

MANAGEMENT DISCUSSION & ANALYSIS

Aug 5, 2020

For the three and six months ended June 30, 2020

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Frontera Energy Corporation ("**Frontera**" or the "**Company**") is an oil and gas company formed and existing under the laws of British Columbia, Canada, that is engaged in the exploration, development and production of crude oil and natural gas in South America, and is committed to working hand in hand with all its stakeholders to conduct business in a socially and environmentally responsible manner. The Company's Common Shares ("**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 333 Bay Street, Suite 1100, Toronto, Ontario, Canada, M5H 2R2 and its registered office is 1055 West Georgia Street, 1500 Royal Centre, P.O. Box 11117, Vancouver, British Columbia, Canada V6E 4N7.

Legal Notice – Forward-Looking Information and Statements

This Management Discussion and Analysis ("**MD&A**") is management's assessment and analysis of the results and financial condition of the Company and should be read in conjunction with the accompanying Interim Condensed Consolidated Financial Statements and related notes for the three and six months ended June 30, 2020 and 2019 ("**Interim Financial Statements**"). Additional information with respect to the Company, including the Company's quarterly and annual financial statements and the Annual Information Form ("**AIF**"), have been filed with Canadian securities regulatory authorities and is available on SEDAR at www.sedar.com and on the Company's website at www.fronteraenergy.ca. Information contained in or otherwise accessible through the Company's website does not form a part of this MD&A and is not incorporated by reference into this MD&A.

The preparation of financial information is reported in United States dollars and is in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board, unless otherwise noted. This MD&A contains certain financial terms that are not considered in IFRS. These non-IFRS measures do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other companies and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures are described in greater detail under the heading "Non-IFRS Measures" section on page 15.

Certain statements in this MD&A constitute forward-looking statements or "forward-looking information" (collectively, "forward-looking statements") within the meaning of applicable securities legislation, which involve known and unknown risks, uncertainties, and other factors that may cause the actual results, performance or achievements of the Company or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Often, but not always, forward-looking statements use words or phrases such as "expects," "does not expect," "is expected," "anticipates," "does not anticipate," "plans," "planned," "estimates," "estimated," "projects," "projected," "forecasts," "forecasted," "believes," "intends," "likely," "possible," "probable," "scheduled," "positioned," "goal" or "objective." In addition, forward-looking statements often state that certain actions, events or results "may," "could," "would," "might" or "will" be taken, may occur or be achieved. Such forward-looking statements, including, but not limited to, statements with respect to estimates and/or assumptions in respect of the impact of the COVID-19 pandemic and the actions of the Organization of Petroleum Exporting Countries ("**OPEC**") and non-OPEC countries and the impact of the measures taken by the Company in response to these events, including the ability to defer payments, expectations regarding the Company's ability to generate sufficient cash to support operations, capital expenditures and financial commitments, the impact of fluctuations in the price of, and supply and demand for oil and natural gas products, production levels, operating EBITDA, capital expenditures (including plans and projects related to drilling, exploration activities, and infrastructure), cost savings and General and Administrative ("**G&A**") savings and the impact thereof, obtaining regulatory approvals, deferred payments, and expectations relating to the closing of transactions involve known and unknown risks, uncertainties and other factors that may cause the actual levels of production, costs and results to be materially different from the estimated levels expressed or implied by such forward-looking statements.

The Company currently believes the expectations reflected in these forward-looking statements are reasonable, but the Company cannot assure that such expectations will prove to be correct, and thus, such statements should not be unduly relied upon. These forward-looking statements are made as of the date of this MD&A and the Company disclaims any intent or obligation to update any forward looking statements, whether as a result of new information, future events or otherwise, unless required pursuant to applicable laws. Risk and assumptions that could cause actual results to differ materially from those anticipated in these forward-looking statements are described under the headings "Forward-Looking Information" and "Risk Factors" in the Company's AIF for the year ended December 31, 2019, dated March 5, 2020 and under the heading "Risks and Uncertainties" in this MD&A. Although the Company has attempted to take into account important factors that could cause actual costs or operating results to differ materially, there may be other unforeseen factors and therefore results may not be as anticipated, estimated or intended.

Certain information included or incorporated by reference in this MD&A may contain future oriented financial information ("**FOFI**") within the meaning of applicable securities laws. The FOFI has been prepared by management to provide an outlook of the Company's activities and results and may not be appropriate for other purposes. Management believes that the FOFI has been prepared on a reasonable basis, reflecting reasonable estimates and judgments; however, actual results of the Company's operations and the financial outcome may vary from the amounts set forth herein. Any FOFI speaks only as of the date on which it was made and the Company disclaims any intent or obligation to update any FOFI, whether as a result of new information, future events or otherwise, unless required by applicable laws.

1. PERFORMANCE HIGHLIGHTS

Financial and Operational Summary

					Six months ended June 30	
					2020	2019
Operational Results						
Oil production -Colombia	(bbl/d)	40,948	56,150	61,956	48,550	62,501
Oil production -Peru	(bbl/d)	—	5,385	9,975	2,693	6,144
Natural gas production -Colombia	(boe/d)	1,649	2,037	2,454	1,843	2,552
Production ⁽¹⁾	(boe/d) ⁽²⁾	42,597	63,572	74,385	53,086	71,197
Oil and gas sales	(\$/boe)	24.96	41.65	65.01	35.67	61.73
Realized gain (loss) on risk management contracts	(\$/boe)	12.19	2.65	(0.33)	6.07	(0.31)
Royalties	(\$/boe)	—	(1.18)	(2.40)	(0.76)	(2.09)
Diluent costs	(\$/boe)	(2.53)	(1.45)	(2.17)	(1.83)	(1.95)
Net sales realized price ⁽³⁾	(\$/boe)	34.62	41.67	60.11	39.15	57.38
Production costs ⁽⁴⁾	(\$/boe)	(9.03)	(12.48)	(11.17)	(11.09)	(11.28)
Transportation costs ⁽⁵⁾	(\$/boe)	(13.61)	(12.98)	(12.49)	(13.24)	(12.59)
Operating netback ⁽⁶⁾	(\$/boe)	11.98	16.21	36.45	14.82	33.51
Financial Results						
Oil and gas sales	(\$M)	81,701	243,838	391,049	325,539	704,508
Realized gain (loss) on risk management contracts	(\$M)	39,885	15,490	(1,986)	55,375	(3,579)
Royalties	(\$M)	—	(6,900)	(14,439)	(6,900)	(23,815)
Diluent costs	(\$M)	(8,273)	(8,471)	(13,028)	(16,744)	(22,245)
Net sales ⁽⁶⁾	(\$M)	113,313	243,957	361,596	357,270	654,869
Net (loss) income ⁽⁷⁾	(\$M)	(67,760)	(387,809)	227,809	(455,569)	273,996
Per share – basic	(\$)	(0.70)	(4.04)	2.32	(4.72)	2.79
Per share – diluted	(\$)	(0.70)	(4.04)	2.29	(4.72)	2.75
General and administrative	(\$M)	9,716	15,015	18,207	24,731	34,699
Operating EBITDA ⁽⁶⁾	(\$M)	29,217	44,143	179,665	73,360	324,520
Cash provided by operating activities ⁽⁸⁾	(\$M)	102,256	46,541	187,948	148,797	271,103
Capital expenditures ⁽⁹⁾	(\$M)	15,651	64,676	73,487	80,327	142,706
Cash and cash equivalents – unrestricted	(\$M)	256,135	265,009	353,911	256,135	353,911
Restricted cash short and long-term	(\$M)	138,634	96,260	131,723	138,634	131,723
Total cash	(\$M)	394,769	361,269	485,634	394,769	485,634
Total debt and lease liabilities	(\$M)	379,790	390,259	412,158	379,790	412,158

1. Represents working interest production before royalties and total volumes produced from service contracts. Refer to the "Further Disclosures" section on page 22.

2. Boe has been expressed using the 5.7 to 1 Colombian Mcf/bbl conversion standard required by the Colombian Ministry of Mines & Energy.

3. Per boe is calculated using sales volumes from development and producing ("D&P") assets.

4. Per boe is calculated using production.

5. Per boe is calculated using net production after royalties.

6. Refer to the "Non-IFRS Measures" section on page 15. This section also includes a description and details for all per boe metrics included in operating netback.

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

8. Figures for 2019 have been revised to reflect the change in the accounting policy of interest paid as a financing activity instead of an operating activity. For further information on this adjustment, refer to Note 3b of the 2019 Annual Consolidated Financial Statements.

9. Capital expenditures includes costs, net of income from exploration and evaluation ("E&E") assets.

Performance Highlights

Second Quarter of 2020

The significant decline in global oil prices resulting from the impacts of the COVID-19 pandemic and related supply-demand market imbalances continued to have a pervasive impact on the Company's financial and operational results for the second quarter of 2020. The Company's oil and gas sales, operating loss, net loss, operating cash flows and operating netbacks were all negatively impacted as the Brent benchmark price averaged \$33.39/bbl during the quarter, 51% lower than the second quarter of 2019.

In response to these global economic pressures, the Company continued to execute on its program to streamline the business and operate more efficiently. At the end of the previous quarter, the Company took decisive actions to reduce spending and adopt a proactive strategy to manage through the crisis which included the voluntary shut-in of uneconomic production, reduced capital spending and cost rationalizations across its operations. As a result of these initiatives, the Company produced lower volumes at significantly lower production costs per barrel and general & administrative costs compared to the same prior year quarter, and managed to deliver another quarter of positive operating cash flows of \$102.3 million.

The Company's hedging program successfully mitigated some of the impact of the decline in oil prices. As part of a rebalancing of risk management positions, certain financial hedges for the remainder of 2020, which were fully in-the-money, were monetized for total cash proceeds of \$38.0 million during the second quarter. As a result of this unwinding of risk management contracts, the Company recognized a net gain of \$27.3 million (\$8.34/boe) during the quarter. A portion of the cash proceeds was redeployed to additional Brent-linked risk management contracts protecting 42,945 bbl/d of production for the remainder of 2020, and 18,639 bbl/d for the first half of 2021 with average floor prices of \$35 - \$37/bbl.

The Company entered this crisis with a strong balance sheet and ended the quarter with total cash of \$394.8 million, including \$138.6 million of restricted cash, which increased by \$42.4 million compared to end of the prior quarter, mainly due to additional cash collateral requirements for abandonment obligations. In addition to the realized cost savings and monetization of hedges, the Company utilized government programs in Colombia to accelerate the recovery of value-added and income tax refunds, received \$13.5 million of net dividends from its midstream investment in the ODL pipeline and worked closely with its major suppliers to extend certain payables into the second half of 2020.

Financial and Operational Results

- Net loss was \$67.8 million (\$0.70/share), compared with net income of \$227.8 million (\$2.32/share) in the second quarter of 2019.
- Cash provided by operating activities was \$102.3 million, compared with \$187.9 million in the second quarter of 2019. The current period includes \$38.0 million from the unwinding of risk management contracts.
- Capital expenditures were \$15.7 million, a decrease of 79% compared with \$73.5 million in the second quarter of 2019 as the Company focused its 2020 capital budget on activities that remain economic at low oil prices, primarily essential maintenance, workovers and activities that sustain production from higher netback fields.
- Production averaged 42,597 boe/d, compared with 63,572 boe/d in the prior quarter and 74,385 boe/d in the second quarter of 2019 as a result of the voluntary shut-in of production from certain fields, declines from lower capital spending and Block 192 remaining offline.
- Operating EBITDA was \$29.2 million, compared with \$44.1 million in the prior quarter and \$179.7 million in the second quarter of 2019. The current period includes a realized gain of \$27.3 million from the unwinding of risk management contracts.
- Operating netback was \$11.98/boe, compared with \$16.21/boe in the prior quarter and \$36.45/boe in the second quarter of 2019. The current period includes a realized gain of \$8.34/boe from the unwinding of risk management contracts.
- A quarterly dividend of C\$0.205/share, or \$14.0 million, was paid on April 16, 2020. The dividend resulted in the issuance of 1,679,065 Common Shares to shareholders electing to participate under the Company's Dividends Reinvestment Program ("DRIP").

2. GUIDANCE

On May 5, 2020, the Company withdrew its previously announced full-year 2020 guidance given the high uncertainty surrounding the duration and magnitude of COVID-19 and its related impact on oil and gas prices. Although uncertainty remains as to the risks arising from COVID-19, as well as the global economic consequences of the pandemic, the Company is releasing revised guidance for 2020, reflecting the measures taken to reduce its capital program and cost structure, a refreshed risk management portfolio providing greater stability for operational cash flows and current assumptions on the impact of COVID-19 and its related impact on oil & gas prices and the Company's operations. Our internal planning cycle for the second-half of 2020, assumes oil prices remain relatively stable near Brent \$45/bbl. For year-end 2020, the Company is targeting to have minimum total cash of \$360 million, and minimum cash and cash equivalents of \$225 million. These cash targets do not include proceeds from any external financing or acquisition & divestment initiatives.

The table below shows the Company's actual results for the six months ending June 30, 2020, against the revised full-year and second half of 2020 guidance metrics.

		Actual	Guidance	
		YTD 2020	Second-half 2020	FY 2020
Average production ⁽¹⁾	(boe/d)	53,086	40,000 to 43,000	46,000 to 48,000
Production costs ⁽²⁾	(\$/boe)	11.09	8.0 to 9.0	9.5 to 10.5
Transportation costs ^{(2) (3)}	(\$/boe)	13.24	13.5 to 14.5	13.0 to 14.0
Capital expenditures ^{(2) (4)}	(\$MM)	80.3	20 to 40	100 to 120

1. Does not include production from Peru for July 1, 2020 through December 31, 2020.

2. Does not include the consolidation impact from IVI.

3. Includes non-cash charges that are under dispute related to unused ancillary facilities of approximately \$2/boe.

4. Guidance includes Frontera's estimate of its share of costs of the 2020 Guyana exploration program, as joint venture partner, but does not include the consolidation impact of CGX Energy Inc.'s share of those exploration costs.

3. FINANCIAL AND OPERATIONAL RESULTS

Production

The following table summarizes the average production before royalties from the Company's operations in Colombia and Peru. Refer to the "Further Disclosures" section on page 22 for details of the Company's net production.

Production (in boe/d)					
Producing blocks in Colombia	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Heavy oil	22,533	31,996	32,462	27,265	31,565
Light and medium oil	18,415	24,154	29,494	21,285	30,936
Natural gas	1,649	2,037	2,454	1,843	2,552
Total production Colombia	42,597	58,187	64,410	50,393	65,053
Producing blocks in Peru					
Light and medium oil	—	5,385	9,975	2,693	6,144
Total production Peru	—	5,385	9,975	2,693	6,144
Total production	42,597	63,572	74,385	53,086	71,197

Colombia

Production in Colombia for the three and six months ended June 30, 2020, decreased by 34% to 42,597 boe/d and by 23% to 50,393 boe/d respectively, compared to the same periods of 2019. In comparison to the previous quarter, production was 27% or 15,590 boe/d lower during the second quarter of 2020. Lower production was a result of the voluntary shut-in of production from certain fields with lower field netbacks, including the highest water cut wells in Quifa, and declines as capital spending was significantly reduced during the quarter. This voluntary shut-in of production was part of the Company's program to manage the impact of the COVID-19 crisis and lower oil price environment.

Peru

There was no production in Peru during the second quarter of 2020 compared to 5,385 bbl/d produced in the first quarter 2020 and 9,975 bbl/d produced in the same quarter of 2019. For the six months ended June 30, 2020, production decreased by 56% to 2,693 bbl/d from 6,144 bbl/d in the same period of 2019. Force majeure was declared and accepted by Perupetro S.A ("Perupetro"), Peru's state oil and gas company effective February 27, 2020. The force majeure is a result of a community blockade which had disrupted the power supply to the operations within Block 192. As of this date, the block remains closed and operations are suspended. As a result, the Company's contract for Block 192, which was set to expire on September 2, 2020, will be extended for six months from the date the force majeure is lifted.

Production Reconciled to Sales Volumes

The following table reconciles the Company's average production to net production after payment of in-kind royalties and summarizes other factors that impacted total sales volumes.

					Six months ended June 30	
		Q2 2020	Q1 2020	Q2 2019	2020	2019
Production	(boe/d)	42,597	63,572	74,385	53,086	71,197
Royalties in-kind Colombia	(boe/d)	(3,048)	(4,351)	(5,712)	(3,700)	(5,262)
Royalties in-kind Peru ⁽¹⁾	(boe/d)	—	(890)	(1,559)	(445)	(920)
Net production	(boe/d)	39,549	58,331	67,114	48,941	65,015
Oil inventory (build) draw	(boe/d)	(1,917)	8,526	1,369	3,305	1,167
Overlift positions ⁽²⁾	(boe/d)	13	(27)	(13)	(7)	(7)
Sales volumes from E&E assets ⁽³⁾	(boe/d)	(5)	(324)	(37)	(165)	(50)
Other inventory movements ⁽⁴⁾	(boe/d)	(1,677)	(2,175)	(2,328)	(1,926)	(3,072)
Sales volumes	(boe/d)	35,963	64,331	66,105	50,148	63,053
Oil sales volumes	(bbl/d)	34,320	62,360	63,794	48,340	60,596
Natural gas sales volumes	(boe/d)	1,643	1,971	2,311	1,808	2,457
Inventory balance						
Colombia	(bbl)	840,893	666,378	454,909	840,893	454,909
Peru	(bbl)	852,892	852,998	1,395,343	852,892	1,395,343
Inventory ending balance	(bbl)	1,693,785	1,519,376	1,850,252	1,693,785	1,850,252

1. The Company reports the share of production retained by the government of Peru as royalties paid in-kind. Refer to the "Peru Royalties - Block 192 Contract" section below.

2. Refer to the "Further Disclosures" section on page 22.

3. Volumes from E&E assets are excluded from total sales volumes, as the related revenue and costs are capitalized under IFRS.

4. Mainly corresponds to operational consumption and quality volumetric compensation.

Sales volumes for the three months ended June 30, 2020 were lower than the same quarter of 2019 and prior quarter of 2020 by 46% and 44% respectively, mainly due to a decrease in production, inventory build in Colombia due to expected higher prices in the future and no volumes sold in Peru. Sales volumes for the six months ended June 30, 2020 decreased by 20% compared with the same period of 2019 primarily due to lower volumes sales in Colombia as a result of the decrease in production and inventory build.

Colombia Royalties - PAP

The Company makes high-price clause participation ("PAP") payments to Ecopetrol S.A. and the ANH on production from the Quifa, Cubiro, Corcel, Guatiquia, Cravoviejo and Arrendajo blocks. The PAP is paid in cash for all blocks except for those relating to the Quifa block, which are paid using in-kind volumes from production. The PAP is applicable once accumulated production has exceeded 5 MMbbl (commercial area for the Quifa block and exploitation area for exploration and production contracts) and escalates as oil prices increase above a minimum contractual baseline WTI price, which is adjusted yearly by the U.S. Producer Price Index. Increases in oil prices can trigger higher PAP obligations, payable both in-kind (reducing the Company's net production) and in cash (increasing royalties).

		Three months ended June 30		Six months ended June 30	
		2020	2019	2020	2019
PAP in cash	(bbl/d)	—	1,979	402	1,672
PAP in kind	(bbl/d)	—	1,036	130	563
PAP	(bbl/d)	—	3,015	532	2,235
% Production		—%	4.1%	1.0%	3.1%

For the three and six months ended June 30, 2020, PAP decreased compared with the same periods of 2019 primarily due to lower WTI oil benchmark prices.

Peru Royalties - Block 192 Contract

The Company does not hold a license or working interest on Block 192 in Peru, as it operates the block through a service contract. Under this contract, Perupetro owns the volumes produced, and the Company is entitled to in-kind payments on production, which can range from 44% to 84% of production on the block. This percentage is determined by the “R” Factor, related to income and expenses in accordance with the service contract. The Company reports the share of production retained by the government as royalties paid in-kind.

As at June 30, 2020, the Company has received in-kind payments for its services equivalent to 83% of the production from the block, with the balance being retained by Perupetro. Due to the lack of production in Peru during the second quarter of 2020, Perupetro did not retain any in-kind volumes compared with 1,559 bbl/d in the second quarter of 2019. For the six months ended June 30, 2020, Perupetro retained in-kind volumes averaging Nil bbl/d and 445 bbl/d compared with 920 bbl/d in the same periods of 2019.

Realized and Reference Prices

					Six months ended June 30	
					2020	2019
Reference price						
Brent	(\$/bbl)	Q2 2020	Q1 2020	Q2 2019	42.10	66.17
		33.39	50.82	68.47		
Average realized prices						
Realized oil price	(\$/bbl)	25.14	42.28	66.66	36.19	63.45
Realized natural gas price	(\$/boe)	20.89	21.90	19.14	21.44	19.09
Net sales realized price						
Oil and gas sales	(\$/boe)	24.96	41.65	65.01	35.67	61.73
Realized gain (loss) on risk management contracts ⁽¹⁾	(\$/boe)	12.19	2.65	(0.33)	6.07	(0.31)
Royalties	(\$/boe)	—	(1.18)	(2.40)	(0.76)	(2.09)
Diluent costs	(\$/boe)	(2.53)	(1.45)	(2.17)	(1.83)	(1.95)
Net sales realized price	(\$/boe)	34.62	41.67	60.11	39.15	57.38

1. In the second quarter of 2020, the Company reported a gain of \$27.3 million (\$8.34/boe) from the unwinding of risk management contracts. Refer to the “Gain (Loss) on Risk Management Contracts” section on page 11 for further details.

The average Brent benchmark price during the three and six months ended June 30, 2020, decreased by 51% and 36%, respectively, compared with the same periods of 2019. In comparison to the first quarter 2020, crude oil prices weakened with the Brent benchmark price decreasing by an average of 34%. The reduction in crude oil prices was mostly attributable to a weaker global economic outlook and lower crude oil demand resulting from the COVID-19 pandemic and market oversupply.

For the three and six months ended June 30, 2020, the Company’s net sales realized price was \$34.62/boe and \$39.15/boe, respectively, a decrease of 42% and 32%, compared to the same periods of 2019 due to the lower Brent benchmark price as well as wider differentials. The impact of lower oil prices was partially offset by higher realized gain on risk management contracts, including the realization of \$8.34/boe in the second quarter from the unwinding of fully in-the-money hedge positions, and lower cash royalties resulting from the oil price declines. In comparison to the first quarter of 2020, the net sales realized price decreased by 17%, or \$7.05/boe, primarily driven by the decrease in the benchmark oil price and wider differentials. Diluent cost on a per boe basis increased mainly due to lower production of light and medium crude oil, lower volumes sold and wider price differential.

Operating Netback

The following table provides a summary of the Company's quarterly operating netback:

	Q2 2020		Q1 2020		Q2 2019	
	\$M	(\$/boe)	\$M	(\$/boe)	\$M	(\$/boe)
Net sales realized price ⁽¹⁾	113,313	34.62	243,957	41.67	361,596	60.11
Production costs ⁽²⁾	(34,984)	(9.03)	(72,210)	(12.48)	(75,598)	(11.17)
Transportation costs ⁽³⁾	(48,997)	(13.61)	(68,891)	(12.98)	(76,260)	(12.49)
Operating Netback ⁽⁴⁾	29,332	11.98	102,856	16.21	209,738	36.45
		(boe/d)		(boe/d)		(boe/d)
Sales volumes (D&P) ⁽⁵⁾		35,963		64,331		66,105
Production ⁽⁶⁾		42,597		63,572		74,385
Net production ⁽⁷⁾		39,549		58,331		67,114

1. Per boe is calculated using sales volumes from D&P assets. Refer to the "Realized and Reference Prices" on page 6.

2. Per boe is calculated using production.

3. Per boe is calculated using net production after royalties.

4. Refer to the "Non-IFRS Measures" section on page 15 for details and a description of the operating netback calculation.

5. Sales volumes D&P assets exclude volumes from E&E assets as the related sales and costs are capitalized under IFRS.

6. Refer to the "Production" section on page 4.

7. Refer to the "Further Disclosures" section on page 22.

Operating netback for the second quarter of 2020 was \$11.98/boe compared to \$16.21/boe in the first quarter of 2020, and \$36.45/boe in the second quarter of 2019. The decrease was primarily due to the reduction in the Company's net sales realized price partially offset by lower production costs per boe due to the shut-in of production from higher cost wells in Colombia and the closure of Block 192 in Peru. These factors resulted in reduction of the internal field transport, hired services, maintenance expenses and personnel-related costs. Transportation costs, which includes \$2.33/boe of non-cash charges that are under dispute related to unused ancillary facilities, increased on a per boe basis due to lower volumes produced.

The following table provides a summary of the Company's netbacks for the six months ended June 30, 2020:

	Six months ended June 30			
	2020		2019	
	\$M	(\$/boe)	\$M	(\$/boe)
Net sales realized price ⁽¹⁾	357,270	39.15	654,869	57.38
Production costs ⁽²⁾	(107,194)	(11.09)	(145,356)	(11.28)
Transportation costs ⁽³⁾	(117,888)	(13.24)	(148,166)	(12.59)
Operating Netback ⁽⁴⁾	132,188	14.82	361,347	33.51
		(boe/d)		(boe/d)
Sales volumes (D&P) ⁽⁵⁾		50,148		63,053
Production ⁽⁶⁾		53,086		71,197
Net production ⁽⁷⁾		48,941		65,015

References 1 through 7 are consistent with those included in the quarterly Operating Netback table above.

Operating netback for the six months ended June 30, 2020, decreased by 56% to \$14.82/boe from \$33.51/boe in the same period of 2019. The decrease was primarily due to the reduction in the Company's net sales realized price partially offset by lower production costs per boe due to the shut-in of production from higher cost wells in Colombia. Transportation costs on a per boe basis increased due to lower volumes produced.

Sales

(\$M)	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Oil and gas sales ⁽¹⁾	81,701	391,049	325,539	704,508
Realized gain (loss) on risk management contracts ⁽²⁾	39,885	(1,986)	55,375	(3,579)
Royalties	—	(14,439)	(6,900)	(23,815)
Diluent costs	(8,273)	(13,028)	(16,744)	(22,245)
Net sales	113,313	361,596	357,270	654,869
\$/boe using sales volumes from D&P assets	34.62	60.11	39.15	57.38

1. In Colombia, for the three and six months ended June 30, 2020, oil and gas sales were \$81.7 million and \$299.3 million compared with \$338.6 million and \$647.6 million, respectively, in the same periods of 2019. In Peru, for the three and six months ended June 30, 2020, oil and gas sales were \$Nil and \$26.3 million, compared with \$52.4 million and \$56.9 million, respectively, in the same periods of 2019.

2. For the three and six months ended June 30, 2020, includes a net gain of \$27.3 million from the early termination of risk management contracts. Refer to the "Gain (Loss) on Risk Management Contracts" section on page 11 for further details.

Oil and gas sales for the three and six months ended June 30, 2020, decreased by \$309.3 million and \$379.0 million compared to the same periods of 2019, mainly due to lower oil prices and a decrease in volumes sold as a result of lower production and inventory build in Colombia because of expected higher prices in the future.

Net sales for the three and six months ended June 30, 2020, decreased by \$248.3 million and \$297.6 million, compared with the same period in 2019. The following table describes the various factors that impacted net sales:

(\$M)	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Net sales for the period ended June 30, 2019		361,596		654,869
Decrease due to 62% lower oil and gas price (YTD 42% lower)		(240,885)		(297,440)
Decrease due to lower volumes sold of 30,142 boe/d or 46% (YTD 12,905 boe/d or 20% lower)		(68,463)		(81,529)
Higher realized gain on risk management contracts		41,871		58,954
Decrease in royalties		14,439		16,915
Decrease in diluent costs		4,755		5,501
Net sales for the period ended June 30, 2020		113,313		357,270

Royalties

(\$M)	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Royalties Colombia	—	14,257	6,857	23,413
Royalties Peru	—	182	43	402
Royalties	—	14,439	6,900	23,815
\$/boe using sales volumes from D&P assets	—	2.40	0.76	2.09

Royalties include cash payments for PAP, royalties and amounts paid to previous owners of certain blocks in Colombia. For the three and six months ended June 30, 2020, royalties decreased by \$14.4 million and \$16.9 million, respectively, compared to the same periods in 2019 primarily due to lower global benchmark oil prices. Refer to the "Production Reconciled to Sales Volumes" section on page 5 for further details of royalties paid in-cash and in-kind.

Oil and Gas Operating Costs

(\$M)	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Production costs	34,984	75,598	107,194	145,356
Transportation costs	48,997	76,260	117,888	148,166
Diluent costs	8,273	13,028	16,744	22,245
Overlift	90	(25)	240	(5)
Inventory valuation	(9,735)	10,652	33,380	3,580
Total oil and gas operating costs	82,609	175,513	275,446	319,342

For the three and six months ended June 30, 2020, total oil and gas operating costs decreased by 53% and 14%, respectively, compared to the same periods in 2019. The variance in total oil and gas operating costs was mainly due to the following:

- Production costs decreased by 54% and 26% in the three and six months ended June 30, 2020, respectively, compared with the same periods of 2019, mainly due to lower production as a result of the voluntary shut-in of higher cost wells in Colombia including the highest water cut wells in Quifa, and the closure of Block 192 in Peru. These factors resulted in lower internal field transport, hired services, maintenance expenses and personnel-related cost.
- Transportation costs decreased by 36% and 20% in the three and six months ended June 30, 2020, respectively, compared with the same periods of 2019, primarily due to fewer barrels transported in Colombia as a result of lower production, take or pay volumes deferred to the first half of 2021 and no sales in Peru during the second quarter of 2020. The three and six months ended June 30, 2020 include \$8.4 million and \$10.7 million, respectively, of non-cash charges that are under dispute related to unused ancillary facilities in Colombia.
- Diluent costs decreased by 36% and 25% for the three and six months ended June 30, 2020, respectively, mainly due to lower diluent purchased during 2020.
- Overlift was not significant and comparable for the three and six months ended June 30, 2020.
- Inventory valuation charge for the three months ended June 30, 2020, decreased by \$20.4 million due to a buildup of inventory levels in Colombia and the revaluation of inventory in Peru as a result of higher oil prices at the end of the second quarter. For the six months ended June 30, 2020, inventory valuation increased by \$29.8 million mainly due to the drawdown of inventory in Peru resulting from the volumes sold during 2020 and lower production from Block 192 as a consequence of the force majeure due to a community blockade.

Depletion, Depreciation and Amortization

(\$M)	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Depletion, depreciation and amortization	58,250	99,092	146,270	192,238

For the three and six months ended June 30, 2020, depletion, depreciation and amortization expense ("DD&A") decreased by 41% and 24%, respectively, compared to the same periods of 2019, mainly due to a lower depletable base as a result of an impairment charge recognized in the first quarter of 2020 for properties, plant and equipment and intangible assets, and lower production levels in 2020.

Impairment, Exploration Expenses and Other

(\$M)	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Impairment of properties plant and equipment	—	—	77,864	—
Impairment of intangible assets	—	—	54,881	—
Impairment of exploration and evaluation assets	715	9,664	17,839	9,664
Impairment of other	—	4,158	888	4,158
Total impairment	715	13,822	151,472	13,822
Exploration - pre-licence costs	44	1,494	477	1,494
Recovery of asset retirement obligation	2,614	1,547	(9)	1,547
Total impairment, exploration expenses and other	3,373	16,863	151,940	16,863

For the six months ended June 30, 2020, the Company recognized impairment charges of \$151.5 million primarily as a result of lower forecasted oil prices which reduced the expected future cash flows of its Cash Generating Units ("CGU"). As a result of the impairment test, the carrying amounts of certain assets relating to the Colombia CGUs were reduced to their recoverable amounts. The recoverable amount of each CGU was determined based on the Company's updated projections of future cash flows generated from proved and probable reserves. For further information refer to Note 6 of the Interim Financial Statements.

For the three and six months ended June 30, 2019, the Company recognized an impairment charge of \$9.7 million of exploration and evaluation assets mainly due to technical results and changes in development plans for certain exploration projects from Colombia. Additionally, the Company recognized an impairment charge of \$4.2 million mainly related to slow moving or obsolete inventories.

Other Operating Costs

(\$M)	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
General and administrative	9,716	18,207	24,731	34,699
Share-based compensation	1,316	1,145	2,533	1,717
Restructuring, severance and other costs	6,302	2,048	12,710	3,488

General and Administrative

For the three and six months ended June 30, 2020, general and administrative expenses decreased by 47% and 29%, respectively, compared to the same periods of 2019, mainly due to cost efficiencies, reduced discretionary spending and lower employee-related costs from organization restructuring activities.

Share-based Compensation

For the three and six months ended June 30, 2020, share-based compensation increased by 15% and 48%, respectively, compared to the same periods of 2019, primarily due to the consolidation impact of equity compensation since the acquisition of control of CGX in March 2019.

Restructuring, Severance and Other Costs

For the three and six months ended June 30, 2020, restructuring, severance and other costs increased by \$4.3 million and \$9.2 million, respectively, compared to the same periods of 2019, primarily relating to higher severance charges and non-cash charges from the modification of certain leased assets, including a reduction of the Company's office space, as part of the actions taken to streamline operations in response to the lower oil price environment.

Non-Operating Costs

(\$M)	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Finance income	6,167	5,469	10,845	11,502
Finance expenses	(11,728)	(14,644)	(26,988)	(28,322)
Foreign exchange (loss) gain	(2,535)	1,681	(23,132)	2,283
Other (loss) income, net	(2,668)	(497)	(5,659)	10,797

Finance Income and Expenses

For the three and six months ended June 30, 2020, finance income increased by \$0.7 million and decreased by \$0.7 million, compared with the same periods of 2019 as a result of fluctuations in the investment trust accounts for abandonment requirements. For the three months ended June 30, 2020, finance expenses decreased by \$2.9 million, compared to the same quarter of 2019, mainly due to lower accretion expenses of asset retirement obligations. For the six months ended June 30, 2020, finance expenses decreased by \$1.3 million compared to the same period of 2019, mainly due to lower interest on lease liabilities.

Foreign Exchange (Loss) Gain

For the three and six months ended June 30, 2020, foreign exchange loss was \$2.5 million and \$23.1 million, compared with a gain of \$1.7 million and \$2.3 million in the same periods of 2019, primarily due to the impact of the COP's depreciation against the USD on the translation of the Company's net working capital balances denominated in COP.

Other (Loss) Income, net

For the three and six months ended June 30, 2020, the Company recognized other losses of \$2.7 million and \$5.7 million, respectively, primarily relating to the recognition of some legal contingencies. In the same periods of 2019 other losses of \$0.5 million and other income of \$10.8 million included a non-cash gain resulting from the fair value adjustment to its equity on the acquisition of control of CGX.

Gain (Loss) on Risk Management Contracts

(\$M)	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Realized gain (loss) on risk management contracts ⁽¹⁾	12,589	(1,986)	28,079	(3,579)
Realized gain on unwinding of risk management contracts ⁽¹⁾	27,296	—	27,296	—
Unrealized (loss) gain on risk management contracts ⁽²⁾	(36,011)	6,460	(6,871)	273
Total gain (loss) on risk management contracts	3,874	4,474	48,504	(3,306)

1. Represents risk management contracts that have settled during the period.

2. Represents the mark-to-market change in the fair value of outstanding contracts and the reversal of prior unrealized amounts on contracts that settled in the period.

For the three and six months ended June 30, 2020, realized gain on risk management contracts was \$12.6 million and \$28.1 million, compared to a loss of \$2.0 million and \$3.6 million in the same periods of 2019, primarily from positive cash receipts on instruments which were settled during the three and six months of 2020 at an average price of \$26.69/bbl.

During the second quarter of 2020, the realized gain on risk management contracts included \$27.3 million from the unwinding and early termination of contract positions for the remainder of 2020 which were fully in-the-money. A portion of the proceeds were redeployed to provide additional downside Brent benchmark price protection for the second half of 2020 and first half of 2021. For further information refer to the risk management strategy described in the "Risk Management Contracts - Brent Crude Oil" section below.

For the three and six months ended June 30, 2020, the Company recognized an unrealized loss on risk management contracts of \$36.0 million and \$6.9 million, respectively, compared to an unrealized gain of \$6.5 million and \$0.3 million, respectively, in the same prior year periods, primarily related to the reclassification of amounts to realized gain from instruments settled during the period.

Risk Management Contracts - Brent 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 goal of the hedging program is to protect the revenue generation and cash position of the Company. The forward hedging position was also increased in part to support restarting production and protect the break-evens of the previously shut-in fields. In 2020, the Company executed a risk management strategy using a variety of derivatives instruments, including 3 - ways, put options and put spreads primarily to protect against downward oil price movements.

In the second quarter of 2020, the Company refreshed its hedging portfolio to be effective in the current oil price environment. Certain financial hedges for the remainder of 2020, which were fully in-the-money, were monetized with an associated realized risk management gain of \$27.3 million recognized during the second quarter of 2020. A portion of the proceeds from the unwinding of these contracts was redeployed to provide additional downside Brent benchmark price protection. Frontera has now effectively hedged all of its expected production for the second half of 2020 and a significant portion of expected production for the first half of 2021.

Type of Instrument	Term	Benchmark	Notional Amount / Volume (bbl)	Avg. Strike Prices	Carrying Amount (\$M)	
				Put / Call; Call Spreads \$	Assets	Liabilities
Zero Cost collars	July to September 2020	Brent	806,000	35.00/49.40	381	—
3-ways	October 2020 to June 2021	Brent	2,480,000	25.20/36.20/50.20	138	1,647
Put spreads	July 2020 to June 2021	Brent	6,761,000	25.00/35.00	7,707	—
Total as at June 30, 2020					8,226	1,647

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. The Company monitors its exposure to such foreign currency risks. As at June 30, 2020, the Company has entered into foreign currency derivatives contracts using zero cost collars from July to September 2020 in order to reduce its foreign currency exposure associated with operating and capital expenditures incurred in COP.

Type of Instrument	Term	Benchmark	Notional Amount / Volume USD \$M	Avg. Put / Call; Par forward COP	Carrying Amount (\$M)	
					Assets	Liabilities
Zero Cost collars	July to September 2020	COP / USD	\$ 9,000	3,300 / 3,819	—	152
Total as at June 30, 2020					—	152

Income Tax Expense

(\$M)	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Current income tax expense	(1,161)	(5,394)	(6,256)	(8,927)
Deferred income tax recovery (expense)	—	162,166	(167,979)	144,013
Total income tax (expense) recovery	(1,161)	156,772	(174,235)	135,086

The current income tax expense for the second quarter of 2020 was \$1.2 million, compared to \$5.4 million in the same quarter of 2019, mainly due to a reduction in the presumptive tax rate in Colombia from 1.5% to 0.5%.

The deferred income tax expense for the second quarter of 2020 was Nil, compared to a recovery of \$162.2 million in the same quarter of 2019 from the recognition of deferred income tax from deductible temporary differences on undepreciated capital expenses related to oil and gas properties.

The current income tax expense for the six months ended June 30, 2020 was \$6.3 million, compared to \$8.9 million in the same period in 2019, due to the lower presumptive tax rate in Colombia partially offset by higher income taxes on dividends declared from investments in midstream associates. The deferred income tax expense for the six months ended June 30, 2020 was \$168.0 million compared to a recovery of \$144.0 million in the same period of 2019 primarily due to the derecognition of deferred tax assets in Colombia driven by the reduction in Brent benchmark prices. Management reviewed the deferred tax assets and concluded that no material indicators existed to reassess asset valuations for Q2. For further information refer to Note 8 of the Interim Financial Statements.

Net (Loss) Income

(\$M)	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Net (loss) income attributable to equity holders of the Company	(67,760)	227,809	(455,569)	273,996
Per share – basic (\$)	(0.70)	2.32	(4.72)	2.79
Per share – diluted (\$)	(0.70)	2.29	(4.72)	2.75

The Company reported a net loss of \$67.8 million for the second quarter of 2020 compared to net income of \$227.8 million in the second quarter of 2019. The net loss was primarily caused by the operating loss of \$79.9 million which was driven by lower oil price realizations from lower production. Net income from the comparable second quarter of 2019 also included a gain from the recognition of deferred income taxes of \$162.2 million.

For the six months ended June 30, 2020, the Company reported a net loss of \$455.6 million, which included a loss from operations of \$295.0 million (including a non-cash impairment charge of \$151.5 million), and the derecognition of deferred tax assets of \$168.0 million. This compared to net income of \$274.0 million in the same period of 2019, which included a gain relating to the recognition of deferred income taxes of \$144.0 million.

Capital Expenditures

(\$M)	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Maintenance and development drilling	6,296	47,833	47,554	93,833
Exploration activities ⁽¹⁾	5,220	15,920	21,990	31,046
Facilities and infrastructure	3,706	8,253	10,243	15,891
Other	429	1,481	540	1,936
Total capital expenditures	15,651	73,487	80,327	142,706

1. Includes expenditures, net of income from E&E assets.

For the three and six months ended June 30, 2020, capital expenditures were \$15.7 million and \$80.3 million, lower by 79% and 44%, respectively, compared with the same periods of 2019 primarily due to lower development drilling activities and exploration activities in both periods. During the second quarter of 2020, the Company drilled three development wells and no exploration wells, compared with 41 development and three exploration wells during the same period of 2019. For the six months ended June 30, 2020, the Company drilled 21 development wells and one exploration well, compared to 68 development wells and five exploration wells in the same period of 2019.

Selected Quarterly Information

		2020		2019				2018	
Operational and financial results		Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Oil production -Colombia	(bbl/d)	40,948	56,150	58,517	61,420	61,956	63,052	59,687	57,655
Oil production -Peru	(bbl/d)	—	5,385	10,164	6,510	9,975	2,271	8,974	4,616
Natural gas production -Colombia	(boe/d)	1,649	2,037	2,224	2,283	2,454	2,651	3,263	4,122
Production	(boe/d)	42,597	63,572	70,905	70,213	74,385	67,974	71,924	66,393
Oil and gas natural gas sales volumes	(boe/d)	35,963	64,331	65,809	54,378	66,105	59,968	50,298	61,071
Brent price	(\$/bbl)	33.39	50.82	62.42	62.03	68.47	63.83	68.60	75.84
Oil and gas sales	(\$/boe)	24.96	41.65	58.95	57.90	65.01	58.08	60.06	68.02
Realized gain (loss) on risk management contracts	(\$/boe)	12.19	2.65	(0.66)	(0.43)	(0.33)	(0.30)	(5.55)	(10.02)
Royalties	(\$/boe)	—	(1.18)	0.98	(2.41)	(2.40)	(1.74)	(2.94)	(2.83)
Diluent costs ⁽¹⁾	(\$/boe)	(2.53)	(1.45)	(1.09)	(1.85)	(2.17)	(1.71)	(2.22)	(1.89)
Net sales realized price	(\$/boe)	34.62	41.67	56.22	53.21	60.11	54.33	49.35	53.28
Production costs ⁽¹⁾	(\$/boe)	(9.03)	(12.48)	(13.76)	(11.60)	(11.17)	(11.40)	(12.76)	(13.84)
Transportation costs ⁽¹⁾	(\$/boe)	(13.61)	(12.98)	(12.84)	(12.00)	(12.49)	(12.70)	(12.89)	(13.77)
Operating netback ⁽¹⁾	(\$/boe)	11.98	16.21	29.62	29.61	36.45	30.23	23.70	25.67
Revenue	(\$M)	81,701	236,938	351,027	277,676	377,347	377,527	265,109	366,511
Net (loss) income	(\$M)	(67,760)	(387,809)	69,408	(49,117)	227,809	46,187	(116,631)	45,105
Per share – basic (\$)	(\$)	(0.70)	(4.04)	0.71	(0.50)	2.32	0.47	(1.17)	0.45
Per share – diluted (\$)	(\$)	(0.70)	(4.04)	0.70	(0.50)	2.29	0.47	(1.17)	0.45
General and administrative ⁽¹⁾	(\$M)	9,716	15,015	22,897	18,476	18,207	16,492	21,839	22,962
Operating EBITDA ⁽¹⁾	(\$M)	29,217	44,143	137,052	124,586	179,665	144,855	109,471	92,676
Capital expenditures	(\$M)	15,651	64,676	132,452	70,761	73,487	69,219	156,400	124,029

1. Effective January 1, 2019, the Company adopted IFRS 16 - Leases on a modified retrospective basis and therefore the 2018 quarters have not been restated and may not be comparable. Refer to Note 3b of the 2019 Annual Consolidated Financial Statements.

Over the past eight quarters, the Company's sales have fluctuated due to changes in production, timing of cargo shipments, movement in the Brent benchmark prices and fluctuations in crude oil price differentials. In addition to decreases in the Company's production since 2019 due to natural declines on its light and medium oil and natural gas blocks, during the second quarter of 2020 there was a significant reduction in production resulting from the voluntary shut-in of production from certain blocks due to the low global crude oil price environment. Trends in the Company's net (loss) income are also impacted most significantly by the recognition and derecognition of deferred income taxes, DD&A, impairment charges of oil, gas and other assets, and total gain (loss) from risk management contracts that fluctuate with changes in hedging strategies and forward oil prices.

Refer to the Company's previously issued annual and interim Management Discussion and Analysis available on SEDAR at www.sedar.com for further information regarding changes in prior quarters.

Midstream Activities

The Company has investments in certain infrastructure and midstream assets which includes the Company's investments in pipelines, storage and other facilities relating to the distribution and exportation of crude oil products in Colombia. The Company's significant midstream investments are accounted for using the equity method of accounting, which requires that the carrying value of the investment be increased to reflect the Company's proportionate share of net income, or reduced to reflect its share of net losses and dividends declared. As the midstream investments have a COP functional currency, the COP depreciation against the USD generally results in lower reported carrying values in the Company's financial statements. The following section provides a summary and update of these investments.

Pacific Midstream Limited ("PML")

The Company holds a 59.9% interest in PML, which has a 35% equity investment in Oleoducto de los Llanos Orientales S.A. ("ODL"). ODL owns the ODL pipeline, which connects the Rubiales and Quifa fields to the Monterrey Station or Cusiana Station in the Casanare Department.

For the six months ended June 30, 2020, the Company recognized \$22.3 million as its share of income from ODL which was \$6.2 million lower than the same period of 2019 primarily due to a decrease in the transportation tariff in 2020 and the impact of foreign exchange fluctuations. During the six months ended June 30, 2020, the Company recognized gross dividends of \$24.5 million which were declared and paid by ODL.

Oleoducto Bicentenario de Colombia S.A.S. (“Bicentenario”)

The Company holds a 43.0% interest in Bicentenario, which owns the Bicentenario pipeline (“**BIC Pipeline**”) that connects the Araguaney Station in the Casanare Department to the Banadia Station in the Arauca Department. At the Banadia Station, the BIC Pipeline connects to the Caño Limón Coveñas pipeline (“**CLC Pipeline**”), which connects to the Coveñas terminal on Colombia’s Caribbean coastline in the Sucre Department.

For the six months ended June 30, 2020, the Company recognized \$11.1 million as its share of income from Bicentenario which was \$7.6 million lower than the same period of 2019 primarily due to the impact of foreign exchange fluctuations. For the six months ended June 30, 2020, the Company recognized its share of dividends declared by Bicentenario totalling \$17.0 million. As at June 30, 2020, the carrying value of dividends receivable from Bicentenario on a discounted basis was \$49.7 million (\$56.6 million undiscounted).

IVI

The Company holds a 39.2% interest in Sociedad Portuaria Puerto Bahía (“**Puerto Bahía**”) through its interest in IVI. Puerto Bahía operates a multipurpose port facility in the Bay of Cartagena. The port, which consists of a hydrocarbon terminal and a dry cargo terminal, is adjacent to the Bocachica access channel of the Cartagena Bay, and is strategically located near the Cartagena Refinery and the Panama Canal. On July 6, 2020, the International Finance Corporation and related funds (collectively, the “IFC Parties”) accepted an offer to sell to the Company all the IFC Parties’ equity interest (32.3%) and credit rights in IVI, subject to finalizing transaction documents. The total consideration to be paid by the Company is \$7 million, of which \$3 million will be payable at closing and the remaining \$4 million payable on or before August 6, 2022. The transaction, which will close on August 6, 2020, increases the Company’s ownership and rights in Puerto Bahía improving its access to crude oil storage and marketing alternatives. On closing, the IFC put option that became exercisable on December 1, 2019 will expire. As of June 30, 2020, the Company holds a 39.22% interest, and after the transaction is completed, the Company will own a 71.57% interest, and will consolidate IVI and the corresponding non-controlling interest.

As part of the agreement to fund the construction of Puerto Bahía, the Company entered into an equity contribution agreement (“**ECA**”) signed on October 4, 2013. Under the ECA, the Company and IVI agreed to jointly and severally cause equity contributions (via debt or equity) to Puerto Bahía up to the aggregate amount of \$130.0 million (the “**Puerto Bahía ECA Loans**”). Amounts advanced under the ECA are designated to the repayment of principal and interest from debt obligations of Puerto Bahía. The Puerto Bahía ECA Loans are subordinated to the Puerto Bahía bank debt facility and bear interest of 14%. To date, the Company has advanced a total of \$65.9 million under the ECA with a carrying value of \$80.8 million. There were no advances made during the six months ended June 30, 2020, and it is uncertain whether or not any advances will be required to be made during the balance of 2020.

For the six months ended June 30, 2020, the Company recognized \$18.5 million as its share of losses from IVI which was \$14.6 million higher than the same period of 2019, mainly due to a higher unrealized foreign exchange loss on the revaluation of IVI’s USD-denominated bank debt. As the carrying amount of the Company’s equity investment in IVI was reduced to \$Nil at the end of 2018, its share of losses have since been recorded as a reduction to other asset balances with IVI. As of June 30, 2020, the carrying value of the Company’s net investment in IVI (which includes loans and long-term receivables) has decreased to \$84.5 million compared to \$98.2 million as of December 31, 2019, primarily due to the recognition of these equity method losses.

Financial Statement Impacts - Midstream

The Company’s Interim Financial Statements include the following amounts relating to midstream activities:

Statements of Cash Flows (\$M)	Six months ended June 30,							
	2020				2019			
	ODL	Bicentenario	IVI	Total	ODL	Bicentenario	IVI	Total
Dividends received from associates	22,892	—	—	22,892	32,704	—	—	32,704
Dividends paid to NCI	(9,417)	—	—	(9,417)	(12,515)	—	—	(12,515)
Cash flow from midstream dividends	13,475	—	—	13,475	20,189	—	—	20,189
Puerto Bahía ECA Loans	—	—	—	—	—	—	(10,900)	(10,900)
Net cash flow from midstream investments	13,475	—	—	13,475	20,189	—	(10,900)	9,289

Statements of Financial Position (Net \$M)	As at June 30, 2020				As at December 31, 2019			
	ODL	Bicentenario	IVI	Total	ODL	Bicentenario	IVI	Total
Dividends receivable	—	49,732	—	49,732	—	39,081	—	39,081
Puerto Bahia ECA Loans	—	—	80,780	80,780	—	—	75,688	75,688
Puerto Bahia other loan and receivables	—	—	3,757	3,757	—	—	22,545	22,545
Long-term receivable ⁽¹⁾	—	49,732	84,537	134,269	—	39,081	98,233	137,314
Investment in associates (equity)	96,635	55,913	—	152,548	115,855	81,106	—	196,961
Net book value of midstream investments	96,635	105,645	84,537	286,817	115,855	120,187	98,233	334,275

1. Included within Other Assets.

Non-IFRS Measures

This MD&A contains the following terms that do not have standardized definitions in IFRS: “operating EBITDA,” “operating netback” and “net sales.” These financial measures, together with measures prepared in accordance with IFRS, provide useful information to investors and shareholders, as management uses them to evaluate the operating performance of the Company. The Company’s determination of these non-IFRS measures may differ from other reporting issuers and are therefore unlikely to be comparable to similar measures presented by other companies. Furthermore, these non-IFRS measures should not be considered in isolation or as a substitute for measures of performance or cash flows as prepared in accordance with IFRS.

Operating EBITDA

EBITDA is a commonly used measure that adjusts net (loss) income as reported under IFRS to exclude the effects of income taxes, finance income and expenses, and DD&A.

Operating EBITDA represents the operating results of the Company’s primary business, excluding the items noted above, restructuring, severance and other costs, certain non-cash items (such as impairments, foreign exchange, unrealized risk management contracts, and share-based compensation) and gains or losses arising from the disposal of capital assets. In addition, other unusual or non-recurring items are excluded from operating EBITDA, as they are not indicative of the underlying core operating performance of the Company.

The following table provides a complete reconciliation of net (loss) income to Operating EBITDA:

(\$M)	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Net (loss) income	(67,760)	227,809	(455,569)	273,996
Finance income	(6,167)	(5,469)	(10,845)	(11,502)
Finance expenses	11,728	14,644	26,988	28,322
Income tax expense	1,161	(156,772)	174,235	(135,086)
Depletion, depreciation and amortization	58,250	99,092	146,270	192,238
Impairment	3,329	15,369	151,463	15,369
Share-based compensation	1,316	1,145	2,533	1,717
Restructuring, severance and other costs	6,302	2,048	12,710	3,488
Share of income from associates	(23,336)	(19,753)	(14,930)	(43,251)
Foreign exchange loss (gain)	2,535	(1,681)	23,132	(2,283)
Unrealized loss (gain) on risk management contracts	36,011	(6,460)	6,871	(273)
Other loss (income), net	2,668	497	5,659	(10,797)
Non-controlling interests	3,180	9,196	4,843	12,582
Operating EBITDA	29,217	179,665	73,360	324,520

Net Sales

Net sales is a non-IFRS subtotal that adjusts revenue to include realized gains and losses from risk management contracts while removing the cost of dilution activities. This is a useful indicator for management, as the Company hedges a portion of its oil production using derivative instruments to manage exposure to oil price volatility. This metric allows the Company to report its realized net sales after factoring in these risk management activities. The deduction for diluent costs is helpful to understand the Company’s sales performance based on the net realized proceeds from the production net of diluent, the cost of which is partially recovered when the blended product is sold. Net sales do not include the sales and purchases of oil and gas for trading, as the gross margins from these activities are not considered significant or material to the Company’s operations. Refer to the reconciliation in the “Sales” section on page 8.

Operating Netback

Operating netback is used to assess the net margin of the Company's production after subtracting all costs associated with bringing one barrel of oil to the market. It is also commonly used by the oil and gas industry to analyze financial and operating performance expressed as profit per barrel and is an indicator of how efficient the Company is at extracting and selling its product. For netback purposes, the Company removes the effects of trading activities from its per barrel metrics. Refer to the reconciliation in the "Operating Netback" section on page 7.

The following is a description of each component of the Company's operating netback and how it is calculated.

Net sales realized price per boe is calculated using net sales (including oil and gas sales, realized gains and losses from risk management contracts less royalties and diluent costs) divided by the total sales volumes from D&P assets. A reconciliation of this calculation is provided below:

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Net sales (\$M)	113,313	361,596	357,270	654,869
Sales volumes (D&P) - (boe)	3,272,633	6,015,555	9,126,936	11,412,593
Net sales realized price (\$/boe)	34.62	60.11	39.15	57.38

Production cost per boe is calculated using production cost divided by production (before royalties). A reconciliation of this calculation is provided below:

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Production costs (\$M)	34,984	75,598	107,194	145,356
Production (boe)	3,876,332	6,769,055	9,661,652	12,886,703
Production costs (\$/boe)	9.03	11.17	11.09	11.28

Transportation cost per boe is calculated using transportation cost divided by net production after royalties. A reconciliation of this calculation is provided below:

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Transportation costs (\$M)	48,997	76,260	117,888	148,166
Net production (boe)	3,598,950	6,107,378	8,907,262	11,767,758
Transportation costs (\$/boe)	13.61	12.49	13.24	12.59

4. LIQUIDITY AND CAPITAL RESOURCES

The Company's principal liquidity and capital resource requirements consist of the following:

- capital expenditures for exploration, production and development, including growth plans;
- costs and expenses relating to operations, commitments and existing contingencies;
- debt service requirements relating to existing and future debt; and
- enhancing shareholder returns through dividends and share repurchases.

The Company funds its anticipated cash requirements and strategic objectives using current cash and working capital balances, cash flows from operations, and available debt and credit facilities. In accordance with the Company's investment policy, available cash balances are held in interest-bearing savings accounts, term deposits and Colombian mutual funds with high credit ratings and liquidity. The Company regularly reviews its capital structure and liquidity sources with a focus on ensuring that capital resources will be sufficient to meet operational needs and other obligations.

As at June 30, 2020, the Company had a total cash balance of \$394.8 million (including \$138.6 million in restricted cash), which is \$61.0 million lower than December 31, 2019. For the six months ended June 30, 2020, the Company generated \$148.8 million in operating cash flows which was used to fund investing cash outflows of \$136.7 million for capital expenditures and other investing activities. Financing outflows for the six months ended June 30, 2020 included \$15.8 million in lease payments, \$18.3 million of interest and other financing charges, \$20.5 million of dividends paid to equity holders, and \$10.1 million common shares repurchased. As a result, the working capital surplus decreased to \$37.4 million compared with \$71.4 million at year-end.

Restricted cash includes amounts that have been set aside and are not available for immediate disbursement. As at June 30, 2020, the main components of restricted cash were long-term abandonment funds as required by the ANH and cash collateral required in certain legal processes. Abandonment funds will satisfy abandonment obligations and are expected to be released in the long-term as assets are abandoned. Abandonment funding requirements are updated annually, typically during the second quarter, and can be satisfied through additional allocations of restricted cash, designation of letters of credit, or a combination of both. Cash collateral for legal processes are expected to be released as the related processes are closed. As at June 30, 2020, total restricted cash of \$138.6 million, increased by \$11.3 million from December 31, 2019 primarily due to the impact from additional collateral for letters of credit issued as a guarantee for abandonment obligations and foreign exchange fluctuations.

In response to the lower commodity prices, the Company previously announced that it had taken steps to manage its liquidity and balance sheet including significant curtailments in the 2020 capital program for drilling and completion activities, voluntarily shutting-in uneconomic production and reductions to operating costs, transportation costs and G&A through cancellation of non-essential services, deferral of tariff payments, and reduction of head-count. During the quarter, the Company specifically:

- focused its reduced 2020 capital budget on activities that remained economic at low oil prices, primarily essential maintenance, workovers, and activities that sustain production from higher netback fields;
- took advantage of shut-in production to renegotiate contractor rates and rebase costs in the field;
- with respect to transportation costs, negotiated the deferral of take or pay volumes with certain pipelines beginning in May 2020, and received a 50% financing of 6 months of transportation tariffs expected to result in a deferral of \$19.0 million in payments to 2021. Pipeline tariffs in Colombia are set by the Ministry of Mines and Energy and remained unchanged quarter over quarter;
- reduced office headcount by over one-quarter, reduced salaries and cash compensation for management and board members, and reduced hours for non-managerial office staff and field personnel; and
- refreshed and reset its hedging program for the current oil price environment with the goal of protecting revenue generation and cash position of the Company.

The measures taken by the Company to manage its liquidity and capital resources (including the foregoing) are ongoing and the Company continues to look for additional opportunities to manage its costs and commitments in the current oil price environment. Based on the foregoing, including the expected future impact of such measures, the Company expects that working capital in conjunction with future cash flows from operations, available credit facilities, and alternate financing arrangements, will be sufficient to support operations, capital expenditures and financial commitments on an ongoing basis. The Company will remain flexible and disciplined with respect to capital allocation decisions as the current commodity price environment evolves and can make additional changes to its business and operations as warranted. See also the “Risks and Uncertainties” section below.

Unsecured Notes

The Company’s long-term borrowing consists of \$350.0 million of unsecured notes issued on June 25, 2018 (the “**Unsecured Notes**”). The Unsecured Notes bear interest at a rate of 9.7% per year, payable semi-annually in arrears on June 25 and December 25 of each year. The Unsecured Notes will mature on June 25, 2023, unless earlier redeemed or repurchased.

Letters of Credit

The Company’s unsecured letter of credit facility entered into on May 17, 2018 (the “Unsecured LC Facility”) expired on May 17, 2020 and was not renewed. The Unsecured LC Facility, which was initially for \$100.0 million, was reduced to \$60.0 million in November 2018 and accrued interest at 3.0% per annum on any undrawn letters of credit, while amounts drawn under the facility accrued interest at 6% per annum.

The Company has replaced the guarantees covered by the Unsecured LC Facility using various uncommitted bilateral letters of credit (the “**Uncommitted LCs**”). As of June 30, 2020, the Company had \$49.0 million of issued and outstanding Uncommitted LCs for exploratory commitments and abandonment funds in Colombia, Ecuador and Peru, with cash collateral of \$34.9 million funded during the second quarter of 2020. The lenders under the Uncommitted LCs receive a fee equal to 3% per annum.

In addition to the Uncommitted LCs, the Company has outstanding letters of credit of \$8.8 million under a master agreement with Banco BTG Pactual S.A. (“**BTG**”). Under the terms of this agreement, BTG has the right to demand the return and cancellation of the letters of credit, or require the Company to deposit an equivalent amount if it breaches certain covenants, including receiving a credit rating downgrade two notches or more by any rating agency. The Fitch downgrade of the Company’s credit rating on March 20, 2020, by two notches resulted in a breach of this covenant. On July 28, 2020, the funding requirements associated with this agreement were reduced to \$3.9 million and the Company is working with BTG on amending the outstanding letters of credit.

Covenants

The Unsecured Notes are senior, unsecured and rank equal in right of payment with all existing and future senior unsecured debt and are guaranteed by the Company's principal subsidiaries. Under the terms of the Unsecured Notes, the Company may (excluding its unrestricted subsidiaries), among other things, incur indebtedness provided that the consolidated debt to consolidated adjusted EBITDA ratio⁽¹⁾ is less than or equal to 3.0:1.0 and the consolidated fixed charge ratio⁽²⁾ is greater than or equal to 2.5:1.0. In the event that these financial tests are not met, the Company may still incur indebtedness under certain permitted baskets, including an aggregate amount that does not exceed the higher of \$100.0 million and 10% of consolidated net tangible assets. The Unsecured Notes also contain covenants that limit the Company's ability to, among other things, make certain investments or restricted payments, including dividends and share buybacks. As at June 30, 2020, the Company is in compliance with all such covenants.

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

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

Commitments and Contractual Obligations

The Company's commitments and contractual obligations as at June 30, 2020, undiscounted by calendar year, are presented below:

As at June 30, 2020 (\$M)	2020	2021	2022	2023	2024	2025 and Beyond	Total
Financial obligations							
Long-term debt, including interest payments	16,975	33,950	33,950	366,975	—	—	451,850
Lease liabilities	15,382	27,622	5,205	3,060	—	—	51,269
Total financial obligations	32,357	61,572	39,155	370,035	—	—	503,119
Transportation and storage commitments							
Ocensa P-135 ship-or-pay agreement	\$ 35,966	\$ 69,327	\$ 69,327	\$ 69,327	\$ 69,327	\$ 34,929	\$ 348,203
Puerto Bahia take-or-pay agreement	13,595	27,237	—	—	—	—	40,832
ODL ship-or-pay agreement	4,859	4,814	—	—	—	—	9,673
Other transportation agreements ⁽¹⁾	5,838	16,254	3,400	2,570	3,223	—	31,285
Exploration commitments							
Minimum work commitments	60,995	149,718	93,163	39,443	—	—	343,319
Other commitments							
Operating purchases, leases and community obligations	12,412	16,965	6,254	5,929	5,057	5,082	51,699
Total Commitments	\$ 133,665	\$ 284,315	\$ 172,144	\$ 117,269	\$ 77,607	\$ 40,011	\$ 825,011

⁽¹⁾ Includes a payment of \$13.0 million to Puerto Bahia under the ECA which is due in December 2021.

Termination of Transportation Agreements

On July 12, 2018, the Company exercised contractual rights to terminate (a) three transportation contracts (the "**BIC Transportation Agreements**") with Bicentenario to ship oil through the BIC Pipeline which operates between Araguany and Banadia where it connects to the CLC Pipeline because service had not been provided for more than six consecutive months, and (b) three related transportation agreements (the "**CLC Transportation Agreements**") with CENIT to ship oil through the CLC Pipeline because service had not been provided for more than 180 consecutive calendar days. The Company has received notice that CENIT and Bicentenario dispute the validity of those contract terminations, and that on December 3, 2018, CENIT, and on January 28, 2019, Bicentenario, commenced separate arbitration proceedings against the Company before the Centre for Arbitration and Conciliation of the Bogota Chamber of Commerce (the "**Bogota Arbitration Centre**") concerning the contract terminations.

The Company believes it was fully entitled to terminate both the BIC Transportation Agreements and the CLC Transportation Agreements and is vigorously defending the arbitration proceedings commenced by Bicentenario and CENIT and recover damages. For further information on these claims, see "Note 28 - Commitments and Contingencies" of the 2019 Annual Consolidated Financial Statements.

As of June 30, 2020, the amount of tariffs claimed by CENIT under the CLC Transportation Agreements would be \$111.6 million plus interest, and would be approximately \$70.3 million per annum, subject to tariff adjustments from time to time, until 2028. As of June 30, 2020, the aggregate amount of monthly service payments claimed by Bicentenario under the BIC Transportation Agreements

would be \$130.1 million (net of credits note and SBLCs) plus interest, and would be approximately \$130.6 million per annum, subject to tariff adjustments from time to time, until 2024.

On December 3, 2019, the Company and certain of its affiliates commenced arbitration proceedings before the Bogota Arbitration Centre seeking, among other things, relief from Bicentenario and CENIT that those contracts were validly terminated and for the termination of (a) three transportation ancillary contracts (the "**BIC Ancillary Agreements**") with Bicentenario for the use of ancillary facilities related to the BIC Pipeline, and (b) seven transportation ancillary contracts (the "**CLC Ancillary Agreements**") with CENIT related to the CLC Pipeline and the BIC Pipeline for offloading and maritime facilities (which were the subject of termination), and the Monterrey-Araguaney Pipeline.

During the first quarter of 2020, the Company asserted rights to stop making payments under the BIC Ancillary Agreements and the CLC Ancillary Agreements. The Company's position is that there are no further payment commitments under the agreements, and as a result, the Company has excluded \$254.5 million of total commitments from the table above. As of June 30, 2020, the Company has rejected invoices for \$10.7 million relating to these ancillary agreements and intends to reject all invoices hereinafter. Both Bicentenario and CENIT dispute the grounds for the termination of these contracts and the cessation of payment, but they have not filed any formal claim yet over this specific dispute.

Ocensa - P-135 Ship-or-Pay Agreement

As part of the Ocensa P-135 ship-or-pay agreement, the Company is required to maintain a minimum credit rating of BB- (Fitch) and Ba3 (Moody's) or to provide evidence of compliance with the net assets and working capital test included in such agreement. The Company does not comply with the minimum credit rating criteria or capital ratio tests which could give Ocensa early termination and prepayment rights under the contract if letters of credit are not provided by the Company.

On April 29, 2020, Ocensa and the Company entered into a pledge agreement pursuant to which the Company guaranteed payment to Ocensa through a pledge of the crude oil transported in the Ocensa Pipeline. On July 6, 2020, the term of the pledge agreement was amended and extended until July 6, 2021. During the term of the pledge agreement, Ocensa has agreed not to exercise its early termination and prepayment rights. The pledge agreement will automatically terminate if the Company subsequently meets any of the minimum credit requirements as set forth in the ship-or-pay agreement.

Exploration commitments

The Company has minimum work commitments related to some exploration activities in Colombia, Peru, Ecuador, and Guyana. Given the COVID-19 pandemic and the decrease in oil prices, the Company has been reviewing its exploration commitments and alternatives with regulatory agencies, including deferring commitments and permitting alternate security arrangements to limit the amount of restricted cash required to secure commitments.

Contingencies

The Company is involved in various claims and litigation arising in the normal course of business. Since the outcomes of these matters are uncertain, there can be no assurance that such matters will be resolved in the Company's favour. The outcome of adverse decisions in any pending or threatened proceedings related to these and other matters could have a material impact on the Company's financial position, results of operations or cash flows. Other than as disclosed above, no material changes have occurred regarding the matters disclosed in "Note 28 - Commitments and Contingencies" of the 2019 Annual Consolidated Financial Statements.

5. OUTSTANDING SHARE DATA

The Company has the following outstanding share data as at August 4, 2020:

	Number
Common shares	97,194,576
Deferred share units (" DSUs ") ⁽¹⁾	477,087
Restricted share units (" RSUs ") ⁽²⁾	3,062,568

1. DSUs represent a future right to receive Common Shares (or the cash equivalent) at the time of the holder's retirement, death or the holder otherwise ceasing to provide services to the Company. Each DSU awarded by the Company approximates the fair market value of a Common Share at the time the DSU is awarded. The value of a DSU increases or decreases as the price of the Common Shares increases or decreases, thereby promoting alignment of interests of a DSU holder with shareholders. DSU settlements are determined by the sole discretion of the Compensation and Human Resources Committee of the Board, in Common Shares, cash or a combination thereof. Only directors are entitled to receive DSUs.

2. RSUs represent a right to receive Common Shares (or the cash equivalent) at a future date as determined by the established vesting conditions. RSUs are granted with vesting conditions that are based on continued service and the achievement of corporate objectives. The value of an RSU increases or decreases as the price of the Common Shares increases or decreases, thereby promoting alignment of interests of an RSU holder with shareholders. RSU settlements are determined by the sole discretion of the Compensation and Human Resources Committee of the Board, in Common Shares, cash or a combination thereof. Vesting of RSUs is determined by the Compensation and Human Resources Committee of the Board in its sole discretion and specified in the award agreement pursuant to which the RSU is granted.

Dividends

The Company has a policy to pay a regular quarterly dividend of approximately \$15 million during quarters in which the Brent benchmark price averages \$60/bbl or higher. Consistent with this dividend policy, the Company has suspended its quarterly dividends. The declaration and payment of any specific dividend, including the actual amount, declaration date and record date are subject to the discretion of the Board of Directors.

The Company's dividends paid or declared during the six months ended June 30, 2020, are presented below:

Declaration Date	Record Date	Payment Date	Dividend (C\$/ Share)	Dividends Amount (\$M)	Number of DRIP Shares ⁽¹⁾
November 7, 2019	January 3, 2020	January 17, 2020	0.205	15,125	474,568
March 5, 2020	April 2, 2020	April 16, 2020	0.205	13,966	1,679,065
Total			0.410	29,091	2,153,633

1. The Company has a DRIP to provide shareholders who are resident in Canada with the option to have the cash dividends declared on their Common Shares reinvested automatically back into additional Common Shares, without the payment of brokerage commissions or service charges.

Normal Course Issuer Bid

On October 16, 2019, the TSX approved the Company's notice to renew its normal course issuer bid ("NCIB"), which had expired on July 17, 2019. Pursuant to the renewed NCIB, the Company can purchase for cancellation up to 6,532,400 of its Common Shares during the twelve-month period commencing October 18, 2019 and ending October 17, 2020. During the second quarter of 2020 the Company did not purchase Common Shares under the NCIB. As at June 30, 2020, the Company had repurchased a total of 2,941,128 Common Shares under its renewed NCIB since October 18, 2019. Given current oil prices, the Company does not expect to make further share repurchases under its NCIB until conditions improve.

The following table provides a summary of total share repurchases under the Company's NCIB programs:

Six Months ended June 30, 2020	
Number of common shares repurchased	1,392,314
Total amount of common shares repurchased (\$M)	10,075
Weighted-average price per share (\$)	7.24

6. RELATED-PARTY TRANSACTIONS

The following tables provide the transaction amounts, total balances outstanding and commitments with related parties, as at June 30, 2020 and December 31, 2019, and for the three and six months ended June 30, 2020 and 2019, respectively:

(\$M)		Accounts Receivable ⁽¹⁾	Accounts Payable and Lease Obligation	Commitments ⁽²⁾	Cash Advance ^{(1) (3)}	Long-term Receivable ^{(1) (3)}	Interest Receivable ^{(1) (3)}
ODL	2020	—	2,484	9,673	—	—	—
	2019	—	4,181	30,125	—	—	—
Bicentenario	2020	8,151	—	—	87,278	56,592	—
	2019	9,677	—	36,539	87,278	45,732	—
IVI	2020	—	25,850	40,832	17,741	152,195	61,292
	2019	—	31,193	52,238	17,741	151,452	52,267

1. Amounts presented based on contractual payment obligations undiscounted and prior to impairments.

2. Refer to the "Commitments and Contractual Obligations" section on page 18.

3. Items included as Other Assets in the Interim Financial Statement of Financial Position.

(\$M)		Three Months Ended June 30		Six Months Ended June 30	
		Purchases / Services	Interest Income ⁽¹⁾	Purchases / Services	Interest Income ⁽¹⁾
ODL	2020	8,467	—	20,429	—
	2019	13,001	—	25,683	—
Bicentenario	2020	—	—	1,267	—
	2019	1,818	—	3,675	—
IVI	2020	9,247	4,514	19,065	9,025
	2019	6,969	3,554	15,120	6,957

1. Amounts presented based on contractual payment obligations undiscounted and prior to impairments.

7. RISKS AND UNCERTAINTIES

The Company is exposed to a variety of known and unknown risks in the pursuit of its strategic objectives. The impact of any risk may adversely affect, among other things, the Company's business, reputation, financial condition, results of operations and cash flows, which may affect the market price of its securities.

The Company has an enterprise risk management program that plans, identifies, evaluates, prioritizes and monitors risk across the organization and supports decision-making. This program identifies critical strategic risk to its people, the environment, its assets, regulatory environment and reputation, and systematically mitigates these risks to an acceptable level. In addition, we continuously monitor our risk profile as well as industry best practices.

The Company attempts to mitigate its financial, operational and strategic risks to an acceptable level through a variety of policies, systems and processes. For a comprehensive discussion of the risks and uncertainties that could have an effect on the business and operations of the Company, investors are urged to review the AIF and Consolidated Financial Statements as of December 31, 2019, copies of which are available on SEDAR at www.sedar.com.

In addition, the ongoing COVID-19 pandemic has had and could continue to have a negative impact on the Company's financial condition, results of operations, and cash flows. The COVID-19 pandemic and the procedures imposed by governments in response thereto have resulted in, and may continue to result in: a reduction in the demand for and price of oil and natural gas products; business closures and shutdowns; travel restrictions; reduction in the availability of sufficient storage and transportation capacity; disruption in operations; operating restrictions and restrictions in the communities in which the Company operates; voluntary production shut downs to limit the spread of COVID-19; increased volatility in financial markets and foreign currency exchange rates; reduced labour capacity; and supply shortages. While certain procedures imposed by governments have been relaxed and global economic conditions have improved throughout the quarter, the uncertainty regarding the extent and duration of the COVID-19 pandemic remains unknown and presents ongoing uncertainty regarding the price of and demand for oil and natural gas products.

The impact of the COVID-19 pandemic and related supply-demand market imbalances continues to evolve and the risk of a resurgence remains high and could result in further declines to the price of oil and natural gas products. The extent to which such events impact the Company's business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted with any degree of confidence. Such events have had and could continue to have a material adverse effect on the Company's business, financial condition and results of operations. As a result, certain risks factors described in the AIF have been increased or amplified, including but not limited to, risks relating to the ability of the Company to: maintain its credit ratings; access additional financing; meet its financial obligations and minimum commitments; fund capital expenditures; comply with covenants contained in the agreements that govern indebtedness; and risks related to fluctuating prices and markets, impairment charges, deferred tax assets and payment of dividends. The Company has mitigated the impact of these risks by significantly reducing its planned capital expenditures in 2020, shutting in production on uneconomic fields, renegotiating key contract tariffs and rebase costs in the field, reducing operating and G&A costs and revising its hedging strategy. See the "Liquidity and Capital Resources" section for additional detail on the steps the Company has taken to mitigate or manage some of these risks. However, the situation continues to be dynamic and highly uncertain, and the effectiveness and adequacy of such measures cannot be determined at this time. Even after the COVID-19 pandemic has subsided, the Company may continue to experience materially adverse impacts to its business as a result of the pandemic's global economic impact.

8. ACCOUNTING POLICIES, CRITICAL JUDGMENTS AND ESTIMATES

The Interim Financial Statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board, and with interpretations of the International Financial Reporting Interpretations Committee, which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook - Accounting. A summary of significant accounting policies applied is included in Note 3a of the 2019 Annual Consolidated Financial Statements. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Recent accounting pronouncements of significance or potential significance are described in Note 3b of the 2019 Annual Consolidated Financial Statements, including management's evaluation of impact and implementation progress.

The preparation of the Interim Financial Statements in accordance with IFRS requires the Company to make judgments in applying its accounting policies, estimates and assumptions about the future. These judgments, estimates and assumptions affect the reported amounts of assets, liabilities, revenues and other items in net operating earnings or loss and the related disclosure of contingent assets and liabilities included in the Interim Financial Statements. The Company evaluates its estimates on an ongoing basis.

The estimates are based on historical experience and on various other assumptions that the Company believes are reasonable under the circumstances. These estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amounts of revenues and other items.

The effect of the COVID-19 pandemic on the world economy, and the associated decline in oil prices, has impacted and continues to impact the Company and has significantly increased economic uncertainty. The Company continues to monitor this rapidly changing environment and the impact on the Company's business, financial conditions and results of operations, however the duration and magnitude of these events remains unknown at this time. As a result, it is difficult to reliably assess the full impact this will have on the Company's business, financial conditions and results of operations which presents uncertainties and risks in management's judgments, estimates, and assumptions used in the preparation of the Interim Financial Statements.

The results of the economic downturn and any potential resulting direct and indirect impact to the Company has been considered in management's judgments and estimates as described above for the quarter end; however there could be further prospective material impacts in future periods. As such, actual results may differ from these estimates under different assumptions or conditions. A summary of the significant judgments and estimates made by management in the preparation of its financial information is provided in Note 2 of the Interim Financial Statements.

9. INTERNAL CONTROL

In accordance with National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("**NI 52-109**") of the Canadian Securities Administrators, the Company issues a "Certification of Interim Filings". This Certification requires certifying officers to certify, among other things, that they are responsible for establishing and maintaining Disclosure Controls and Procedures ("**DC&P**") and Internal Controls over Financial Reporting ("**ICFR**") as those terms are defined in NI 52-109. The control framework used to design the Company's ICFR is based on the framework established in Internal Control - Integrated Framework (2013) by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company's ICFR are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's ICFR may not prevent or detect all misstatements because of inherent limitations.

There have been no changes in the Company's ICFR during the quarter ended June 30, 2020, that have materially affected, or are reasonably likely to materially affect, its ICFR.

The Company's DC&P is designed to provide reasonable assurance that material information relating to the Company is made known to the Company's certifying officers by others, particularly during the period in which the interim filings are being prepared, and that information required to be disclosed by the Company in its annual filings, interim filings and other reports filed or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

10. FURTHER DISCLOSURES

Production Reporting

Production volumes are reported on a Company working interest before royalties basis, including total volumes produced from service contracts. The latter refers to the total volumes produced under an oil extraction services contract with Perupetro on Block 192 in Peru. Under this contract, the volumes produced are owned by Perupetro and the Company is entitled to in-kind payments on production, which can range from 44% to 84% of production on the block. This percentage is determined by the "R" Factor, which is related to income and expenses in accordance with the service contract. The Company reports the share of production retained by the government under the contract as royalties paid in-kind in this MD&A.

The following table includes the average net production:

Net Production (in boe/d)					
	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Producing blocks in Colombia					
Heavy oil	20,781	29,350	28,670	25,066	28,355
Light and medium oil	17,119	22,449	27,574	19,784	28,884
Natural gas	1,649	2,037	2,454	1,843	2,552
Net production Colombia	39,549	53,836	58,698	46,693	59,791
Producing blocks in Peru					
Light and medium oil	—	4,495	8,416	2,248	5,224
Net production Peru	—	4,495	8,416	2,248	5,224
Total net production	39,549	58,331	67,114	48,941	65,015

Overlift and Settlement

Overlift and settlement corresponds to a short-term imbalance between the Company's production and sales volumes. In these instances, the Company lifts barrels from the pipeline system resulting in more volumes sold than produced, which is considered "overlift." Overlift represents an obligation for the Company to deliver the equivalent future production. Settlement occurs when this production is delivered to settle the overlift liability. During overlift, the Company recognizes the sales and an equivalent cost with no margin or operating EBITDA impact during the quarter. When the overlift is settled, this expense is reversed to recognize the gross margin and operating EBITDA earned on the related sale in the period of production. Refer to the "Oil and Gas Operating Costs" section on page 8.

Boe Conversion

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

Abbreviations

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

bbl	Oil Barrels	Mcf	Thousand cubic feet
bbl/d	Barrels of oil per day	PAP	High-price clause participation
boe	Barrels of oil equivalent	Q	Quarter
boe/d	Barrels of oil equivalent per day	USD	United States dollars
COP	Colombian pesos	WTI	West Texas Intermediate
C\$	Canadian dollars	\$	U.S. dollars
D&P	Development and producing	\$M	Thousand U.S. dollars
E&E	Exploration and evaluation	\$MM	Million U.S. dollars
MMbbl	Millions of oil barrels		