

CPE-6 Solar Plant Project Leasing Agreement

During the fourth quarter of 2022, the Company entered into a leasing agreement with Bancolombia S.A. ("**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 $6.1 million as at June 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(1) +5.75%, payable monthly over the disbursed amount outstanding to be paid.

As of June 30, 2023, the Company has drawn $1.2 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.

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

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

14. Asset Retirement Obligations

		2023
As at January 1	$	154,794
Accretion expense		5,257
Additions		1,919
Changes in estimates		38,632
Liabilities settled		(10,990)
Expense of asset retirement obligations [1]		(15,975)
As at June 30	$	173,637

[1] *During the six months ended June 30, 2023, the Company recognized a recovery of $37.3 million resulting from the sale of Frontera Energy OffShore Perú (for further information, refer to Note 7).*

	As at June 30 2023	December 31 2022
Current portion	$ 18,312	$ 25,814
Non-current portion	155,325	128,980
Total	$ 173,637	$ 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 $294.7 million (2022: $284.2 million), expected to be executed between 2023 and 2045, of which $285.2 million (2022: $249.2 million) relates to Colombia, $8.3 million (2022: $31.8 million) in Peru and $1.3 million (2022: $1.1 million) in Ecuador.

During the six months ended June 30, 2023, the Company recognized an increase in ARO due to changes in estimates of $38.6 million, which includes an increase of $21.6 million related to updating the risk-free and inflation rates, an increase of $20.1 million due to the impact of foreign exchange rates and a decrease of $3.1 million related to updated cost estimates. A total of $34.4 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 10.31% and 11.08% and an inflation rate between 2.50% 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 23.23% and 23.85% and an inflation rate between 1.4% 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 5.08% and 5.71% 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 provide the total balances outstanding, commitments and transactional amounts with related parties, as at June 30, 2023, and December 31, 2022, and for the three and six months ended June 30, 2023, and 2022, respectively:

		June 30, 2023, and December 31, 2022			Three Months Ended June 30	Six Months Ended June 30
		Accounts Receivable	Accounts Payable	Commitments	Purchases / Services	Purchases / Services
ODL (Note 12)	2023	$ 11,045	$ 781	$ 16,600	$ 7,879	$ 14,789
	2022	—	2,553	31,796	5,178	10,541

The related-party transactions correspond to the ship-or-pay contract for the transportation of crude oil in Colombia for a total commitment of $16.6 million until 2024 (Note 18).

(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:

As at	June 30 2023	December 31 2022
Trade receivables before ECL	$ 26,996	$ 37,091
Allowance for ECLs - trade receivables	(16,295)	(15,657)
Trade receivables	10,701	21,434
Other receivables:		
Receivables from joint arrangements	27,546	28,595
Withholding tax and others	54,696	33,798
Other receivables	21,075	11,776
Allowance for ECLs - other receivables	(8,020)	(7,655)
Other receivables	$ 95,297	$ 66,514
Withholding tax and others - not considered for credit risk	(54,696)	(33,798)
Total financial assets carried at amortized cost	$ 51,302	$ 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	394
Write-off	(29)
As at June 30	$ 24,315

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.

(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 June 30, 2023:

Financial Liability Due In	2023	2024	2025	2026	2027	Subsequent to 2027	Total
Accounts payable and accrued liabilities [1]	$ 496,669	$ 1,980	$ —	$ —	$ —	$ —	$ 498,649
Short term and long-term debt	28,699	15,000	15,000	20,000	65,000	400,000	543,699
Interest on short-term and long-term debt	24,055	44,009	40,376	36,605	34,169	15,750	194,964
Lease liabilities	1,082	378	216	40	—	—	1,716
Total	$ 550,505	$ 61,367	$ 55,592	$ 56,645	$ 99,169	$ 415,750	$ 1,239,028

[1] 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:

	As at June 30 2023	December 31 2022
Trade and other payables	$ 165,389	$ 170,573
Accrued liabilities	140,965	123,509
Supplier holdbacks and advances	40,550	30,382
Withholding and tax provisions [1]	24,452	11,095
Share-based payment liability	7,665	7,605
	379,021	343,164
Provision for contingencies and others	119,628	126,940
Total accounts payable and accrued liabilities	$ 498,649	$ 470,104

[1] 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 June 30, 2023, the Company had issued letters of credit for a total of $119.8 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.

				Avg. Strike Prices	Carrying Amount	
Type of Instrument	Term	Benchmark	Volume (bbl)	Put $/bbl	Assets	Liabilities
Put	July 2023 to September 2023	Brent	1,260,000	70.00	1,610	—
Total as at June 30, 2023					$ 1,610	$ —
Total as at December 31, 2022					$ 1,216	$ —

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

Risk Management Contracts - Foreign Exchange

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

Type of Instrument	Term	Benchmark	Notional Amount / Volume in USD	Avg. Put / Call Par forward (COP$)	Carrying Amount Assets	Carrying Amount Liabilities
Zero-cost collars	July to September 2023	COP / USD	60,000,000	4,320 / 4,907	3,302	—
Zero-cost collars	July to December 2023	COP / USD	60,000,000	4,320 / 4,914	2,682	—
Total as at June 30, 2023					$ 5,984	$ —
Zero-cost collars	January to June 2023	COP / USD	120,000,000	4,200 / 5,321	—	1,045
Total as at December 31, 2022					$ —	$ 1,045

Risk Management Contracts - Interest swaps

As at June 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 Floating rate	Carrying Amount Assets	Carrying Amount Liabilities
Total as at June 30, 2023					$ —	$ —
Swap	January 2023 to June 2025	LIBOR + 180	$ 79,100	3.9 %	$ 1,092	$ —
Total as at December 31, 2022					$ 1,092	$ —

	Assets	Liabilities
Total Risk Management Contracts as at June 30, 2023	$ 7,594	$ —
Total Risk Management Contracts as at December 31, 2022	$ 2,308	$ 1,045

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

	Three Months Ended June 30 2023	Three Months Ended June 30 2022	Six Months Ended June 30 2023	Six Months Ended June 30 2022
Premiums paid on risk management contracts settled	$ (2,600)	$ (3,476)	$ (5,775)	$ (6,158)
Realized gain on unwinding of risk management contracts (1)	8,958	—	8,958	—
Realized gain (loss) on risk management contracts	6,358	(3,476)	3,183	(6,158)
Unrealized gain (loss) on risk management contracts	4,057	(1,797)	8,882	(653)
Total gain (loss) on risk management contracts	$ 10,415	$ (5,273)	$ 12,065	$ (6,811)

(1) During the second quarter of 2023, the Company recognized a gain of $9.0 million (2022: $Nil) as a result of the early termination of zero-cost collars foreign exchange risk management contracts.

b. Fair Value of Financial Instruments

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

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

The following table summarizes the Company's remaining financial instruments that are carried or disclosed at fair value in accordance with the classification under the fair value hierarchy as at June 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	$ 7,594	$ —	$ 7,594	$ —
	2022	2,308	—	2,308	—
Financial Assets Measured at Fair Value through Other Comprehensive Income					
Investments in equity instruments	2023	$ 1,854	$ —	$ —	$ 1,854
	2022	1,872	—	—	1,872
Financial Liabilities Measured at Fair Value through Profit & Loss					
Risk management liabilities	2023	$ —	$ —	$ —	$ —
	2022	(1,045)	—	(1,045)	—
Financial Liabilities Measured at Amortized Cost					
2028 Unsecured Notes [1]	2023	$ (393,082)	$ —	$ (295,824)	$ —
	2022	(392,535)	—	(334,348)	—
Other short-term and long-term debt (Note 13)	2023	$ (137,571)	$ —	$ (148,699)	$ —
	2022	(115,922)	—	(115,922)	—

(1) The information included as at June 30, 2023 and December 31, 2022 corresponds to the 2028 Unsecured Notes (Note 13).

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

c. Capital Management

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

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

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

	As at June 30	December 31
	2023	2022
Equity attributable to equity holders of the Company	$ 1,673,642	$ 1,579,347
Long-term debt	496,954	392,535
Working capital deficit [1]	58,959	109,607
Total	$ 2,229,555	$ 2,081,489

(1) 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.

(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 June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Increase (decrease) in accounts payable and accrued liabilities	$ 26,540	$ (24,300)	$ 22,212	$ 18,141
Decrease in accounts receivable	56,565	54,944	40,882	45,657
Decrease in income taxes payable	(670)	(192)	(5,099)	(2,710)
Decrease (increase) in inventories	3,597	(209)	(7,221)	(25,410)
Decrease in prepaid expenses and deposits	1,737	1,039	2,552	1,928
(Increase) decrease in income taxes receivable	(7,574)	627	(9,970)	1,346
Changes in non-cash working capital	$ 80,195	$ 31,909	$ 43,356	$ 38,952
Attributable to				
Operating activities	$ 73,726	$ 72,130	$ 26,883	$ 72,533
Investing activities	6,469	(40,221)	16,473	(33,581)
Changes in non-cash working capital	$ 80,195	$ 31,909	$ 43,356	$ 38,952

18. Commitments and Contingencies

Commitments

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

As at June 30, 2023	2023	2024	2025	2026	2027	Subsequent to 2027	Total
Transportation							
Ocensa P-135 ship-or-pay agreement	$ 35,692	$ 71,383	$ 35,887	$ —	$ —	$ —	$ 142,962
ODL agreements	8,381	8,219	—	—	—	—	16,600
Other transportation and processing commitments	6,919	11,610	11,550	11,550	3,877	—	45,506
Exploration and evaluation							
Minimum work commitments [(1)] [(2)]	43,735	43,501	53,025	—	—	5,066	145,327
Other commitments							
Operating purchases, community obligations and others.	57,696	26,400	18,218	12,983	10,406	9,386	135,089
Total	$ 152,423	$ 161,113	$ 118,680	$ 24,533	$ 14,283	$ 14,452	$ 485,484

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

[(2)] *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 June 30, 2023, the Company, through its 76.97% interest in CGX and directly through its working interest, has certain work commitments under the Petroleum Prospecting License ("**PPL**") for the Corentyne block, offshore Guyana (Frontera 68% W.I. and non-operator). In accordance with the PPL for the Corentyne block, a second exploration well was required to be spud by January 31, 2023, which was extended from the previous expiry date of November 26, 2022. On January 23, 2023, CGX and Frontera, the majority shareholder of CGX and joint venture (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 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 and expects to release the drilling rig in early July 2023.

In addition, in connection with (i) a drilling contract agreement between Maersk Drilling Holdings Singapore Pte. Ltd. (now NobleCorp.) and CGX Resources Inc. ("**CGX Resources**"), the operator of the Corentyne block, for the provision of a semi-submersible drilling unit owned by NobleCorp. and associated services to drill the Joint Venture's Wei-1 well, and (ii) a services agreement between Schlumberger Guyana Inc. ("**Schlumberger**") and CGX Resources for the provision of certain oilfield services and the supply of related goods and products for the Corentyne block, Frontera entered into a deed of guarantee with each of NobleCorp. and Schlumberger for certain obligations. Each of the parent company guarantees provided by Frontera to secure payment obligations under the NobleCorp. and Schlumberger agreements 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 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 June 30, 2023, (i) the outstanding balance under the Schlumberger parent company guarantee was $7.7 million; and (ii) the outstanding balance under the NobleCorp contract is of in $9.5 million and therefore the corresponding parent company guarantee continues to be valid up to a maximum amount of $8.0 million. The Company anticipates that during the second half of 2023 the outstanding balance under the NobleCorp and Schlumberger agreements will be fully paid.

As at June 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 $12.7 million, which is expected to be paid during 2023 and early 2024.

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

In May 2022, a new ship-or-pay contract with Bicentenario and Cenit entered into force, and as a result, the pledged inventory crude oil is stored in Cenit's terminal of Coveñas (TLU-3) instead of Ocensa's terminal. On March 31, 2022, the Company signed a new pledge agreement with Ocensa and Cenit, which guarantees the payment obligations of both contracts, up to $30.0 million and $6.0 million, respectively. On July 5, 2023, the term of the pledge agreement has been extended up to March 31, 2024, with Ocensa, 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 June 30, 2023, the Company has paid and accrued a total $16.5 million of such amounts under the agreement.

Contingencies

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

Quifa Late Delivery Volumes Claim

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

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

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

Puerto Bahia –Tank Construction Related Arbitration

In the course of building its port facility, Puerto Bahia retained the services of Isolux Ingeniería S.A., Tradeco Industrial S.A. de C.V., Tradeco Infraestructura S.A. de C.V (“**CITT**”) for the construction of the Hydrocarbons’ Terminal, including eight storage tanks and other facilities (the “**EPC Contract**”). CITT failed to comply with the terms of the EPC Contract, including the timely delivery of the work contracted which caused damages to Puerto Bahia, among other contract breaches. As a result, Puerto Bahia proceeded to draw 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%.

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 filling 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.