

# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

*For the three and nine months ended  
September 30, 2021 and 2020*



# Interim Condensed Consolidated Statements of Income (Loss)

		Three Months Ended September 30		Nine Months Ended September 30	
(Unaudited; in thousands of U.S.\$, except per share information)	Notes	2021	2020	2021	2020
Oil and gas sales and other revenue	4	\$ 194,521	\$ 153,621	\$ 611,690	\$ 479,160
Royalties		(11,848)	(861)	(19,598)	(7,761)
Revenue		182,673	152,760	592,092	471,399
Oil and gas operating costs	5	90,725	82,873	282,853	347,089
Costs under terminated pipeline contracts		—	8,391	—	19,621
General and administrative		12,656	10,539	39,990	35,270
Share-based compensation		962	246	5,421	2,779
Depletion, depreciation and amortization		33,480	60,960	106,571	207,230
Impairment, exploration expenses and other	6	3,922	1,469	(2,756)	153,409
Restructuring, severance and other costs		954	1,047	2,870	13,757
Income (loss) from operations		39,974	(12,765)	157,143	(307,756)
Share of income from associates	11	8,691	15,193	28,282	30,123
Foreign exchange loss		(5,846)	(12,450)	(24,382)	(35,582)
Finance income		817	2,019	5,332	12,864
Finance expense		(12,720)	(12,655)	(40,054)	(39,643)
(Loss) gain on risk management contracts	15	(2,502)	(6,597)	(39,744)	41,907
Other loss, net		(570)	(38,626)	(13,353)	(44,285)
Reclassification of currency translation adjustments	4	—	(23,956)	—	(23,956)
Debt extinguishment cost	12	—	—	(29,112)	—
Net income (loss) before income tax		27,844	(89,837)	44,112	(366,328)
Current income tax expense		(174)	(2,805)	(24,390)	(9,061)
Deferred income tax recovery (expense)		14,166	—	(12,767)	(167,979)
Income tax recovery (expense)	7	13,992	(2,805)	(37,157)	(177,040)
Net income (loss) for the period		\$ 41,836	\$ (92,642)	\$ 6,955	\$ (543,368)
Attributable to:					
Equity holders of the Company		38,531	(90,473)	(1,243)	(546,042)
Non-controlling interests		3,305	(2,169)	8,198	2,674
		\$ 41,836	\$ (92,642)	\$ 6,955	\$ (543,368)
Earnings (loss) per share attributable to equity holders of the Company					
Basic	8	\$ 0.40	\$ (0.93)	\$ (0.01)	\$ (5.64)
Diluted	8	\$ 0.39	\$ (0.93)	\$ (0.01)	\$ (5.64)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

# Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited; in thousands of U.S.\$)	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Net income (loss) for the period	\$ 41,836	\$ (92,642)	\$ 6,955	\$ (543,368)
<b>Other comprehensive (loss) income to be reclassified to net income (loss) in subsequent periods (nil tax effect)</b>				
Foreign currency translation	(3,042)	(3,701)	(21,428)	(33,776)
Reclassification of currency translation adjustments	—	23,956	—	23,956
Total comprehensive income (loss) for the period	\$ 38,794	\$ (72,387)	\$ (14,473)	\$ (553,188)
<b>Attributable to:</b>				
Equity holders of the Company	36,222	(70,190)	\$ (16,762)	\$ (551,498)
Non-controlling interests	2,572	(2,197)	2,289	(1,690)
	\$ 38,794	\$ (72,387)	\$ (14,473)	\$ (553,188)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

# Interim Condensed Consolidated Statements of Financial Position

As at (Unaudited; in thousands of U.S.\$)	Notes	September 30 2021	December 31 2020
<b>ASSETS</b>			
Current			
Cash and cash equivalents		\$ 318,791	\$ 232,288
Restricted cash	15	59,624	89,379
Accounts receivable	15	121,439	141,227
Inventories		77,413	56,801
Income taxes receivable		38,650	21,234
Prepaid expenses and deposits		12,986	12,550
Assets held for sale		59,249	66,190
Risk management assets	15	1,295	437
Total current assets		689,447	620,106
Non-current			
Properties, plant and equipment	9	850,227	936,946
Exploration and evaluation assets	10	182,253	95,757
Investments in associates	11	77,191	106,839
Deferred tax assets		179,576	191,043
Restricted cash	15	41,068	79,555
Other assets		25,767	33,666
Total assets		\$ 2,045,529	\$ 2,063,912
<b>LIABILITIES</b>			
Current			
Accounts payable and accrued liabilities	15	\$ 528,421	\$ 501,625
Borrowings		163,094	183,094
Risk management liabilities	15	7,191	12,503
Income taxes payable		12,064	6,227
Lease liabilities		4,507	14,381
Asset retirement obligations	13	13,882	14,009
Total current liabilities		729,159	731,839
Non-current			
Long-term debt	12	391,168	335,788
Other payables	15	—	3,343
Lease liabilities		4,404	4,981
Deferred tax liabilities		4,154	3,239
Risk management liabilities	15	5,064	7,656
Asset retirement obligations	13	180,187	212,234
Total liabilities		\$ 1,314,136	\$ 1,299,080
Commitments and contingencies	17		
<b>EQUITY</b>			
Share capital		\$ 4,700,503	\$ 4,711,620
Contributed surplus		124,513	124,978
Other reserves		(195,603)	(180,084)
Retained deficit		(3,953,904)	(3,952,661)
Equity attributable to equity holders of the Company		\$ 675,509	\$ 703,853
Non-controlling interests		55,884	60,979
Total equity		\$ 731,393	\$ 764,832
Total liabilities and equity		\$ 2,045,529	\$ 2,063,912

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

# Interim Condensed Consolidated Statements of Changes in Equity

(Unaudited; in thousands of U.S.\$)	Attributable to Equity Holders of the Company							Non-Controlling Interests	Total Equity
	Number of Common Shares	Share Capital	Contributed Surplus	Cumulative Translation Adjustment	Fair Value Investment	Retained Deficit	Total		
As at January 1, 2021	97,466,224	\$ 4,711,620	\$ 124,978	\$ (174,882)	\$ (5,202)	\$ (3,952,661)	\$ 703,853	\$ 60,979	\$ 764,832
Net (loss) income for the period	—	—	—	—	—	(1,243)	(1,243)	8,198	6,955
Other comprehensive loss	—	—	—	(15,519)	—	—	(15,519)	(5,909)	(21,428)
Total comprehensive (loss) income	—	—	—	(15,519)	—	(1,243)	(16,762)	2,289	(14,473)
Repurchase of common shares <sup>(1)</sup>	(2,866,100)	(15,344)	—	—	—	—	(15,344)	—	(15,344)
Share-based compensation <sup>(2)</sup>	1,073,255	4,227	(465)	—	—	—	3,762	711	4,473
Dividends paid to non-controlling interest	—	—	—	—	—	—	—	(8,095)	(8,095)
As at September 30, 2021	95,673,379	\$ 4,700,503	\$ 124,513	\$ (190,401)	\$ (5,202)	\$ (3,953,904)	\$ 675,509	\$ 55,884	\$ 731,393

(Unaudited; in thousands of U.S.\$)	Attributable to Equity Holders of the Company							Non-Controlling Interests	Total Equity
	Number of Common Shares	Share Capital	Contributed Surplus	Cumulative Translation Adjustment	Fair Value Investment	Retained Deficit	Total		
As at January 1, 2020	96,433,257	\$ 4,712,114	\$ 120,112	\$ (175,408)	\$ (5,202)	\$ (3,441,358)	\$ 1,210,258	\$ 59,776	\$ 1,270,034
Net (loss) income for the period	—	—	—	—	—	(546,042)	(546,042)	2,674	(543,368)
Other comprehensive loss	—	—	—	(5,456)	—	—	(5,456)	(4,364)	(9,820)
Total comprehensive loss	—	—	—	(5,456)	—	(546,042)	(551,498)	(1,690)	(553,188)
Share-based compensation	269,582	994	3,011	—	—	—	4,005	—	4,005
Dividends paid to non-controlling interest	—	—	—	—	—	—	—	(9,417)	(9,417)
Dividends declared to equity holders of the Company	2,153,633	8,581	—	—	—	(13,897)	(5,316)	—	(5,316)
Repurchase of common shares <sup>(1)</sup>	(1,392,314)	(10,075)	—	—	—	—	(10,075)	—	(10,075)
As at September 30, 2020	97,464,158	\$ 4,711,614	\$ 123,123	\$ (180,864)	\$ (5,202)	\$ (4,001,297)	\$ 647,374	\$ 48,669	\$ 696,043

<sup>(1)</sup> On March 15, 2021, the Toronto Stock Exchange approved the Company's notice to initiate a normal course issuer bid ("NCIB"), for its common shares. Pursuant to the NCIB, the Company may purchase for cancellation up to 5,197,612 of its Common Shares during the twelve-month period commencing March 17, 2021 and ending March 16, 2022. During the three and nine months ended September 30, 2021, the Company repurchased for cancellation \$6.1 million and \$15.3 million of common shares, respectively (2020: \$Nil and \$10.1 million), for an average repurchase cost of \$5.62/share and \$5.35/share, respectively (2020: \$Nil/share and \$7.24/share).

<sup>(2)</sup> On June 15, 2021, the Company settled 1,420,789 units of RSU and DSU. This includes issuance of 1,073,255 common shares, for an average price of \$3.94/share. The remaining 347,534 units were settled in cash.

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

# Interim Condensed Consolidated Statements of Cash Flows

		Three Months Ended September 30		Nine Months Ended September 30	
(Unaudited; in thousands of U.S.\$)	Notes	2021	2020	2021	2020
<b>OPERATING ACTIVITIES</b>					
Net income (loss) for the period		\$ 41,836	\$ (92,642)	\$ 6,955	\$ (543,368)
Items not affecting cash:					
Depletion, depreciation and amortization		33,480	60,960	106,571	207,230
Impairment	6	—	—	—	151,472
Expense (recovery) of asset retirement obligations	13	3,846	480	(3,003)	471
Unrealized (gain) loss on risk management contracts	15	(4,068)	351	(2,683)	7,222
Share-based compensation		962	246	3,913	2,779
Deferred income tax expense		(14,163)	—	12,770	167,979
Unrealized foreign exchange expense		5,523	19,856	26,291	41,090
Share of income from associates	11	(8,691)	(15,193)	(28,282)	(30,123)
Loss on acquisition of Infrastructure Ventures Inc.		—	42,829	—	42,829
Reclassification of currency translation adjustments		—	23,956	—	23,956
Finance expense		12,720	12,655	40,054	39,643
Dividends from associates	11	8,608	7,895	26,745	30,787
Settlement of asset retirement obligations	13	(2,110)	(985)	(3,829)	(3,549)
Debt extinguishment cost	12	—	—	29,112	—
Other		(2,250)	2,219	(1,479)	4,665
Changes in non-cash working capital	16	3,421	(26,698)	763	41,643
Cash provided by operating activities		\$ 79,114	\$ 35,929	\$ 213,898	\$ 184,726
<b>INVESTING ACTIVITIES</b>					
Additions to oil and gas properties and plant and equipment, net		\$ (37,259)	\$ (2,043)	\$ (82,926)	\$ (56,799)
Additions to exploration and evaluation assets, net		(60,968)	—	(87,485)	(20,297)
Acquisition Infrastructure Ventures Inc. ("IVI")		—	(2,810)	—	(2,810)
Return of capital contributions from investment in associates	11	1,928	—	3,954	—
Decrease (increase) in restricted cash and other		27,308	(1,893)	58,659	(28,317)
Changes in non-cash working capital	16	27,693	(9,015)	40,259	(44,275)
Cash used in investing activities		\$ (41,298)	\$ (15,761)	\$ (67,539)	\$ (152,498)
<b>FINANCING ACTIVITIES</b>					
Payment of borrowings		—	—	(20,000)	—
Lease payments		(2,271)	(8,389)	(10,587)	(24,218)
Repayment long-term debt at a premium	12	(66,443)	—	(366,942)	—
Gross proceeds from long-term debt issuance prior to transaction costs	12	—	—	397,360	—
Dividends paid		—	—	—	(20,510)
Transaction cost of new unsecured notes	12	(692)	—	(6,364)	—
Repurchase of common shares		(6,061)	—	(15,344)	(10,075)
Interest and other charge		(1,041)	(742)	(23,865)	(19,027)
Dividends paid to non-controlling interests		—	—	(8,095)	(9,417)
Changes in non-cash working capital		692	—	—	—
Cash used in financing activities		\$ (75,816)	\$ (9,131)	\$ (53,837)	\$ (83,247)
Effect of exchange rate changes		(1,534)	(7,192)	(6,019)	(17,434)
(Decrease) increase in cash and cash equivalents during the period		(39,534)	3,845	86,503	(68,453)
Cash and cash equivalents, beginning of the period		358,325	256,135	232,288	328,433
Cash and cash equivalents, end of the period		\$ 318,791	\$ 259,980	\$ 318,791	\$ 259,980
Cash		275,890	176,192	275,890	176,192
Cash equivalents		42,901	83,788	42,901	83,788
Total cash and cash equivalents		\$ 318,791	\$ 259,980	\$ 318,791	\$ 259,980
<b>Supplementary cash flow information</b>					
Cash income tax paid		\$ 1,678	\$ 516	\$ 3,277	\$ 2,474
Cash interest paid		\$ 631	\$ 30	\$ 23,783	\$ 17,669
Cash interest received		\$ 4,757	\$ 1,047	\$ 9,498	\$ 5,609

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

# Notes to the Interim Consolidated Financial Statements

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

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## 1. Corporate Information

Frontera Energy Corporation (the “**Company**”) is an oil and gas company formed and existing under the laws of British Columbia, Canada, that is engaged in the exploration, development and production of crude oil and natural gas in South America. The Company’s common shares are listed and publicly traded on the Toronto Stock Exchange (“**TSX**”) under the trading symbol “**FEC**”. The Company’s head office is located at Suite 2000, 350 7th Avenue SW, Calgary, Alberta, Canada, T2P 3N9, and its registered office is 1500 Royal Centre, 1055, West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

These interim condensed consolidated financial statements of the Company, comprising those of the Company and its subsidiaries, were approved and authorized for issuance by the Audit Committee of the Board of Directors on, November 2, 2021.

## 2. Basis of Preparation and Significant Accounting Policies

### a. Statement of Compliance

These interim condensed consolidated financial statements for the three and nine months ended September 30, 2021 and 2020 (the “**Interim Financial Statements**”), have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board (“**IASB**”). The Company has prepared the Interim Financial Statements on the basis that it will continue to operate as a going concern.

The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended December 31, 2020 (the “**2020 Annual Financial Statements**”).

### b. Significant Accounting Policies

The accounting policies used in preparation of the Interim Financial Statements are consistent with those disclosed in the 2020 Annual Financial Statements. The Company has not early adopted any standard, interpretation, or amendment that has been issued but is not yet effective.



## Notes to the Interim Consolidated Financial Statements

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

### 3. Segmented Information

Consistent with the basis on which management assesses performance and allocates resources across its business units, the Company has three reportable operating segments, Colombia, Peru and Midstream, as follows:

- Colombia: Includes all upstream business activities of exploration and production in Colombia.
- Peru: Includes all upstream business activities of exploration and production in Peru (the Company continues to sell oil inventory and complete remediation work in Block 192 as its petroleum license expired on February 5, 2021. In addition, the Block Z1 is also not currently in production).
- Midstream: Includes the Company's investments in pipelines, storage, port, and other facilities relating to the distribution and exportation of crude oil products in Colombia.

Canada & Other includes the corporate office, Guyana and Ecuador, and other non-operating entities that have been aggregated, as they do not generate revenue for the Company. Operating segmented information for the Interim Condensed Consolidated Statements of Income (Loss) is as follows:

Three Months Ended September 30	Exploration and Production											
	Colombia		Peru		Canada & Other		Midstream		Eliminations		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Oil and gas sales and other revenue	\$ 187,840	\$ 149,474	\$ —	\$ —	\$ —	\$ —	\$ 17,625	\$ 11,323	\$ (10,944)	\$ (7,176)	\$ 194,521	\$ 153,621
Royalties	(11,848)	(861)	—	—	—	—	—	—	—	—	(11,848)	(861)
Revenue	175,992	148,613	—	—	—	—	17,625	11,323	(10,944)	(7,176)	182,673	152,760
Oil and gas operating costs	87,568	80,702	4,633	3,553	—	—	5,426	3,152	(6,902)	(4,534)	90,725	82,873
Costs under terminated pipeline contracts	—	8,391	—	—	—	—	—	—	—	—	—	8,391
General and administrative	8,985	7,035	273	397	2,153	1,881	1,255	1,235	(10)	(9)	12,656	10,539
Share-based compensation	678	(286)	23	(80)	261	612	—	—	—	—	962	246
Depletion, depreciation and amortization	36,129	61,143	3	94	153	236	1,205	1,773	(4,010)	(2,286)	33,480	60,960
Impairment, exploration expenses and other	2,325	1,734	1,590	(265)	7	—	—	—	—	—	3,922	1,469
Restructuring, severance and other costs	137	1,064	134	(36)	105	19	578	—	—	—	954	1,047
Income (loss) from operations	40,170	(11,170)	(6,656)	(3,663)	(2,679)	(2,748)	9,161	5,163	(22)	(347)	39,974	(12,765)
Share of income from associates	—	—	—	—	—	—	8,691	15,193	—	—	8,691	15,193
Segment income (loss)	\$ 40,170	\$ (11,170)	\$ (6,656)	\$ (3,663)	\$ (2,679)	\$ (2,748)	\$ 17,852	\$ 20,356	\$ (22)	\$ (347)	\$ 48,665	\$ 2,428
Other non-operating expense items											(20,821)	(92,265)
Income tax (recovery) expense											13,992	(2,805)
Net income (loss) for the period											\$ 41,836	\$ (92,642)



# Notes to the Interim Consolidated Financial Statements

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

Nine Months Ended September 30	Exploration and Production										Total	
	Colombia		Peru		Canada & Other		Midstream		Eliminations			
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Oil and gas sales and other revenue	\$ 563,125	\$ 448,734	\$ 28,692	\$ 26,279	\$ —	\$ —	\$ 52,899	\$ 11,323	\$ (33,026)	\$ (7,176)	\$ 611,690	\$ 479,160
Royalties	(19,598)	(7,718)	—	(43)	—	—	—	—	—	—	(19,598)	(7,761)
Revenue	543,527	441,016	28,692	26,236	—	—	52,899	11,323	(33,026)	(7,176)	592,092	471,399
Oil and gas operating costs	261,267	295,507	27,745	52,964	—	—	14,741	3,152	(20,900)	(4,534)	282,853	347,089
Costs under terminated pipeline contracts	—	19,621	—	—	—	—	—	—	—	—	—	19,621
General and administrative	25,554	25,002	1,197	2,285	8,720	6,757	4,550	1,235	(31)	(9)	39,990	35,270
Share-based compensation	2,896	(1,426)	217	(275)	2,308	4,480	—	—	—	—	5,421	2,779
Depletion, depreciation and amortization	113,346	206,496	66	467	535	780	2,911	1,773	(10,287)	(2,286)	106,571	207,230
Impairment, exploration expenses and other	(4,027)	147,616	1,252	4,476	19	1,317	—	—	—	—	(2,756)	153,409
Restructuring, severance and other costs	592	11,262	166	1,485	1,534	1,010	578	—	—	—	2,870	13,757
Income (loss) from operations	143,899	(263,062)	(1,951)	(35,166)	(13,116)	(14,344)	30,119	5,163	(1,808)	(347)	157,143	(307,756)
Share of income from associates	—	—	—	—	—	—	28,282	30,123	—	—	28,282	30,123
Segment income (loss)	\$ 143,899	\$ (263,062)	\$ (1,951)	\$ (35,166)	\$ (13,116)	\$ (14,344)	\$ 58,401	\$ 35,286	\$ (1,808)	\$ (347)	\$ 185,425	\$ (277,633)
Other non-operating expense items											(141,313)	(88,695)
Income tax expense											(37,157)	(177,040)
Net income (loss) for the period											\$ 6,955	\$ (543,368)

# Notes to the Interim Consolidated Financial Statements

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

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

As at	September 30 2021	December 31 2020
Colombia	\$ 1,202,418	\$ 1,357,546
Guyana	150,077	82,950
Ecuador	3,173	2,403
Canada & Others	414	907
Total non-current assets	\$ 1,356,082	\$ 1,443,806

## 4. Revenue from Contracts with Customers

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Colombia				
Crude oil sales	\$ 186,010	\$ 146,702	\$ 557,607	\$ 438,911
Gas sales	1,830	2,772	5,518	9,823
Colombia oil and gas sales	187,840	149,474	563,125	448,734
Peru crude oil sales	—	—	28,692	26,279
Oil and gas sales	187,840	149,474	591,817	475,013
Midstream sales to external customers	6,681	4,147	19,873	4,147
Inter-segment sales	10,944	7,176	33,026	7,176
Midstream sales	17,625	11,323	52,899	11,323
Elimination of midstream inter-segment sales	(10,944)	(7,176)	(33,026)	(7,176)
Oil and gas sales and other revenue	\$ 194,521	\$ 153,621	\$ 611,690	\$ 479,160

## 5. Operating Costs

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Production costs <sup>(1)</sup>	\$ 38,317	\$ 33,999	\$ 113,115	\$ 137,765
Transportation costs <sup>(1)</sup>	31,072	37,880	102,804	147,157
Cost of purchases <sup>(2)</sup>	23,109	1,642	45,549	2,645
Diluent costs <sup>(1)</sup>	366	5,954	8,405	22,504
Post-termination obligation <sup>(3)</sup>	4,658	—	4,658	—
Overlift (settlement)	23	30	(2,638)	270
Inventory valuation	(12,247)	216	(3,782)	33,596
Total oil and gas operating costs	85,298	79,721	268,111	343,937
Port operating costs <sup>(4)</sup>	5,427	3,152	14,742	3,152
Total operating costs	\$ 90,725	\$ 82,873	\$ 282,853	\$ 347,089

<sup>(1)</sup> Prior period figures are different compared with those previously reported as a result of a reclassification from production cost to transportation cost and diluent cost.

<sup>(2)</sup> Cost of third-party volumes purchased for use and resale in the Company's oil operations, including its transportation and refining activities.

<sup>(3)</sup> On February 5, 2021, the service contract for the Block 192 expired and the block was returned to PeruPetro. As of December 31, 2020, in anticipation of the relinquishment of the block, the Company recorded a provision for certain termination obligations. Subsequent to February 5, 2021, the Company has recorded additional costs of \$4.7 million, mainly related to changes in the environmental commitments, abandonment costs and other post-operating activities.

<sup>(4)</sup> Includes amounts from the consolidation of Sociedad Portuaria Puerto Bahía S.A. ("Puerto Bahía") after the Company acquired control of IVI on August 6, 2020. For more details refers to Note 4 of the 2020 Annual Financial Statements.

# Notes to the Interim Consolidated Financial Statements

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

## 6. Impairment and Exploration Expenses and Other

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Impairment of:				
Properties, plant and equipment	\$ —	\$ —	\$ —	\$ 77,864
Intangible assets	—	—	—	54,881
Exploration and evaluation assets	—	—	—	17,839
Other	—	—	—	888
Total impairment	\$ —	\$ —	\$ —	\$ 151,472
Exploration expenses	76	989	247	1,466
Expense (recovery) of asset retirement obligations (Note 13)	3,846	480	(3,003)	471
Impairment, exploration expenses and other	\$ 3,922	\$ 1,469	\$ (2,756)	\$ 153,409

## 7. Income Taxes

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Net income (loss) before income tax	\$ 27,844	\$ (89,837)	\$ 44,112	\$ (366,328)
Colombian statutory income tax rate	31 %	32 %	31%	32%
Income tax expense (recovery) at statutory rate	8,632	(28,748)	13,675	(117,225)
Increase (decrease) in income tax provision resulting from:				
Non-deductible/taxable expense/income and other differences	144	36,971	41,377	48,462
Share-based compensation	275	(658)	1,524	(26)
Differences in tax rates	9	(3,732)	(8,933)	(13,149)
Minimum income tax <sup>(1)</sup>	—	675	—	2,161
Change in deferred income tax	(23,052)	(1,703)	(10,486)	256,817
Income tax (recovery) expense	(13,992)	2,805	37,157	177,040
Current income tax expense	174	2,805	24,390	9,061
Deferred income tax expense:				
Relating to origination and reversal of temporary differences	(14,166)	—	12,767	167,979
Income tax (recovery) expense	\$ (13,992)	\$ 2,805	\$ 37,157	\$ 177,040

<sup>(1)</sup> Presumptive income tax.

During the three and nine months ended September 30, 2021, the Company recognized a current income tax expense of \$0.2 million and \$24.4 million, respectively, (2020: \$2.8 million and \$9.1 million). The increase is mainly the result of a provision of \$20.9 million, related to changes in prior year tax assessments recognized during the second quarter of 2021. During the three months ended September 30, 2021, the Company recognized a deferred income tax recovery of \$14.2 million (2020: \$Nil) related to recognition of \$25.1 million of deferred tax assets offset by \$10.6 million due to deferred tax asset utilization. During the nine months ended September 30, 2021, the Company recognized a deferred income tax expense of \$12.8 million, the amount includes \$36.6 million of utilization offset by \$25.1 million due to the recognition of additional deferred tax assets. During the nine months ended September 30, 2020 the deferred income tax expense of \$168.0 million was due to the derecognition of deferred tax assets in Colombia driven by the reduction in global crude oil prices.

The recognition of the additional deferred tax assets reflects the impact of the increase in the income tax rate according to the new tax legislation as described below.

### Tax Legislation Changes

On September 14, 2021 the Colombian Government/Congress enacted a tax bill which includes an increase of the corporate income tax rate, from 30% to 35% for the year 2022 and onwards, and keeps the 50% of the municipal tax ("ICA", by its acronym in Spanish) as tax credit, but eliminates its increase up to 100% from 2022. Also, the new legislation is granting taxpayers options to settle tax disputes.

# Notes to the Interim Consolidated Financial Statements

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

## 8. Earnings (Loss) per Share

	Three Months Ended September 30		Nine Months Ended September 30	
(In thousands of U.S.\$, except share and per share amounts)	2021	2020	2021	2020
Net income (loss) attributable to equity holders of the Company	\$ 38,531	\$ (90,473)	\$ (1,243)	\$ (546,042)
Basic weighted average number of shares outstanding	96,740,255	97,335,227	97,131,625	96,771,486
Effect of dilution from dilutive instruments	2,899,875	—	—	—
Diluted weighted average number of shares outstanding	99,640,130	97,335,227	97,131,625	96,771,486
Earnings (loss) per share attributable to equity holders of the Company				
Basic	\$ 0.40	\$ (0.93)	\$ (0.01)	\$ (5.64)
Diluted	\$ 0.39	\$ (0.93)	\$ (0.01)	\$ (5.64)

## 9. Properties, Plant and Equipment

Cost	Oil & Gas properties	Infrastructure Port	Plant & Equipment	Total
As at January 1, 2021	\$ 7,854,000	\$ 261,835	\$ 120,648	\$ 8,236,483
Additions	77,271	1,309	4,846	83,426
Change in asset retirement obligations (Note 13)	(28,370)	—	—	(28,370)
Disposal of properties	(3,268)	(236)	(1,082)	(4,586)
Currency translation adjustment	(10,096)	(28,104)	(125)	(38,325)
As at September 30, 2021	\$ 7,889,537	\$ 234,804	\$ 124,287	\$ 8,248,628

Accumulated Depletion, Depreciation and Impairment	Oil & Gas properties	Port Infrastructure	Plant & Equipment	Amount
As at January 1, 2021	\$ 7,192,865	\$ 7,168	\$ 99,504	\$ 7,299,537
Charge for the period	108,510	3,497	2,262	114,269
Disposal of properties	(2,795)	—	(1,048)	(3,843)
Currency translation adjustment	(8,594)	(2,880)	(88)	(11,562)
As at September 30, 2021	\$ 7,289,986	\$ 7,785	\$ 100,630	\$ 7,398,401

Net Book Value	Oil & Gas properties	Port Infrastructure	Plant & Equipment	Amount
As at January 1, 2021	\$ 661,135	\$ 254,667	\$ 21,144	\$ 936,946
As at September 30, 2021	\$ 599,551	\$ 227,019	\$ 23,657	\$ 850,227

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

	Oil & Gas properties	Port Infrastructure	Plant & Equipment	Amount
Properties, plant and equipment - owned	593,455	227,019	19,670	840,144
Right-of-use ("ROU") assets - leased	6,096	—	3,987	10,083
As at September 30, 2021	\$ 599,551	\$ 227,019	\$ 23,657	\$ 850,227

Details ROU assets are as follows:

	Power generation	Plant & Equipment	Total
As at January 1, 2021	\$ 8,545	\$ 5,242	\$ 13,787
Additions	—	338	338
Charge for the period	(2,449)	(1,593)	(4,042)
As at September 30, 2021	\$ 6,096	\$ 3,987	\$ 10,083

# Notes to the Interim Consolidated Financial Statements

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

## 10. Exploration and Evaluation Assets

As at January 1, 2021	\$	95,757
Additions, net of income from long-term testing <sup>(1)</sup>		87,485
Change in asset retirement obligations		(312)
Disposals		(677)
As at September 30, 2021	\$	182,253

<sup>(1)</sup> Mainly, includes additions in Guyana related to Corentyne block by \$56.0 million and Demerara block by \$7.1 million, and additions in Colombia related to VIM 1 block by \$21.3 million.

## 11. Investments in Associates

		ODL
As at January 1, 2021	\$	106,839
Share of income from associates		28,282
Dividends		(41,605)
Return of capital contributions		(4,194)
Currency translation adjustment		(12,131)
As at September 30, 2021	\$	77,191
Company's interest as at September 30, 2021		35.00 %

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

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

During the three and nine months ended September 30, 2021, the Company recognized gross dividends of \$Nil and \$41.6 million, respectively (2020: \$17.5 million and \$42.0 million, respectively) and received cash dividends of \$8.6 million and \$26.7 million, respectively (2020: \$7.9 million and \$30.8 million respectively). As at September 30, 2021, the carrying value of dividends receivable after withholding taxes was \$8.7 million (2020: \$Nil).

In addition, during the three and nine months ended September 30, 2021, the Company recognized a return of capital of Nil and \$4.2 million, respectively (2020: \$Nil and \$Nil) and received in cash \$1.9 million and \$4.0 million, respectively (2020: \$Nil and \$Nil, respectively).

## 12. Long-term Debt

### Long-term Debt

On June 21, 2021, the Company completed the offering of \$400.0 million 7.875% senior unsecured notes due 2028 ("**2028 Unsecured Notes**"). The interest is payable semi-annually in arrears on June 21 and December 21 of each year, beginning on December 21, 2021.

Certain proceeds from this offering were used to repurchase, at a premium of \$17.0 million, the existing \$350.0 million 9.70% senior unsecured notes due 2023 ("**2023 Unsecured Notes**") pursuant to a tender offer and redemption notice under 2023 Unsecured Notes. The Company received consents and tenders to repurchase 82.24% of the 2023 Unsecured Notes. As a result \$286.6 million of the notes tendered prior to the early tender date were settled on June 21, 2021 and \$1.2 million and the notes tendered after the early tender date and prior to the expiration time were settled on July 6, 2021. On June 29, 2021, the remaining balance of \$62.2 million was redeemed and was settled and extinguished on July 7, 2021.

As a result, a loss of \$29.1 million was recognized during the nine months ended September 30, 2021, comprised of the premium, and \$12.1 million in transaction costs from the 2023 Unsecured Notes.

The 2028 Unsecured Notes were recognized net of an original issue discount of \$2.6 million, and directly attributable transaction costs of \$6.4 million, primarily related to underwriter fees, legal and other professional fees.

The 2028 Unsecured Notes rank equal in right of payment with all of the Company's existing and future senior unsecured debt and are guaranteed by the Company's principal subsidiaries.

# Notes to the Interim Consolidated Financial Statements

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

Under the terms of the 2028 Unsecured Notes, the Company may, among other things, incur indebtedness provided that the following ratios, as defined under the indenture, are in compliance:

- Consolidated net debt to consolidated adjusted EBITDA ratio is less than or equal to 3.25:1.0.
- Consolidated fixed charge is greater than or equal to 2.25:1.0.

As at September 30, 2021, the Company is in compliance with such covenants.

## 13. Asset Retirement Obligations

As at January 1, 2021	\$	226,243
Accretion expense		2,491
Additions		2,096
Changes during the period		(29,554)
Liabilities settled		(3,829)
Recovery of asset retirement obligation <sup>(1)</sup> (Note 6)		(3,003)
Currency translation adjustment		(375)
As at September 30, 2021	\$	194,069

<sup>(1)</sup> The recovery is due to the decrease of asset retirement obligations in certain blocks, which were fully impaired or relinquished.

As at	September 30 2021	December 31 2020
Current portion	\$ 13,882	\$ 14,009
Non-current portion	180,187	212,234
Total	\$ 194,069	\$ 226,243

Asset retirement obligations ("ARO") represents the present value of decommissioning and environmental liability costs relating to oil and gas properties and E&E assets. The total undiscounted ARO is \$256.6 million (2020: \$280.9 million) which is expected to be executed between 2021 and 2042, of which \$224.6 million (2020: \$245.0 million) will be incurred in Colombia and \$32.0 million (2020: \$35.9 million) in Peru.

During the nine months ended September 30, 2021, the Company recognized a decrease in the ARO from changes in estimates of \$29.6 million which includes a decrease of \$22.5 million relating to updating the risk-free and inflation rates, a reduction of \$19.3 million due to the impact of foreign exchange rates and an increase of \$12.2 million relating to updated cost estimates to abandon and reclaim wells and well sites, including environmental liabilities. A total of \$28.4 million relating to changes in estimates was recognized within Properties, Plant and Equipment (Note 9).

The risk-free and inflation rate used for discounting to present value are:

- A risk-free rate between 3.1% and 8.5% and an inflation rate between 3.1% and 4.1% for cash flows expected to be settled in Colombian Pesos ("COP") (2020: risk-free rate between 3.1% and 7.1% with inflation rate between 3.0% and 4.8%);
- A risk-free rate between 1.5% and 2.0% and an inflation rate between 1.9% and 2.6% for cash flows expected to be settled in U.S. dollars (2020: risk-free rate between 1.40% and 1.44% with inflation rate between 2.2% and 2.8%).

# Notes to the Interim Consolidated Financial Statements

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

## 14. Related-Party Transactions

The following tables provide the total balances outstanding (before impairments), commitments and transactional amounts with related parties as at September 30, 2021, and December 31, 2020, and for three and nine months ended September 30, 2021, and 2020:

		Accounts Receivable <sup>(1)</sup>	Accounts Payable	Cash Advance <sup>(1)</sup>
<b>September 30, 2021 and December 31, 2020</b>				
ODL	2021 \$	8,629	\$ 318	\$ —
	2020	465	7,821	—
Bicentenario	2021	66,561	—	87,278
	2020 \$	70,761	\$ —	\$ 87,278

  

		Three Months Ended September 30		Nine Months Ended September 30	
		Purchases / Services	Interest Income <sup>(2)</sup>	Purchases / Services	Interest Income <sup>(2)</sup>
ODL	2021 \$	5,140	\$ —	\$ 21,493	\$ —
	2020	7,690	—	28,119	—
Bicentenario	2021	—	—	—	—
	2020	160	—	1,427	—
IVI <sup>(2)</sup>	2021	—	—	—	—
	2020 \$	3,415	\$ 1,533	\$ 22,479	\$ 10,558

<sup>(1)</sup> Amounts presented based on contractual payment obligations undiscounted and prior to impairments.

<sup>(2)</sup> Transactions before the Company acquired control of IVI on August 6, 2020.

## 15. Financial Instruments and Risk Management

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

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

#### i) Credit Risk

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



## Notes to the Interim Consolidated Financial Statements

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

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

As at	September 30	December 31
	2021	2020
Trade receivables	\$ 25,210	\$ 44,317
Other receivables <sup>(1)</sup>	78,518	75,522
Receivables from joint arrangements	32,593	34,866
Withholding tax and others	16,971	19,043
Allowance for expected credit losses	(31,853)	(32,521)
Accounts receivable	\$ 121,439	\$ 141,227
Withholding tax and others - not considered for credit risk	(16,971)	(19,043)
Total financial assets carried at amortized cost	\$ 104,468	\$ 122,184

<sup>(1)</sup> Includes the carrying value of dividends receivable after withholding taxes of \$8.7 million and \$55.5 million from ODL and Bicentenario, respectively, (2020: \$Nil and \$62.0 million, respectively).

### ii) Liquidity Risk

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

The following tables summarizes the undiscounted cash outflows relating to contractual maturities of the Company's non-derivative financial liabilities as at September 30, 2021:

Financial Liability Due In	2021	2022	2023	2024	2025	Subsequent to 2026	Total
Accounts payable and accrued liabilities <sup>(1)</sup>	\$ 376,639	\$ 152,142	\$ —	\$ —	\$ —	\$ —	\$ 528,781
Long-term debt	—	—	—	—	—	400,000	400,000
Interest on Long-term debt	15,750	31,500	31,500	31,500	31,500	78,750	220,500
Borrowings - 2025 Puerto Bahia Debt <sup>(2)</sup>	163,094	—	—	—	—	—	163,094
Interest on Borrowings - 2025 Puerto Bahia Debt	4,645	—	—	—	—	—	4,645
Lease liabilities	1,149	5,545	3,028	93	57	—	9,872
Total	\$ 561,277	\$ 189,187	\$ 34,528	\$ 31,593	\$ 31,557	\$ 478,750	\$ 1,326,892

<sup>(1)</sup> Includes a provision of \$144.2 million relating to the Conciliation Agreement which will not be settled in cash (refer to Note 17) and other provisions for contingencies totaling \$148.1 million which do not have a definitive repayment period and are therefore classified as current liabilities. These contingencies totaling \$148.1 million are not expected to be settled within the next 12 months.

<sup>(2)</sup> Puerto Bahia entered into a credit agreement with a syndicate of lenders in October 2013 for a \$370.0 million debt facility, which matures in June 2025, for the construction and development of a multipurpose port in the Cartagena Bay ("2025 Puerto Bahia Debt"). The 2025 Puerto Bahia Debt is presented as a current liability as the lenders have given notices stating that Puerto Bahia is in breach of various loan covenants. However, the maturity of this loan is not expected to be within the next 12 months as the Company continues to service the loan in accordance with the repayment schedule and no amounts have been accelerated. Amounts currently due within the next 12 months total \$40.0 million.

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

As at	September 30	December 31
	2021	2020
Trade and other payables	\$ 135,245	\$ 117,534
Accrued liabilities	65,923	56,873
Supplier holdbacks and advances	28,392	37,720
Provisions and withholding tax	6,876	5,430
	236,436	217,557
Provision for contingencies and others	292,345	288,068
Total undiscounted payable and accrual liabilities	528,781	505,625
Discount amount at present value	(360)	(657)
Total payable and accrual liabilities	\$ 528,421	\$ 504,968

The Company has various guarantees in place in the normal course of business, supported by issued letters of credit (Note 17). As at September 30, 2021, the Company had issued letters of credit for a total of \$83.2 million (2020: \$56.9 million).

# Notes to the Interim Consolidated Financial Statements

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

## Restricted Cash

As at September 30, 2021, the Company has total restricted cash of \$100.7 million (2020: \$168.9 million) in trust accounts primarily to cover future abandonment obligations, exploration commitments, insurance collateral for certain contingencies and other matters. The decrease from December 31, 2020, was primarily due as a reduction of the restricted cash used as collateral of the letter of credits.

## iii) Market and Interest Risk

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

## Risk Management Contracts

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

### Risk Management Contracts - Crude Oil

Type of Instrument	Term	Benchmark	Notional Amount / Volume (bbl)	Avg Strike Prices	Carrying Amount	
				Put / Call; Call Spreads \$/bbl	Assets	Liabilities
3-ways	October to December 2021	Brent	180,000	37.0/47.0/62.9	\$ —	\$ 2,725
Put Spread	October to December 2021	Brent	1,254,000	40/50	56	—
Put	October to February 2022	Brent	1,539,000	60.00	1,239	—
Total as at September 30, 2021					\$ 1,295	\$ 2,725
Total as at December 31, 2020					\$ 437	\$ 7,608

### Risk Management Contracts - Foreign Exchange

Type of Instrument	Term	Benchmark	Notional Amount / Volume in USD	Avg Put / Call; Par forward (COP\$)	Carrying Amount Assets	Liabilities
Zero-cost collars	October to December 2021	COP / USD	\$ 60,000	3,500 / 4,120	\$ —	\$ 123
Total as at September 30, 2021					\$ —	\$ 123

As at December 31, 2020, the Company did not have foreign exchange hedging instruments.

### Risk Management Contracts - Interest swaps

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

As at September 30, 2021, the Company has a swap contract from July 2021 to June 2025:

Type of Instrument	Term	Benchmark	Notional Amount	Avg. Strike Prices	Carrying Amount	
				Floating rate	Assets	Liabilities
Swap	October 2021 to June 2025	LIBOR + 180	\$ 121,100	3.9 %	\$ —	\$ 9,407
Total as at September 30, 2021					\$ —	\$ 9,407
Total as at December 31, 2020					\$ —	\$ 12,551

  

	Assets	Liabilities
Current portion	\$ 1,295	\$ 7,191
Non-current portion	\$ —	\$ 5,064
Total Risk Management Contracts as at September 30, 2021	\$ 1,295	\$ 12,255
Total Risk Management Contracts as at December 31, 2020	\$ 437	\$ 20,159

## Notes to the Interim Consolidated Financial Statements

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

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Realized (loss) gain on risk management contracts	\$ (6,570)	\$ (6,246)	\$ (42,427)	\$ 21,833
Realized gain on unwinding risk management contracts <sup>(1)</sup>	—	—	—	27,296
Unrealized gain (loss) on risk management contracts	4,068	(351)	2,683	(7,222)
Total	\$ (2,502)	\$ (6,597)	\$ (39,744)	\$ 41,907

<sup>(1)</sup> During the second quarter of 2020, the Company recognized a gain of \$Nil (2020: \$27.3 million) as result of the early termination of Brent crude oil risk management contracts which were fully in-the-money.

### b. Fair Value of Financial Instruments

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

The following table summarizes the Company's remaining financial instruments that are carried or disclosed at fair value in accordance with the classification under the fair value hierarchy as at September 30, 2021 and December 31, 2020:

			Fair Value			
	Year	Carrying Value	Level 1	Level 2	Level 3	
Financial Assets Measured at Fair Value through Profit & Loss						
Risk management assets	2021	\$ 1,295	\$ —	\$ 1,295	\$ —	
	2020	437	—	437	—	
Financial Assets Measured at Fair Value through Other Comprehensive Income						
Investments in equity instruments	2021	\$ 970	\$ —	\$ —	\$ 970	
	2020	1,278	—	—	1,278	
Financial Liabilities Measured at Fair Value through Profit & Loss						
Risk management liabilities	2021	\$ (12,255)	\$ —	\$ (12,255)	\$ —	
	2020	(20,159)	—	(20,159)	—	
Financial Liabilities Measured at Amortized Cost						
Long-term debt <sup>(1)</sup>	2021	\$ (391,168)	\$ —	\$ (389,392)	\$ —	
	2020	(335,788)	—	(332,808)	—	
Financial Liabilities Measured at Amortized Cost						
Borrowings	2021	\$ (163,094)	\$ —	\$ (163,094)	\$ —	
	2020	(183,094)	—	(183,094)	—	

<sup>(1)</sup> The information included as of September 30, 2021 corresponds to the 2028 Unsecured Notes, and as of December 31, 2020 corresponds to the 2023 Unsecured Notes (Note 12).

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

### c. Capital Management

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

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

# Notes to the Interim Consolidated Financial Statements

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

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

As at	September 30	December 31
	2021	2020
Equity attributable to equity holders of the Company	\$ 675,509	\$ 703,853
Long-term debt	391,168	335,788
Working capital deficit <sup>(1)</sup>	39,712	111,733
Total	\$ 1,106,389	\$ 1,151,374

<sup>(1)</sup> Working capital deficit represents the net of total current assets after deducting total current liabilities, including the borrowings.

## 16. Supplemental Disclosure on Cash Flows

Changes in non-cash working capital are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Increase (decrease) in accounts payable and accrued liabilities	\$ 18,873	\$ (49,667)	\$ 28,041	\$ (145,920)
Decrease in accounts receivable	36,482	20,791	39,691	89,996
(Decrease) increase in income taxes payable	(1,983)	(888)	5,747	(4,384)
(Increase) decrease in inventories	(15,616)	1,100	(12,079)	33,573
Increase in prepaid expenses and deposits	(885)	(3,116)	(436)	(1,112)
(Increase) decrease in income taxes receivable	(5,065)	(3,933)	(19,942)	25,215
Changes in non-cash working capital	\$ 31,806	\$ (35,713)	\$ 41,022	\$ (2,632)
Attributable to				
Operating activities	\$ 3,421	\$ (26,698)	\$ 763	\$ 41,643
Investing activities	27,693	(9,015)	40,259	(44,275)
Financing activities	692	—	—	—
Changes in non-cash working capital	\$ 31,806	\$ (35,713)	\$ 41,022	\$ (2,632)

## 17. Commitments and Contingencies

### Commitments

The Company's commitments as at September 30, 2021, undiscounted and by calendar year, are presented below:

As at September 30, 2021	2021	2022	2023	2024	2025	Subsequent to 2026	Total
<b>Transportation and storage commitments</b>							
Ocensa P-135 ship-or-pay agreement	\$ 17,462	\$ 69,850	\$ 69,850	\$ 69,850	\$ 35,030	\$ —	\$ 262,042
Other transportation agreements	1,674	306	—	—	—	—	1,980
<b>Exploration and Evaluation commitments</b>							
Minimum work commitments <sup>(1) (2)</sup>	22,730	90,024	87,608	30,779	—	—	231,141
<b>Other commitments</b>							
Operating purchases, leases and community obligations	4,038	16,086	9,068	8,107	7,603	1,416	46,318
Total	\$ 45,904	\$ 176,266	\$ 166,526	\$ 108,736	\$ 42,633	\$ 1,416	\$ 541,481

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

<sup>(2)</sup> Includes minimum work commitments relating to COR-15 and Muisca blocks by \$17.2 million to be removed subsequent to September 30, 2021. Please refer to Note 18.

# Notes to the Interim Consolidated Financial Statements

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

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### Guyana Exploration

As of September 30, 2021, the Company, through its 73.85% interest in CGX, has exploration work commitments under its Petroleum Prospecting Licenses ("PPL") for certain Guyana blocks, as follows:

- In accordance with the Corentyne PPL, which is currently in phase one of the second renewal period, one exploration well must be drilled by November 26, 2021.
- In accordance with the Demerara PPL, which is currently in phase one of the second renewal period, one exploration well must be drilled by February 11, 2022.
- In accordance with the Berbice PPL, which is currently in phase one of the second renewal period until August 11, 2022, the Company shall complete a seismic program, including all associated processing and interpretations so as to inform and lead to the drilling of at least one exploration well by June 15, 2022.

The Company, through its interest in CGX, has entered into agreements for activities to complete its requirements under the Corentyne and Demerara contracts, and for the port. As at September 30, 2021, aggregate minimum future obligation still outstanding under these agreements is \$35.9 million expected to be paid in 2021. These activities include an agreement with a third party to complete drilling activities in 2021 on the Corentyne block. Under the drilling agreement, the Company has provided a deed of guarantee in the event of non-performance by CGX for certain obligations up to a maximum of \$25.0 million.

### Letters of Credit

The Company has various uncommitted bilateral letter of credit lines (the "**Uncommitted LCs**"). As of September 30, 2021, the Company had \$49.4 million (2020: \$52.9 million) of issued and outstanding Uncommitted LCs for exploratory commitments and abandonment funds in Colombia and Ecuador. The lenders under the Uncommitted LCs receive an average fee equal to 3.4% per annum.

In addition to the Uncommitted LCs, as at September 30, 2021, the Company has outstanding letters of credit of \$33.8 million (2020:\$4.0 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.

### Ocensa P-135 Ship-or-Pay Agreement

On April 29, 2020, Ocensa and the Company entered into a pledge agreement pursuant to which the Company guaranteed payment to Ocensa through a pledge of the crude oil transported in the Ocensa Pipeline. The term of the pledge agreement has been amended and extended until March 31, 2022. During the term of the pledge agreement, Ocensa has agreed not to exercise its early termination and prepayment rights. The pledge agreement will automatically terminate if the Company subsequently meets certain credit conditions set forth in the ship-or-pay agreement.

### 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 below, no material changes have occurred regarding the matters disclosed in Note 28 - Commitments and Contingencies of the 2020 Annual Financial Statements.

### Termination of Transportation Agreement

On July 12, 2018, the Company exercised contractual rights to terminate (a) three transportation contracts (the "**BIC Transportation Agreements**") with Oleoducto Bicentenario de Colombia S.A.S. ("**Bicentenario**") to ship oil through the BIC Pipeline which operates between Araguaney 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 Transporte y Logística de Hidrocarburos S.A.S. ("**Cenit**") to ship oil through the CLC Pipeline because service had not been provided for more than 180 consecutive calendar days.

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**") disputing the validity of the terminations (the "**Bicentenario Arbitration**" and "**CLC Arbitration**", respectively).

## Notes to the Interim Consolidated Financial Statements

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

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The Company believes that it was fully entitled to terminate both the BIC Transportation Agreements and the CLC Transportation Agreement and filed counterclaims against Bicentenario and Cenit.

The Company and certain of its affiliates also commenced a separate arbitration proceeding against Bicentenario and Cenit on December 3, 2019, before the Bogota Arbitration Centre as an international arbitration (the “**International Arbitration**”). For further information on these claims, see Note 28 of the 2020 Annual Consolidated Financial Statements.

### Arbitration Updates

On February 17, 2021, Bicentenario filed its counterclaim under the International Arbitration initiated by the Company claiming an amount of \$517.7 million, as a result of the loss of revenue resulting from the cessation of payments pursuant to various transportation contracts including the BIC Transportation Agreements, and that the shareholders of Bicentenario are obliged to contribute additional funds to Bicentenario to cover debt service payments and other amounts.

The Bicentenario Arbitration and CLC Arbitration have completed the initial pleadings stage. The International Arbitration continues to progress with the pleading phase at this time. At the request of the parties all arbitration panels had been suspended until September 30, 2021. In the case of the International Arbitration, the mentioned suspension will take place once the pleading phase ends.

As of September 30, 2021, the amount of tariffs claimed by Cenit under the CLC Transportation Agreements would be approximately \$131.7 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, 2021, the aggregate amount of monthly service payments claimed by Bicentenario under the BIC Transportation Agreements would be \$169.3 million (net of credits note and stand by letter of credit) plus interest, and would be approximately \$130.6 million per annum, subject to tariff adjustments from time to time, until 2024. As of September 30, 2021, the Company has rejected invoices for \$22.4 million relating to the BIC Ancillary Agreements and CLC Ancillary Agreements.

### Conciliation Agreement

On November 16, 2020, the Company, Cenit and Bicentenario reached an agreement (the “**Conciliation Agreement**”) for the joint filing of a petition for approval of a binding settlement which, upon completion and approval by Administrative Tribunal of Cundinamarca (the “**Court**”), will resolve all the disputes between the parties related to the BIC Pipeline and the CLC Pipeline, and will terminate all the pending arbitration proceedings related to such disputes, including the Bicentenario Arbitration, CLC Arbitration and International Arbitration. For further information refer to Note 28 of the 2020 Annual Consolidated Financial Statements.

On March 24, 2021, the Company announced that the Office of the Procuraduría General de la Nación had delivered its opinion on the Conciliation Agreement. The opinion was favorable, recommending that the conciliation be approved.

On November 1, 2021, the Company announced that the official webpage of the Colombian judicial branch reported that the Administrative Tribunal of Cundinamarca has approved the Conciliation Agreement between Frontera, Cenit and Bicentenario. Formalities are required in order for the mentioned decision to be in full force and effect. Consequently, the Parties agreed to extend the deadline of the Conciliation Agreement until November 30, 2021, to allow for formalities to be completed. The terms of the Conciliation Agreement remain the same as previously disclosed.

### Quifa Late Delivery Volumes Claim

On September 20, 2016, Ecopetrol filed a lawsuit against the Company before the Administrative Tribunal of Cundinamarca (the “Court”) alleging that the Company breached the Quifa association agreement due to the alleged late delivery of the volume of crude oil produced during the period between April 3, 2011 and April 14, 2013. Consequently, Ecopetrol requested payment of \$8.5 million representing the difference between the value of the barrels of crude oil allegedly not delivered on time, and the value of that barrels of crude oil had on that delivery date. In addition, Ecopetrol requested the Company to pay a Libor (6 months) +3.25% from the time the delivery was due until the time of the payment.

In March 2021, the Company received notification that the Court had decided in favour of Ecopetrol and awarded \$8.5 million adjusted by the Consumer Price Index. The Company has filed an appeal against the first instance ruling on March 16, 2021. During the first quarter of 2021, the Company recorded a provision of \$9.3 million included within Other Loss.



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

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## ANH Discussion

Since May 8, 2020, the Company has been discussing with the ANH the termination of certain exploratory contracts due to environmental, social and security restrictions in the contracted areas, not allowing the Company to execute exploratory commitments for \$26.2 million. On June 4, 2021, the Company filed a request to transfer the outstanding commitments, however, on July 30, 2021, the ANH rejected the Company's proposal and demanded payment for unfulfilled commitments. Currently, the Company is assessing the next actions against the ANH's decision. The Company has a total of \$13.1 million of letters of credit as guarantee for the contracts in favor of the ANH. As of September 30, 2021, the Company has not recognized any provision for this ANH Discussion since it considers that the probability of an unfavorable result is less than probable.

## 18. Subsequent Events

### Sale of Maurel et Prom Colombia B.V.'s interest ("M&P")

On October 22, 2021, the Company signed and closed a Sale and Settlement Agreement, transferring to Etablissement Maurel & Prom ("EMP") 49.999% of all issued and outstanding shares of the M&P entity that holds 100% interests in the COR-15 and Muisca exploration licenses. As a result, the Company committed to fund \$1.6 million in Muisca cash calls. In addition, the Company will provide M&P up to \$6.0 million to be disbursed in 2022 in relation to outstanding commitments at COR-15, subject to certain conditions. Following the transaction, EMP and the Company settled all mutual obligations, removing an estimated \$17.2 million in the Company minimum work commitments subsequent to September 30, 2021 and providing certain indemnities to M&P.

### Acquisition of Common Shares of CGX

On November 1, 2021 the Company announced the acquisition of 45,083,314 Common Shares of majority-owned subsidiary CGX at a price of C\$1.63 (equivalent of approximately \$59.4 million), in connection with the Rights Offering previously announced by CGX on September 24, 2021. As a result the Company increased its participation in CGX from 73.85% to 76.98%, on a non-diluted basis. Additional, the Company also received 5-year warrants to purchase up to 1,173,774 Common Shares at an exercise price equal to US\$1.51 per Common Share.