

MANAGEMENT DISCUSSION & ANALYSIS

November 3, 2020
For the three and nine months ended September 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 nine months ended September 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 a sustained low oil price environment due to the COVID-19 pandemic and actions of the Organization of Petroleum Exporting Countries ("OPEC") and non-OPEC countries, the expected impact of measures that the Company has taken and continues to take in response to these events, 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 and obtaining regulatory approvals 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

					Nine months ended September 30		
					2020	2019	
					Q3 2020	Q2 2020	Q3 2019
Operational Results							
Oil production -Colombia	(bbl/d)	41,817	40,948	61,420	46,288	62,137	
Oil production -Peru	(bbl/d)	—	—	6,510	1,788	6,268	
Natural gas production -Colombia	(boe/d)	1,385	1,649	2,283	1,689	2,461	
Production ⁽¹⁾	(boe/d) ⁽²⁾	43,202	42,597	70,213	49,765	70,866	
Oil and gas sales	(\$/boe)	40.17	24.96	57.90	36.97	60.56	
Realized (loss) gain on risk management contracts	(\$/boe)	(1.68)	12.19	(0.43)	3.82	(0.35)	
Royalties	(\$/boe)	(0.23)	—	(2.41)	(0.60)	(2.18)	
Diluent costs	(\$/boe)	(1.95)	(2.53)	(1.85)	(1.87)	(1.92)	
Net sales realized price ⁽³⁾	(\$/boe)	36.31	34.62	53.21	38.32	56.11	
Production costs ⁽⁴⁾	(\$/boe)	(8.97)	(9.03)	(11.60)	(10.48)	(11.39)	
Transportation costs ^{(5) (6)}	(\$/boe)	(9.89)	(11.28)	(12.00)	(11.36)	(12.39)	
Operating netback ^{(6) (7)}	(\$/boe)	17.45	14.31	29.61	16.48	32.33	
Financial Results							
Oil and gas sales	(\$M)	149,474	81,701	289,641	475,013	994,149	
Realized (loss) gain on risk management contracts	(\$M)	(6,246)	39,885	(2,135)	49,129	(5,714)	
Royalties	(\$M)	(861)	—	(12,051)	(7,761)	(35,866)	
Diluent costs	(\$M)	(7,244)	(8,273)	(9,238)	(23,988)	(31,483)	
Net sales ⁽⁷⁾	(\$M)	135,123	113,313	266,217	492,393	921,086	
Net (loss) income ⁽⁸⁾	(\$M)	(90,473)	(67,760)	(49,117)	(546,042)	224,879	
Per share – basic	(\$)	(0.93)	(0.70)	(0.50)	(5.64)	2.29	
Per share – diluted	(\$)	(0.93)	(0.70)	(0.50)	(5.64)	2.26	
General and administrative	(\$M)	10,539	9,716	18,476	35,270	53,175	
Operating EBITDA ^{(6) (7)}	(\$M)	52,113	37,608	124,586	136,703	449,106	
Cash provided by operating activities ⁽⁹⁾	(\$M)	35,929	102,256	124,289	184,726	395,392	
Capital expenditures ⁽¹⁰⁾	(\$M)	2,905	15,651	70,761	83,232	213,467	
Cash and cash equivalents – unrestricted	(\$M)	259,980	256,135	313,957	259,980	313,957	
Restricted cash short and long-term	(\$M)	161,318	138,634	128,336	161,318	128,336	
Total cash	(\$M)	421,298	394,769	442,293	421,298	442,293	
Total debt and lease liabilities	(\$M)	557,182	379,790	404,815	557,182	404,815	
Consolidated total indebtedness (excluding Unrestricted Subsidiaries) ⁽¹¹⁾	(\$M)	352,058	373,363	388,766	352,058	388,766	
Net debt (excluding Unrestricted Subsidiaries) ⁽¹¹⁾	(\$M)	113,054	128,882	94,082	113,054	94,082	

1. Represents working interest production before royalties and total volumes produced from service contracts. Refer to the "Further Disclosures" section on page 25.

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. For the second quarter of 2020 the cost of the BIC Ancillary Agreements and CLC Ancillary Agreements cancelled and unpaid were reclassified as Cost Under Terminated Pipeline Contracts, refer to "Commitments and Contractual Obligations" section on page 20 for further details.

7. 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.

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

9. 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.

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

11. Refer to the "Non-IFRS Measures" section on page 15. "Unrestricted Subsidiaries" include CGX Energy Inc. ("CGX"), Pacific Midstream Ltd. ("PML"), and Pacintra Holding Ltd (including its subsidiary Infrastructure Ventures Inc. ("IVI")).

Performance Highlights

Third Quarter of 2020

The decline in global oil prices resulting from the sustained 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 third 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 \$43.34/bbl during the quarter, 30% lower than the comparable third quarter of 2019.

Despite the challenging economic environment, the Company delivered strong operating cash flows of \$35.9 million in the third quarter of 2020 as a result of the decisive actions taken during the first half of the year to streamline the business and operate more efficiently. In response to the low oil price environment, the Company also curtailed its capital program which resulted in lower production volumes during 2020 at significantly lower production, transportation and general & administrative costs compared to 2019. These actions helped the Company's liquidity position with ending total cash of \$421.3 million, including \$161.3 million of restricted cash.

In the third quarter of 2020, the Company completed its previously announced acquisition of a controlling interest in IVI which owns and operates Sociedad Portuaria Puerto Bahia S.A. ("**Puerto Bahia**"), a multifunctional port in Colombia with bulk liquid and dry cargo facilities. This acquisition increased the Company's ownership in IVI to 71.57% from 39.22% and will allow the Company to consolidate control over the various strategic options available at the port while removing the special voting provisions and put option held by the former shareholders. The transaction also simplifies the Company's financial reporting with improved visibility on key metrics, such as transportation costs, and segmented measures for its upstream and midstream businesses. The purchase of Puerto Bahia is aligned with the Company's goal to maximize value from its midstream assets.

As a result of the acquisition, the Company now fully consolidates IVI which impacts the comparability of various financial metrics, including \$203.1 million of Puerto Bahia debt which is non-recourse to the Company (other than as provided for by the equity contribution agreement as described on page 17) and a reduction in reported lease liabilities, diluent and transportation costs as a result of the intercompany elimination of amounts relating to take-or-pay storage contracts with Puerto Bahia. Finally, the Company recognized non-cash charges on the acquisition date of \$42.8 million from the effective settlement of pre-existing relationships with IVI and \$24.0 million from the reclassification of cumulative foreign currency translation adjustments.

Financial and Operational Results

- Net loss was \$90.5 million (\$0.93/share), compared with net loss of \$49.1 million (\$0.50/share) in the third quarter of 2019.
- Cash provided by operating activities was \$35.9 million, compared with \$124.3 million in the third quarter of 2019.
- Capital expenditures were \$2.9 million, compared with \$70.8 million in the third 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 43,202 boe/d, compared with 42,597 boe/d in the second quarter of 2020, slightly increasing as a result of the reactivation of some wells in Colombia during the third quarter of 2020. Compared with the 70,213 boe/d produced in the third quarter of 2019, production decreased in the quarter as a result of temporary shut-in of production from higher cost wells in Colombia, declines from lower capital spending, and Block 192 remaining without production.
- Operating EBITDA was \$52.1 million, compared with \$37.6 million in the prior quarter and \$124.6 million in the third quarter of 2019.
- Operating netback was \$17.45/boe, compared with \$14.31/boe in the prior quarter and \$29.61/boe in the third quarter of 2019.

2. GUIDANCE

The following table reports the Company's actual results for the nine months ending September 30, 2020, against the revised full-year and second half of 2020 guidance metrics as released on August 5, 2020, assuming a Brent oil price of \$45/bbl for the remainder of the year. The guidance for transportation costs has been adjusted for the acquisition of IVI and changes to accounting treatment of unused ancillary contracts. To make the guidance comparable given those changes, we have reduced transportation cost guidance in the full year by \$2.0 per boe (to \$11.0 - \$12.0 per boe from \$13.0 - \$14.0 per boe) and in the second half by \$4.0 per boe (to \$9.5 - \$10.5 per boe from \$13.5 - \$14.5 per boe). 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.

		Actual		Guidance	
		Q3 2020	YTD 2020	Second-half 2020	FY 2020
Average production ⁽¹⁾	(boe/d)	43,202	49,765	40,000 to 43,000	46,000 to 48,000
Production costs	(\$/boe)	8.97	10.48	8.0 to 9.0	9.5 to 10.5
Transportation costs	(\$/boe)	9.89	11.36	9.5 to 10.5	11.0 to 12.0
Capital expenditures ⁽²⁾	(\$MM)	2.9	83.2	20 to 40	100 to 120

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

2. 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 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 25 for details of the Company's net production.

Production (in boe/d)					
Producing blocks in Colombia	Q3 2020	Q2 2020	Q3 2019	YTD 2020	YTD 2019
Heavy oil	21,997	22,533	33,906	25,495	32,354
Light and medium oil	19,820	18,415	27,514	20,793	29,783
Natural gas	1,385	1,649	2,283	1,689	2,461
Total production Colombia	43,202	42,597	63,703	47,977	64,598
Producing blocks in Peru					
Light and medium oil	—	—	6,510	1,788	6,268
Total production Peru	—	—	6,510	1,788	6,268
Total production	43,202	42,597	70,213	49,765	70,866

Colombia

Production in Colombia for the three and nine months ended September 30, 2020, decreased by 32% to 43,202 boe/d and by 26% to 47,977 boe/d respectively, compared to the same periods of 2019. 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 second and third quarters. This voluntary shut-in of production was part of the Company's program to manage the impact of the COVID-19 pandemic and lower oil price environment. In comparison to the prior quarter, production was 1% or 605 boe/d higher during the third quarter of 2020 mainly due to the restarting production of some blocks including Casimena, Canaguaro and CPE-6 blocks in July 2020. The Company started a well intervention campaign in later September to maintain the stability of the production.

Peru

There was no production in Peru during the third quarter of 2020 and the second quarter of 2020, while 6,510 bbl/d was produced in the third quarter of 2019. For the nine months ended September 30, 2020, production decreased by 71% to 1,788 bbl/d from 6,268 bbl/d in the same period of 2019. On February 27, 2020, Block 192 was placed in force majeure as a result of a community blockade. The Company notified Perupetro S.A. ("Perupetro"), Peru's state oil and gas company, that effective July 30, 2020 the force majeure was lifted, however as of this date, the block remains with no production as operations have not been restarted on the block. According to the Company's calculations, the contract for Block 192 will expire in February 2021.

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.

		Q3 2020	Q2 2020	Q3 2019	Nine months ended September 30	
					2020	2019
Production	(boe/d)	43,202	42,597	70,213	49,765	70,866
Royalties in-kind Colombia	(boe/d)	(2,987)	(3,048)	(4,936)	(3,460)	(5,152)
Royalties in-kind Peru ⁽¹⁾	(boe/d)	—	—	(1,006)	(295)	(950)
Net production	(boe/d)	40,215	39,549	64,271	46,010	64,764
Oil inventory (build) draw	(boe/d)	1,443	(1,917)	(8,694)	2,679	(2,156)
Other inventory movements ⁽²⁾	(boe/d)	(1,213)	(1,669)	(1,199)	(1,798)	(2,479)
Sales volumes	(boe/d)	40,445	35,963	54,378	46,891	60,129
Oil sales volumes	(bbl/d)	39,100	34,320	52,098	45,238	57,732
Natural gas sales volumes	(boe/d)	1,345	1,643	2,280	1,653	2,397
Inventory balance						
Colombia	(bbl)	708,103	840,893	798,953	708,103	798,953
Peru	(bbl)	1,000,058	852,892	1,851,080	1,000,058	1,851,080
Inventory ending balance	(bbl)	1,708,161	1,693,785	2,650,033	1,708,161	2,650,033

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. Mainly corresponds to operational consumption, overlift and quality volumetric compensation.

Sales volumes for the three months ended September 30, 2020 was higher than the prior quarter by 12% due to an increase in production and inventory draw in Colombia. In comparison to the third quarter of 2019, sales volumes decreased by 26% mainly due to a decrease in production and no volumes sold in Peru. Sales volumes for the nine months ended September 30, 2020 decreased by 22% compared with the same period of 2019 primarily due to the decrease in production. During the third quarter the inventory balance from Peru increased as a result of the reclassification of the Block 192 pipeline fill as inventory available for sale.

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 September 30		Nine months ended September 30	
		2020	2019	2020	2019
PAP in cash	(bbl/d)	30	700	277	1,345
PAP in kind	(bbl/d)	—	343	86	489
PAP	(bbl/d)	30	1,043	363	1,834
% Production		0.1 %	1.5 %	0.7 %	2.6 %

For the three and nine months ended September 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 September 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 third quarter of 2020,

Realized and Reference Prices

For the three and nine months ended September 30, 2020, the Company's net sales realized price was \$36.31/boe and \$38.32/boe, respectively, a decrease of 32%, compared to the same periods of 2019 due to the lower Brent benchmark price as well as wider differentials, partially offset with a realized gain on risk management contracts mainly resulting from the unwinding of contracts in the second quarter of 2020. In comparison to the prior quarter, the net sales realized price increased by 5%, or \$1.69/boe, primarily driven by the higher Brent benchmark price, narrower sales price differential in third quarter 2020 and lower diluent cost primarily due to optimization of dilution strategy of volumes sold at Puerto Bahia and the accounting eliminations resulting from the acquisition of IVI, partially offset by a realized loss on risk management contracts in the third quarter of 2020 compared with a realized gain mainly from the unwinding of contracts in the second quarter 2020, and a slight increase in royalties due to higher benchmark oil prices. Refer to "Midstream Activities" on page 14 for details on the acquisition of IVI.

1. Per boe is calculated using sales volumes from D&P assets. Refer to the "Realized and Reference Prices" above.
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 25.

Operating netback for the third quarter of 2020 was \$17.45/boe, compared to \$29.61/boe in the same quarter of 2019. The decrease was primarily due the reduction in the Company's net sales realized price partially offset by lower production costs per boe due to the closure of Block 192 in Peru, temporary shut-in of production from higher cost wells in Colombia, renegotiation of contract tariffs with suppliers, and operational optimizations, these factors resulted in the reduction of personnel-related costs, fuel consumption, internal field transport, and maintenance expenses. Transportation cost per boe decreased due to the cessation of payments under the BIC Ancillary Agreements and the CLC Ancillary Agreements (refer to "Commitments and Contractual Obligations" section on page 20 for further details) and a reduction of \$2.6 million (\$0.26/boe) resulting from the acquisition of IVI after accounting eliminations.

In comparison to the second quarter of 2020, operating netback increased from \$14.31/boe to \$17.45/boe primarily as a result of higher net sales realized price, and a decrease in transportation cost per boe of \$3.3 million (\$0.94/boe) resulting from the acquisition of IVI after accounting eliminations, and take or pay volumes deferred to the first half of 2021 with Oleoducto de los Llanos Orientales S.A ("ODL").

The following table provides a summary of the Company's year-to-date netbacks:

	Nine months ended September 30			
	2020		2019	
	\$M	(\$/boe)	\$M	(\$/boe)
Net sales realized price ⁽¹⁾	492,393	38.32	921,086	56.11
Production costs ⁽²⁾	(142,840)	(10.48)	(220,295)	(11.39)
Transportation costs ⁽³⁾	(143,243)	(11.36)	(219,126)	(12.39)
Operating Netback ⁽⁴⁾	206,310	16.48	481,665	32.33
		(boe/d)		(boe/d)
Sales volumes (D&P) ⁽⁵⁾		46,891		60,129
Production ⁽⁶⁾		49,765		70,866
Net production ⁽⁷⁾		46,010		64,764

References 1 through 7 are consistent with those included in the quarterly Operating Netback table on page 6

Operating netback for the nine months ended September 30, 2020, decreased by 49% to \$16.48/boe from \$32.33/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 cost due to the closure of Block 192 in Peru and temporary shut-in of production from higher cost wells in Colombia, renegotiation of contract tariffs with suppliers, and operational optimizations. Transportation cost per boe decreased due to operational optimizations, take or pay volumes deferred to the first half of 2021, and the cessation of payments under the BIC Ancillary Agreements and CLC Ancillary Agreements (refer to "Commitments and Contractual Obligations" section on page 20 for further details).

Sales

(\$M)	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Oil and gas sales ⁽¹⁾	149,474	289,641	475,013	994,149
Realized (loss) gain on risk management contracts ⁽²⁾	(6,246)	(2,135)	49,129	(5,714)
Royalties	(861)	(12,051)	(7,761)	(35,866)
Diluent costs	(7,244)	(9,238)	(23,988)	(31,483)
Net sales	135,123	266,217	492,393	921,086
\$/boe using sales volumes from D&P assets	36.31	53.21	38.32	56.11

1. Excludes sales from port services as they are not part of the oil & gas segment. For further information refer to the "Midstream Activities" section on page 14.

2. For the nine months ended September 30, 2020, includes a net gain of \$27.3 million from the early termination of risk management contracts. Refer to the "(Loss) Gain on Risk Management Contracts" section on page 10 for further details.

Oil and gas sales for the three and nine months ended September 30, 2020, decreased by \$140.2 million and \$519.1 million compared to the same periods of 2019, mainly due to lower oil prices and a decrease in volumes sold due to the reductions in production explained before. Refer to "Production" section on page 4.

Net sales for the three and nine months ended September 30, 2020, decreased by \$131.1 million and \$428.7 million, compared with the same periods of 2019. The following table describes the various factors that impacted net sales:

(\$M)	Three months ended September 30	Nine months ended September 30
Net sales for the period ended September 30, 2019	266,217	921,086
Decrease due to 31% lower oil and gas price (YTD 39% lower)	(88,676)	(387,261)
Decrease due to lower volumes sold of 13,933 boe/d or 26% (YTD 13,238 boe/d or 22% lower)	(51,491)	(131,875)
Higher realized (loss) gain on risk management contracts	(4,111)	54,843
Decrease in royalties	11,190	28,105
Decrease in diluent costs	1,994	7,495
Net sales for the period ended September 30, 2020	135,123	492,393

Royalties

	Three months ended September 30		Nine months ended September 30	
(\$M)	2020	2019	2020	2019
Royalties Colombia	861	11,889	7,718	35,302
Royalties Peru	—	162	43	564
Royalties	861	12,051	7,761	35,866
\$/boe using sales volumes from D&P assets	0.23	2.41	0.60	2.18

Royalties include cash payments for PAP, royalties and amounts paid to previous owners of certain blocks in Colombia. For the three and nine months ended September 30, 2020, royalties decreased by \$11.2 million and \$28.1 million, respectively, compared to the same periods of 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

	Three months ended September 30		Nine months ended September 30	
(\$M)	2020	2019	2020	2019
Production costs	35,646	74,939	142,840	220,295
Transportation costs	36,585	70,960	143,243	219,126
Diluent costs	7,244	9,238	23,988	31,483
Overlift	30	164	270	159
Inventory valuation	216	(24,526)	33,596	(20,946)
Total oil and gas operating costs	79,721	130,775	343,937	450,117

For the three and nine months ended September 30, 2020, total oil and gas operating costs decreased by 39% and 24%, respectively, compared to the same periods of 2019. The variance in total oil and gas operating costs was mainly due to the following:

- Production costs decreased by 52% and 35% in the three and nine months ended September 30, 2020, respectively, compared with the same periods of 2019, mainly due to lower production as a result of the closure of Block 192 in Peru, temporary voluntary shut-in of production from higher cost wells in Colombia, operational optimizations, and renegotiation of contract tariffs with suppliers. These factors resulted in lower personnel-related cost, fuel consumption, internal field transport, and maintenance expenses.
- Transportation costs decreased by 48% and 35% in the three and nine months ended September 30, 2020, respectively, compared with the same periods of 2019, primarily due to operational optimizations, deferral of take or pay volumes to the first half of 2021, the cessation of payments under the BIC Ancillary Agreements and CLC Ancillary Agreements (Refer to “Commitments and Contractual Obligations” section on page 20 for further details), and the accounting eliminations resulting from the acquisition of IVI.
- Diluent costs decreased by 22% for three months ended September 30, 2020 compared to the same period of 2019 primarily due to optimization of dilution strategy of volumes sold at Puerto Bahia and the accounting eliminations resulting from the acquisition of IVI. For the nine months ended September 30, 2020, diluent costs decreased by 24% compared to the same period of 2019 mainly due to lower diluent purchased during 2020.
- Overlift for the three and nine months ended September 30, 2020 was not significant and comparable to 2019.

- Inventory valuation expense for the three months ended September 30, 2020, increased by \$24.7 million as a result of lower volumes of oil inventory at quarter end in Colombia. For the nine months ended September 30, 2020, inventory valuation expense increased by \$54.5 million as a result of lower volumes of oil inventory at quarter end and write-down of oil inventory due to lower global oil prices.

Depletion, Depreciation and Amortization

(\$M)	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Depletion, depreciation and amortization	60,960	94,019	207,230	286,257

For the three and nine months ended September 30, 2020, depletion, depreciation and amortization expense ("DD&A") decreased by 35% and 28%, 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 September 30		Nine months ended September 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	—	8,024	17,839	17,688
Impairment of other	—	587	888	4,745
Impairment of long-term receivables	—	36,628	—	36,628
Total impairment	—	45,239	151,472	59,061
Exploration - pre-licence costs	989	1,569	1,466	3,063
Expense (recovery) of asset retirement obligations	480	(417)	471	1,130
Total impairment, exploration expenses and other	1,469	46,391	153,409	63,254

For the nine months ended September 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 7 of the Interim Financial Statements.

For the three and nine months ended September 30, 2019, the Company recognized an impairment charge of \$36.6 million related to a long-term receivable from IVI as a result of uncertainties relating to future projects and a reduction in future cash flows at the port subsidiary of IVI, Puerto Bahia. Additionally, for the three and nine months ended September 30, 2019, the Company recognized impairment charges of \$8.0 million and \$17.7 million, respectively, of E&E assets mainly due to technical results and changes in development plans for certain exploration projects from Colombia. Impairment charge of \$4.7 million was recognized related to slow moving or obsolete inventories.

Other Operating Costs

(\$M)	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
General and administrative	10,539	18,476	35,270	53,175
Share-based compensation	246	1,314	2,779	3,031
Restructuring, severance and other costs	1,047	5,463	13,757	8,951

General and Administrative

For the three and nine months ended September 30, 2020, general and administrative expenses decreased by 43% and 34%, 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 nine months ended September 30, 2020, share-based compensation decreased by 81% and 8%, respectively, compared to the same periods of 2019, primarily due to reduction in the value of the outstanding restricted share units.

Restructuring, Severance and Other Costs

For the three months ended September 30, 2020, restructuring, severance and other costs decreased by \$4.4 million compared to the same quarter of 2019, mainly due to lower restructuring cost relating to projects development during the third quarter of 2019. For the nine months ended September 30, 2020, restructuring, severance and other costs increased by \$4.8 million, compared to the same period 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 September 30		Nine months ended September 30	
	2020	2019	2020	2019
Finance income	2,019	5,580	12,864	17,082
Finance expenses	(12,655)	(19,732)	(39,643)	(48,054)
Foreign exchange loss	(12,450)	(3,735)	(35,582)	(1,452)
Other (loss) income, net	(38,626)	(1,359)	(44,285)	9,438

Finance Income and Expenses

For the three months ended September 30, 2020, finance income decreased by \$3.6 million, compared to the same quarter of 2019, as a result of the acquisition of IVI due to the accounting elimination of the interest income from the long-term receivable to IVI after its consolidation. For the nine months ended September 30, 2020, finance income decreased by \$4.2 million, compared to the same period of 2019, primarily due to lower interest income earned on cash balances. For the three and nine months ended September 30, 2020, finance expenses decreased by \$7.1 million and \$8.4 million, respectively, compared to the same periods of 2019, mainly due to the discount to present value of dividends declared by Oleoducto Bicentenario de Colombia S.A.S. ("Bicentenario") during 2019, lower lease interest due to the modification of lease assets, partially offset by the interest expenses consolidated from the acquisition of IVI.

Foreign Exchange Loss

For the three and nine months ended September 30, 2020, foreign exchange loss was \$12.5 million and \$35.6 million, compared with a loss of \$3.7 million and \$1.5 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 debt consolidated from IVI and the Company's net working capital balances denominated in COP.

Other (Loss) Income, net

For the three and nine months ended September 30, 2020, the Company recognized other loss of \$38.6 million and \$44.3 million, which was primarily related to a non-cash loss of \$42.8 million resulting from the acquisition of IVI. In the same periods of 2019 other losses of \$1.4 million and other income of \$9.4 million included a non-cash gain resulting from the fair value adjustment to its equity on the acquisition of control of CGX.

(Loss) Gain on Risk Management Contracts

(\$M)	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Realized (loss) gain on risk management contracts ⁽¹⁾	(6,246)	(2,135)	21,833	(5,714)
Realized gain on unwinding of risk management contracts ⁽¹⁾	—	—	27,296	—
Unrealized (loss) gain on risk management contracts ⁽²⁾	(351)	4,338	(7,222)	4,611
Total (loss) gain on risk management contracts	(6,597)	2,203	41,907	(1,103)

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 months ended September 30, 2020, realized loss on risk management contracts was \$6.2 million, compared to a loss of \$2.1 million in the same period of 2019, primarily as a result of differences in the underlying hedging instruments that expired or settled during each period.

For the nine months ended September 30, 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 nine months ended September 30, 2020, the Company recognized an unrealized loss on risk management contracts of \$0.4 million and \$7.2 million, respectively, compared to an unrealized gain of \$4.3 million and \$4.6 million, respectively, in the same periods of 2019, due to the decrease in the crude oil benchmark forward prices over the contract periods.

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 and put spreads primarily to protect against downward oil price movements.

For the nine months ended September 30, 2020, the Company refreshed its hedging portfolio to be effective in the current oil price environment. In May 2020 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. A portion of the proceeds from the unwinding of these contracts was redeployed to provide additional downside Brent benchmark price protection. Frontera effectively hedged all of its expected production for the fourth quarter of 2020 and a significant portion of expected production for the first half of 2021. The Company also took advantage of lower oil prices by buying back Call options previously sold within 3-way structures, taking away the upside limit for 495,000 barrels for the first quarter 2021, improving the portfolio profile.

Type of Instrument	Term	Benchmark	Notional Amount / Volume (bbl)	Avg. Strike Prices	Carrying Amount (\$M)	
				Put / Call; Call Spreads \$	Assets	Liabilities
Put Spreads	October 2020 to June 2021	Brent	4,508,300	25.5/35.5	3,253	—
3-ways	October 2020 to June 2021	Brent	3,023,000	25.9/35.9/50.7	152	1,437
Total as at September 30, 2020					3,405	1,437

Risk Management Contracts Interest Rate - 2025 Puerto Bahia Debt

As a part of the acquisition of IVI, the Company consolidated a financial derivative to manage exposure to risks due to the fluctuation of the interest rate expressed in LIBOR, over the 2025 Puerto Bahia Debt. Refer to "Liquidity and Capital Resources" section on page 17 for further information. IVI monitors and manages its exposure through the swaps. As at September 30, 2020, the Company has a swap contract from October 2020 to December 2025:

Type of Instrument	Term	Benchmark	Notional Amount \$M	Avg. Strike Prices	Carrying Amount (\$M)	
				Floating rate	Assets	Liabilities
Swap	October 2020 to June 2025	LIBOR + 180	149,100	3.9%	—	15,046
Total as at September 30, 2020					—	15,046

Income Tax Expense

(\$M)	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Current income tax expense	(2,805)	(28,744)	(9,061)	(37,671)
Deferred income tax (expense) recovery	—	(1,155)	(167,979)	142,858
Total income tax (expense) recovery	(2,805)	(29,899)	(177,040)	105,187

The current income tax expense for the third quarter of 2020 was \$2.8 million, compared to \$28.7 million in the same quarter of 2019, mainly due to an additional expense recognized in 2019 resulting from a reassessment of previous period's income taxes in Colombia.

The deferred income tax for the third quarter of 2020 was \$Nil, compared to an expense of \$1.2 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 nine months ended September 30, 2020 was \$9.1 million, compared to \$37.7 million in the same period of 2019, due to an additional expense recognized in 2019 resulting from a reassessment of previous period's income taxes in Colombia. The deferred income tax expense for the nine months ended September 30, 2020 was \$168.0 million compared to a recovery of \$142.9 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 the third quarter of 2020. For further information refer to Note 8 of the Interim Financial Statements.

Net (Loss) Income

(\$M)	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Net (loss) income attributable to equity holders of the Company	(90,473)	(49,117)	(546,042)	224,879
Per share – basic (\$)	(0.93)	(0.50)	(5.64)	2.29
Per share – diluted (\$)	(0.93)	(0.50)	(5.64)	2.26

The Company reported a net loss of \$90.5 million for the third quarter of 2020 compared to net loss of \$49.1 million in the third quarter of 2019. The net loss was primarily caused by a loss of \$66.8 million resulting from the acquisition of IVI due to the reclassification of currency translation adjustment and a non-cash loss in the transaction, and operating loss of \$12.8 million. This compares to a net loss of \$49.1 million in the third quarter of 2019, which included a loss from operations of \$18.9 million, and income tax expense of \$28.7 million.

For the nine months ended September 30, 2020, the Company reported a net loss of \$546.0 million, which included a loss from operations of \$307.8 million (including a non-cash impairment charge of \$153.4 million), loss of \$66.8 million resulting from the acquisition of IVI due to the reclassification of currency translation adjustment and a non-cash loss in the transaction, and the derecognition of deferred tax assets of \$168.0 million. This compared to net income of \$224.9 million in the same period of 2019, which included a gain relating to the recognition of deferred income taxes of \$142.9 million.

Capital Expenditures

(\$M)	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Maintenance and development drilling	354	44,491	47,908	138,324
Exploration activities ⁽¹⁾	1,788	18,249	23,778	49,295
Facilities and infrastructure	—	7,416	10,243	23,307
Other	763	605	1,303	2,541
Total capital expenditures	2,905	70,761	83,232	213,467

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

For the three and nine months ended September 30, 2020, capital expenditures were \$2.9 million and \$83.2 million, lower by 96% and 61%, respectively, compared with the same periods of 2019 primarily due to lower development drilling activities and exploration activities in both periods. During the third quarter of 2020, the Company did not drill any development or exploration wells, compared with 30 development and one exploration wells drilled during the same period of 2019. For the nine months ended September 30, 2020, the Company drilled 21 development wells and one exploration well, compared to 98 development wells and six exploration wells in the same period of 2019.

Selected Quarterly Information

Operational and financial results		2020			2019				2018
		Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Oil production -Colombia	(bbl/d)	41,817	40,948	56,150	58,517	61,420	61,956	63,052	59,687
Oil production -Peru	(bbl/d)	—	—	5,385	10,164	6,510	9,975	2,271	8,974
Natural gas production -Colombia	(boe/d)	1,385	1,649	2,037	2,224	2,283	2,454	2,651	3,263
Production	(boe/d)	43,202	42,597	63,572	70,905	70,213	74,385	67,974	71,924
Oil and gas natural gas sales volumes	(boe/d)	40,445	35,963	64,331	65,809	54,378	66,105	59,968	50,298
Brent price	(\$/bbl)	43.34	33.39	50.82	62.42	62.03	68.47	63.83	68.60
Oil and gas sales	(\$/boe)	40.17	24.96	41.65	58.95	57.90	65.01	58.08	60.06
Realized (loss) gain on risk management contracts	(\$/boe)	(1.68)	12.19	2.65	(0.66)	(0.43)	(0.33)	(0.30)	(5.55)
Royalties	(\$/boe)	(0.23)	—	(1.18)	0.98	(2.41)	(2.40)	(1.74)	(2.94)
Diluent costs ⁽¹⁾	(\$/boe)	(1.95)	(2.53)	(1.45)	(1.09)	(1.85)	(2.17)	(1.71)	(2.22)
Net sales realized price	(\$/boe)	36.31	34.62	41.67	56.22	53.21	60.11	54.33	49.35
Production costs ⁽¹⁾	(\$/boe)	(8.97)	(9.03)	(12.48)	(13.76)	(11.60)	(11.17)	(11.40)	(12.76)
Transportation costs ^{(1) (2)}	(\$/boe)	(9.89)	(11.28)	(12.44)	(12.84)	(12.00)	(12.49)	(12.70)	(12.89)
Operating netback ^{(1) (2)}	(\$/boe)	17.45	14.31	16.75	29.62	29.61	36.45	30.23	23.70
Revenue	(\$M)	152,760	81,701	236,938	351,027	277,676	377,347	377,527	265,109
Net (loss) income	(\$M)	(90,473)	(67,760)	(387,809)	69,408	(49,117)	227,809	46,187	(116,631)
Per share – basic (\$)	(\$)	(0.93)	(0.70)	(4.04)	0.71	(0.50)	2.32	0.47	(1.17)
Per share – diluted (\$)	(\$)	(0.93)	(0.70)	(4.04)	0.70	(0.50)	2.29	0.47	(1.17)
General and administrative ⁽¹⁾	(\$M)	10,539	9,716	15,015	22,897	18,476	18,207	16,492	21,839
Operating EBITDA ^{(1) (2)}	(\$M)	52,113	37,608	46,982	137,052	124,586	179,665	144,855	109,471
Capital expenditures	(\$M)	2,905	15,651	64,676	132,452	70,761	73,487	69,219	156,400

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.

2. For the first and second quarter of 2020 the cost of the BIC Ancillary Agreements and CLC Ancillary Agreements cancelled and unpaid were reclassified as Cost Under Terminated Pipeline Contracts. Refer to "Commitments and Contractual Obligations" section on page 20 for further details.

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 past two quarters 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 and reduction in transportation cost in 2020 due to the cessation of payments under the BIC Ancillary Agreements and CLC Ancillary Agreements. Refer to "Commitments and Contractual Obligations" section on page 20 for further details.

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, reclassification of currency translation adjustment on the acquisition of IVI, 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 storage and other facilities relating to the distribution and exportation of crude oil products in Colombia and the Company's investments in pipelines. The midstream segment principally includes the following assets:

Project ⁽¹⁾	Description	Interest	Accounting Method
Puerto Bahia	Bulk liquid storage and import-export terminal	71.57% interest in IVI ⁽²⁾	Consolidation
ODL Pipeline	Crude oil pipeline, capacity of 300,000 bbl/day	35% equity investment through a 59.93% interest in PML	Equity Method ⁽³⁾
Bicentenario Pipeline ("BIC Pipeline")	Crude oil pipeline, capacity of 120,000 bbl/day	43.03% equity interest in Bicentenario	Equity Method ⁽³⁾

1. The Midstream section also includes the Company's interest in three other pipelines in Colombia: the Oleoducto Guaduas-La Dorada, Oleoducto del Alto Magdalena, and Oleoducto de Colombia pipelines. Results of operations from these pipelines are not significant to the Company's consolidated financial results.

2. On August 6, 2020, the Company increased its ownership of IVI from 39.22% to 71.57% and as result, began to consolidate IVI's financial results in its Interim Financial Statements. For further information refer to Note 3 of the Interim Financial Statements.

3. Equity method accounting 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.

Puerto Bahia

IVI is the parent company of Puerto Bahia which owns and operates a multifunctional port facility located in Cartagena, Colombia. Puerto Bahia consists of a hydrocarbon terminal and a dry cargo terminal adjacent to the Bocachica access channel of the Cartagena Bay, and is strategically located near the Cartagena Refinery.

For the nine months ended September 30, 2020, the Company recognized \$18.5 million as its share of losses from IVI which was \$3.8 million higher than the same period of 2019, mainly due to a higher unrealized foreign exchange loss on the revaluation of Puerto Bahia'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 a result of the acquisition, the Company now fully consolidates IVI results in its financial reports.

ODL Pipeline

The Company holds a 59.9% interest in PML, which has a 35% equity investment in ODL. ODL owns the Oleoducto de los Llanos pipeline, which connects the Rubiales, Quifa and Llanos-34 fields to the Monterrey Station or Cusiana Station in the Casanare Department.

For the nine months ended September 30, 2020, the Company recognized \$31.5 million as its share of income from ODL which was \$9.8 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 nine months ended September 30, 2020, the Company recognized gross dividends of \$42.0 million. As of September 30, 2020, the Company has accounts receivable of \$7.9 million dividends from ODL.

Bicentenario Pipeline

The Company holds a 43.0% interest in Bicentenario, which owns the BIC Pipeline that connects the Araguane Station in the Casanare Department to the Banadia Station in the Arauca Department. At the Banadia Station, the BIC Pipeline connects to the Caño Limon Coveñas pipeline ("CLC Pipeline"), which connects to the Coveñas terminal on Colombia's Caribbean coastline in the Sucre Department.

For the nine months ended September 30, 2020, the Company recognized \$16.7 million as its share of income from Bicentenario which was \$17.1 million lower than the same period of 2019 primarily due to the impact of foreign exchange fluctuations. For the nine months ended September 30, 2020, the Company recognized its share of dividends declared by Bicentenario totaling \$17.0 million. As at September 30, 2020, the carrying value of dividends receivable from Bicentenario on a discounted basis was \$49.7 million (\$54.8 million undiscounted).

Midstream Segment Results

The Company's Interim Financial Statements include the following amounts relating to midstream segment:

(\$M)	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Revenue	11,323	—	11,323	—
Operating Costs	(3,152)	—	(3,152)	—
General and administrative	(1,235)	—	(1,235)	—
Depletion, depreciation and amortization	(1,773)	—	(1,773)	—
Impairment	—	(36,627)	—	(36,627)
Segment income (loss) from operations	5,163	(36,627)	5,163	(36,627)
Share of Income from associates - ODL	9,190	12,845	31,484	41,325
Share of Income from associates - Bicentenario	5,527	15,091	16,662	33,796
Share of Income from associates - IVI	476	(10,753)	(18,023)	(14,687)
Segment income (loss)	20,356	(19,444)	35,286	23,807

Non-IFRS Measures

This MD&A contains the following terms that do not have standardized definitions in IFRS: “operating EBITDA,” “net sales,” “operating netback,” “consolidated total indebtedness” and “net debt.” 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 also reports “consolidated net tangible assets” and “consolidated adjusted EBITDA” in accordance with the terms of the Indenture (as defined on page 19). Refer to the “Liquidity and Capital Resources - Covenants” section on page 17.

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, costs under terminated pipeline 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 reconciliation of net (loss) income to operating EBITDA:

(\$M)	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Net (loss) income	(90,473)	(49,117)	(546,042)	224,879
Finance income	(2,019)	(5,580)	(12,864)	(17,082)
Finance expenses	12,655	19,732	39,643	48,054
Income tax expense (recovery)	2,805	29,899	177,040	(105,187)
Depletion, depreciation and amortization	60,960	94,019	207,230	286,257
Impairment	480	44,822	151,943	60,191
Costs under terminated pipeline contracts	8,391	—	19,621	—
Reclassification of currency translation adjustments	23,956	—	23,956	—
Share-based compensation	246	1,314	2,779	3,031
Restructuring, severance and other costs	1,047	5,463	13,757	8,951
Share of income from associates	(15,193)	(17,183)	(30,123)	(60,434)
Foreign exchange loss	12,450	3,735	35,582	1,452
Unrealized loss (gain) on risk management contracts	351	(4,338)	7,222	(4,611)
Other loss (income), net	38,626	1,359	44,285	(9,438)
Non-controlling interests	(2,169)	461	2,674	13,043
Operating EBITDA	52,113	124,586	136,703	449,106

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 production net of diluent, the cost of which is partially recovered when the blended product is sold. Net sales excludes sales from port services, as it is not considered part of the oil & gas segment, and 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 7.

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 and Midstream segment from its per barrel metrics. Refer to the reconciliation in the "Operating Netback" section on page 6.

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 September 30		Nine months ended September 30	
	2020	2019	2020	2019
Net sales (\$M)	135,123	266,217	492,393	921,086
Sales volumes (D&P) - (boe)	3,720,940	5,002,776	12,848,134	16,415,217
Net sales realized price (\$/boe)	36.31	53.21	38.32	56.11

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 September 30		Nine months ended September 30	
	2020	2019	2020	2019
Production costs (\$M)	35,646	74,939	142,840	220,295
Production (boe)	3,974,577	6,459,596	13,635,610	19,346,323
Production costs (\$/boe)	8.97	11.60	10.48	11.39

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 September 30		Nine months ended September 30	
	2020	2019	2020	2019
Transportation costs (\$M)	36,585	70,960	143,243	219,126
Net production (boe)	3,699,823	5,912,932	12,606,740	17,680,692
Transportation costs (\$/boe)	9.89	12.00	11.36	12.39

Consolidated Total Indebtedness and Net Debt

Consolidated total indebtedness and net debt are used by the Company to monitor its capital structure, financial leverage, and as a measure of overall financial strength. Consolidated total indebtedness is defined as long-term debt, plus liabilities for leases and net position of risk management contracts, excluding the Unrestricted Subsidiaries. This metric is consistent with the definition under the Company's Unsecured Notes (as defined on page 18) for the calculation of certain conditions and covenants. Net debt is defined as consolidated total indebtedness less cash and cash equivalents. Both measures are exclusive of non-recourse subsidiary debt (2025 Puerto Bahia Debt) and cash attributable to the Unrestricted Subsidiaries.

The following table reconciles both measures to amounts reported under IFRS:

(\$M)	As at September 30
	2020
Long-term debt	334,432
Total lease liabilities ⁽¹⁾	19,594
(-) Risk management assets, net ⁽²⁾	(1,968)
Consolidated Total Indebtedness excluding 2025 Puerto Bahia Debt	352,058
(-) Cash and Cash Equivalents ⁽³⁾	(239,004)
(=) Net Debt excluding 2025 Puerto Bahia Debt	113,054

1. Excludes \$0.1 million of lease liabilities attributable to the Unrestricted Subsidiaries.

2. Excludes \$15.0 million of risk management liabilities attributable to the Unrestricted Subsidiaries.

3. Excludes \$21.0 million of cash attributable to the Unrestricted Subsidiaries.

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 shareholders 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 September 30, 2020, the Company had a total cash balance of \$421.3 million (including \$161.3 million in restricted cash), which is \$34.5 million lower than December 31, 2019. For the nine months ended September 30, 2020, the Company generated \$184.7 million in operating cash flows which was used to fund investing cash outflows of \$152.5 million for capital expenditures and other investing activities (including \$3.0 million for the acquisition of IVI). Financing outflows for the nine months ended September 30, 2020 included \$24.2 million in lease payments, \$19.0 million of interest and other financing charges, \$20.5 million of dividends paid to equity holders, and \$10.1 million common shares repurchased. Additionally, the Company consolidated \$203.1 million of 2025 Puerto Bahia Debt as a result of the acquisition of IVI (classified as current liability), and reduced the working capital to a deficit of \$78.9 million compared with a surplus of \$71.4 million at year-end. For further information of the 2025 Puerto Bahia Debt refer to Note 14 of the Interim Financial Statements.

Restricted cash includes amounts that have been set aside and are not available for immediate disbursement. As at September 30, 2020, the main components of restricted cash were long-term abandonment funds as required by the ANH, cash collateral required in certain legal processes and restricted funds related to the 2025 Puerto Bahia Debt. 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 third 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 September 30, 2020, total restricted cash of \$161.3 million, increased by \$33.9 million from December 31, 2019 primarily due to the impact from foreign exchange and additional letters of credit issued as a guarantee for abandonment obligations for \$8.1 million and IVI consolidated restricted cash by \$25.8 million.

In response to the decline in global oil prices resulting from the sustained impacts of the COVID-19 pandemic and related supply-demand market imbalances, the Company previously announced that it had taken steps to manage its liquidity and balance sheet through 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. These measures have resulted a stabilized cash position for the Company, which is demonstrated by a cash position that is virtually unchanged quarter over quarter.

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 ongoing impacts 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.

Puerto Bahia Secured Syndicated Credit Loan

During the third quarter of 2020, the Company acquired control of IVI which holds 99.9% of Puerto Bahia (for further information refer to Note 14 of the Interim Financial Statements). In October 2013 Puerto Bahia entered into a credit agreement with a syndicate of lenders for a \$370 million debt facility, which matures in June 2025, for the construction and development of the port (the “**2025 Puerto Bahia Debt**”). The 2025 Puerto Bahia Debt bears interest at 6-month LIBOR plus 5% which is payable semi-annually and is secured by substantially all the assets of the port. As of September 30, 2020, the lenders have given notices stating that Puerto Bahia is in breach of various loan covenants but have not accelerated the loan. As a result, the total amount outstanding under the 2025 Puerto Bahia Debt is presented as a current liability in accordance with IAS 1. The 2025 Puerto Bahia Debt is non-recourse to the Company (other than as provided for by the ECA described below) and has no impacts on its financial covenants under the Unsecured Notes. As of September 30, 2020 the 2025 Puerto Bahia Debt outstanding amount is \$202.3 million.

As part of the agreements for the bank loan to fund the construction of Puerto Bahia, the Company entered into an equity contribution agreement (the “**ECA**”) signed on October 4, 2013. Under the ECA, the Company and IVI agreed jointly and severally to cause contributions (via debt or equity) to Puerto Bahia up to the aggregate amount of \$130.0 million whenever Puerto Bahia had a deficiency in the reserve account supporting its bank loan. Amounts disbursed under the ECA are designated to the repayment of principal and interest from that loan. Pursuant to the terms of the ECA, Frontera has from time to time made loans to Puerto Bahia (“**ECA Loans**”) that are subordinated to the Puerto Bahia bank loan facility and bear interest of 14%. The ECA Loans give Frontera a direct claim against Puerto Bahia that is in priority to IVI’s equity interest in Puerto Bahia, and thus indirectly in priority to the claims of the remaining minority shareholders of IVI. To date, the Company has advanced a total of \$65.9 million of ECA Loans under the ECA. There were no advances made during the nine months ended September 30, 2020.

As a result of the acquisition of IVI, pre-existing relationships between the Company and IVI were effectively settled and are considered as intercompany transactions that are eliminated in the consolidated financial statements.

Letters of Credit

The Company has various uncommitted bilateral letter of credit lines (the “**Uncommitted LCs**”). As of September 30, 2020, the Company had \$48.1 million of issued and outstanding Uncommitted LCs for exploratory commitments and abandonment funds in Colombia, Ecuador and Peru. The lenders under the Uncommitted LCs receive a fee equal to 3% per annum.

In addition to the Uncommitted LCs, as at September 30, 2020, the Company had 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 August 19, 2020, the Company’s credit rating was upgraded by Fitch which remedied this breach.

On October 9, 2020, the ANH approved a reduction of \$4.9 million, to the Rio Ariari abandonment fund, allowing a reduction to the outstanding letters of credit with BTG. As a result, the Company currently has \$3.9 million letters of credit outstanding with BTG.

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 (excluding the Unrestricted Subsidiaries) may, 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⁽³⁾. 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 September 30, 2020, the Company is in compliance with all such covenants⁽⁴⁾.

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.

a. Consolidated total indebtedness is defined under “Non-IFRS Measures” on page 15.

b. 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; after excluding the impact of the Unrestricted Subsidiaries.

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.

3. Consolidated net tangible assets is defined in the Indenture as the net amount of the Company’s total assets less intangible assets and current liabilities, after excluding the impact of the Unrestricted Subsidiaries.

4. As of September 30, 2020 and pursuant to requirements under the Indenture, the Company reports consolidated net tangible assets of \$1,103,745,152, consolidated total indebtedness of \$352,058,356, and consolidated adjusted EBITDA of \$277,865,480.

Commitments and Contractual Obligations

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

As at September 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	2,913	11,254	5,117	2,780	—	—	22,064
2025 Puerto Bahía Debt and interest ⁽¹⁾	25,117	49,715	47,513	50,252	47,794	13,618	234,009
Total financial obligations	45,005	94,919	86,580	420,007	47,794	13,618	707,923
Transportation and storage commitments							
Ocensa P-135 ship-or-pay agreement	\$ 18,164	\$ 70,064	\$ 70,064	\$ 70,064	\$ 70,064	\$ 35,153	\$ 333,573
ODL agreements	2,252	4,533	—	—	—	—	6,785
Other transportation agreements	1,590	2,566	3,314	2,482	938	624	11,514
Exploration commitments							
Minimum work commitments	58,940	124,801	116,933	41,749	—	—	342,423
Other commitments							
Operating purchases, leases and community obligations	11,965	19,603	8,239	7,909	7,041	8,205	62,962
Total Commitments	\$ 92,911	\$ 221,567	\$ 198,550	\$ 122,204	\$ 78,043	\$ 43,982	\$ 757,257

1. According to IAS 1 for presentation purpose the 2025 Puerto Bahia Debt was classified to short term. Payments shown in the table are in accordance to the payment schedule.

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 Araguaey 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 September 30, 2020, the amount of tariffs claimed by CENIT under the CLC Transportation Agreements would be \$124.5 million plus interest, and would be approximately \$70.3 million per annum, subject to tariff adjustments from time to time, until 2028. As of September 30, 2020, the aggregate amount of monthly service payments claimed by Bicentenario under the BIC Transportation Agreements would be \$156.9 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-Araguaey 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 September 30, 2020, the Company has rejected invoices for \$19.6 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.

The Company received notice that on December 3, 2019, Bicentenario commenced arbitration proceedings before the Bogota Arbitration Centre against various shareholders of Bicentenario including the Company, claiming that as a result of the loss of revenue resulting from the cessation of payments pursuant to various transportation contracts including the BIC Transportation Agreements, the shareholders are obliged to contribute additional funds to Bicentenario to cover debt service payments and other amounts. On October 22, 2020, Bicentenario withdrew their arbitration proceedings. Instead, they have given notice of a future filing of a counterclaim under the international arbitration initiated by the Company. Such counterclaim has not yet been filed.

Costs Under Terminated Pipeline Contracts

During the three and nine months ended September 30, 2020, the Company has recorded non-cash disputed charges of \$8.4 million and \$19.6 million, respectively, in relation to the BIC Ancillary Agreements and CLC Ancillary Agreements. Prior to the cessation of payments under these agreements, the Company had recorded these charges as transportation costs totalling \$8.1 million (\$1.37/boe) during the third quarter of 2019, and \$25.0 million (\$1.42/boe) for the nine months ended September 30, 2019.

Exploration commitments

The Company has minimum work commitments related to some exploration activities in Colombia, Peru, Ecuador, and Guyana. The Company has been reviewing its exploration commitments and alternatives with regulatory agencies, including the deferral or rephrasing of certain work 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 November 2, 2020:

	Number
Common shares	97,464,158
Deferred share units ("DSUs") ⁽¹⁾	595,359
Restricted share units ("RSUs") ⁽²⁾	2,878,680

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 nine months ended September 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 dividend reinvestment program ("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"), allowing the Company to 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 third quarter of 2020 the Company did not purchase Common Shares under the NCIB. During the twelve months term of the NCIB ending October 17, 2020 the Company purchased and cancelled a total of 2,941,128 Common Shares.

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

	Nine Months ended September 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 September 30, 2020 and December 31, 2019, and for the three and nine months ended September 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	7,864	6,291	6,785	—	—	—
	2019	—	4,181	30,125	—	—	—
Bicentenario	2020	7,776	—	—	87,278	54,841	—
	2019	9,677	—	36,539	87,278	45,732	—
IVI ⁽⁴⁾	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 20.

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

4. Balances shown reflect transactions before the Company acquired control of IVI on August 6, 2020, refer to Note 3 on the Interim Financial Statements.

(\$M)	Three Months ended September 30			Nine Months ended September 30		
		Purchases / Services	Interest Income ⁽¹⁾	Purchases / Services	Interest Income ⁽¹⁾	
ODL	2020	7,690	—	28,119	—	
	2019	12,366	—	38,050	—	
Bicentenario	2020	160	—	1,427	—	
	2019	1,441	—	5,116	—	
IVI ⁽²⁾	2020	3,415	1,533	22,479	10,558	
	2019	8,947	4,021	24,067	10,978	

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

2. Balances shown reflect transactions before the Company acquired control of IVI on August 6, 2020, refer to Note 3 on the Interim Financial Statements.

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 the 2019 Annual Consolidated Financial Statements, 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; volatility and disruption in regular business operations; operating restrictions and civil unrest in the communities in which the Company operates; voluntary production shutdowns to limit the spread of COVID-19; increased volatility in financial markets and foreign currency exchange rates; reduced labour capacity; and supply shortages. The extent and duration of the COVID-19 pandemic remains unknown and creates 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 resurgence of cases in certain areas, and the risk that resurgences may continue to occur remains high. Consequently, this may result in further declines and volatility in 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 risk 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 for drilling and completion activities, voluntarily shutting-in uneconomic production, rebasing costs in the field, reducing operating costs, transportation costs and G&A through cancellation of non-essential services, deferring tariff payments and reducing head-count.

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. There may also be effects that are not currently known, as the full impact of the COVID-19 pandemic is still uncertain. 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 September 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)					
Producing blocks in Colombia	Q3 2020	Q2 2020	Q3 2019	YTD 2020	YTD 2019
Heavy oil	20,443	20,781	30,758	23,513	29,165
Light and medium oil	18,387	17,119	25,726	19,315	27,820
Natural gas	1,385	1,649	2,283	1,689	2,461
Net production Colombia	40,215	39,549	58,767	44,517	59,446
Producing blocks in Peru					
Light and medium oil	—	—	5,504	1,493	5,318
Net production Peru	—	—	5,504	1,493	5,318
Total net production	40,215	39,549	64,271	46,010	64,764

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		