

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



(UNAUDITED)
For the three months ended
March 31, 2023 and 2022



Interim Condensed Consolidated Statements of (Loss) Income

	Notes	Three Months Ended March 31	
		2023	2022*
<i>(Unaudited; in thousands of U.S.\$, except per share information)</i>			
Oil and gas sales and other revenue	4	\$ 259,579	\$ 273,871
Royalties		(9,213)	(19,244)
Revenue		250,366	254,627
Operating costs	5	83,000	68,625
Costs of purchases	5	59,031	35,422
General and administrative	6	12,669	14,656
Share-based compensation		(160)	5,088
Depletion, depreciation and amortization	10	66,713	38,784
Impairment, exploration expenses and other	7	30,283	(3,957)
Restructuring, severance and other costs		1,572	331
(Loss) income from operations		(2,742)	95,678
Share of income from associates	12	13,572	9,094
Foreign exchange (loss) income		(11,760)	3,642
Finance income		4,301	607
Finance expense		(15,221)	(12,235)
Income (loss) on risk management contracts	16	1,650	(1,538)
Other income (loss)		6,305	(6,019)
Net (loss) income before income tax		(3,895)	89,229
Current income tax expense		(1,007)	(1,553)
Deferred income tax (expense) recovery		(6,513)	14,304
Income tax (expense) recovery	8	(7,520)	12,751
Net (loss) income for the period		\$ (11,415)	\$ 101,980
Attributable to:			
Equity holders of the Company		(11,330)	102,228
Non-controlling interests		(85)	(248)
		\$ (11,415)	\$ 101,980
(Loss) earnings per share attributable to equity holders of the Company			
Basic	9	\$ (0.13)	\$ 1.08
Diluted	9	\$ (0.13)	\$ 1.05

*As a result of a review of the financials statements, certain amounts have been changes in presentation. These changes will result in more usefully information to the users of the financial statements.

Interim Condensed Consolidated Statements of Comprehensive Income

<i>(Unaudited; in thousands of U.S.\$)</i>	Three Months Ended March 31	
	2023	2022
Net (loss) income for the period	\$ (11,415)	\$ 101,980
Other comprehensive income may be reclassified to net (loss) income in subsequent periods (nil tax effect)		
Foreign currency translation	15,454	16,482
Total comprehensive income for the period	\$ 4,039	\$ 118,462
Attributable to:		
Equity holders of the Company	\$ 4,124	\$ 114,170
Non-controlling interests	(85)	4,292
	\$ 4,039	\$ 118,462

Interim Condensed Consolidated Statements of Financial Position

As at (Unaudited; in thousands of U.S.\$)	Notes	March 31 2023	December 31 2022
ASSETS			
Current			
Cash and cash equivalents		\$ 162,272	\$ 289,845
Restricted cash		11,589	2,505
Trade receivables	16	65,815	21,434
Other receivables	16	109,248	66,514
Inventories		91,545	75,109
Income taxes receivable		63,575	30,551
Prepaid expenses and deposits		20,369	21,184
Risk management assets	16	4,887	2,308
Total current assets		529,300	509,450
Non-current			
Properties, plant and equipment	10	1,745,258	1,760,780
Exploration and evaluation assets	11	394,608	320,580
Investments in associates	12	34,086	59,974
Deferred tax assets	8	58,221	64,290
Restricted cash		19,288	20,697
Other assets		7,953	2,684
Total non-current assets		2,259,414	2,229,005
Total assets		\$ 2,788,714	\$ 2,738,455
LIABILITIES			
Current			
Accounts payable and accrued liabilities	16	\$ 477,180	\$ 466,580
Current portion of long-term debt	13	15,486	115,922
Risk management liabilities	16	—	1,045
Income taxes payable		2,894	7,146
Lease liabilities		2,019	2,550
Asset retirement obligations	14	16,737	25,814
Total current liabilities		514,316	619,057
Non-current			
Long-term debt	13	501,513	392,535
Other payables	16	4,087	3,524
Lease liabilities		453	545
Deferred tax liabilities	8	5,057	4,610
Asset retirement obligations	14	173,788	128,980
Total non-current liabilities		684,898	530,194
Total liabilities		\$ 1,199,214	\$ 1,149,251
Commitments and contingencies	18		
EQUITY			
Share capital		\$ 4,604,602	\$ 4,608,234
Contributed surplus		108,623	109,918
Other reserves		(85,438)	(100,892)
Accumulated deficit		(3,049,243)	(3,037,913)
Equity attributable to equity holders of the Company		\$ 1,578,544	\$ 1,579,347
Non-controlling interests		10,956	9,857
Total equity		\$ 1,589,500	\$ 1,589,204
Total liabilities and equity		\$ 2,788,714	\$ 2,738,455

Interim Condensed Consolidated Statements of Changes in Equity

(Unaudited; in thousands of U.S.\$)	Attributable to Equity Holders of the Company							Total	Non-Controlling Interests	Total Equity
	Number of Common Shares	Share Capital	Contributed Surplus	Cumulative Translation Adjustment	Fair Value Investment	Accumulated Deficit				
As at January 1, 2023	85,592,075	\$ 4,608,234	\$ 109,918	\$ (95,690)	\$ (5,202)	\$ (3,037,913)	\$ 1,579,347	\$ 9,857	\$ 1,589,204	
Net loss for the period	—	—	—	—	—	(11,330)	(11,330)	(85)	(11,415)	
Other comprehensive income	—	—	—	15,454	—	—	15,454	—	15,454	
Total comprehensive income (loss)	—	—	—	15,454	—	(11,330)	4,124	(85)	4,039	
Acquisition of non-controlling interests	—	—	(1,469)	—	—	—	(1,469)	—	(1,469)	
Repurchase of Common Shares under NCIB ⁽¹⁾	(461,200)	(4,170)	—	—	—	—	(4,170)	—	(4,170)	
Share-based compensation ⁽²⁾	57,698	538	174	—	—	—	712	1,184	1,896	
As at March 31, 2023	85,188,573	\$ 4,604,602	\$ 108,623	\$ (80,236)	\$ (5,202)	\$ (3,049,243)	\$ 1,578,544	\$ 10,956	\$ 1,589,500	

(Unaudited; in thousands of U.S.\$)	Attributable to Equity Holders of the Company							Total	Non-Controlling Interests	Total Equity
	Number of Common Shares	Share Capital	Contributed Surplus	Cumulative Translation Adjustment	Fair Value Investment	Accumulated Deficit				
As at January 1, 2022	94,695,694	\$ 4,694,370	\$ 122,489	\$ (86,163)	\$ (5,202)	\$ (3,324,528)	\$ 1,400,966	\$ 47,925	\$ 1,448,891	
Net income for the period	—	—	—	—	—	102,228	102,228	(248)	101,980	
Other comprehensive income	—	—	—	11,942	—	—	11,942	4,540	16,482	
Total comprehensive income	—	—	—	11,942	—	102,228	114,170	4,292	118,462	
Repurchase of common shares under NCIB	(625,400)	(6,124)	—	—	—	—	(6,124)	—	(6,124)	
Share-based compensation	—	—	224	—	—	—	224	133	357	
As at March 31, 2022	94,070,294	\$ 4,688,246	\$ 122,713	\$ (74,221)	\$ (5,202)	\$ (3,222,300)	\$ 1,509,236	\$ 52,350	\$ 1,561,586	

⁽¹⁾ On March 15, 2022, the Toronto Stock Exchange approved the Company's notice to initiate a normal course issuer bid ("NCIB"), for its common shares. Pursuant to the NCIB, the Company was permitted to purchase for cancellation up to 4,787,976 of its Common Shares during the twelve-month period that commenced on March 17, 2022 and ended on March 16, 2023. During the three months ended March 31, 2023, the Company repurchased for cancellation \$4.2 million equivalent to 461,200 common shares (2022: \$6.1 million), for an average repurchase cost of \$9.04/share (2022: \$9.79/share).

⁽²⁾ During the period ended on March 31, 2023, the Company settled 94,094 restricted share units ("RSUs"). This includes issuance of 57,698 Common Shares, for an average price of \$9.32/Common Share. The remaining 36,396 RSUs were settled in cash.

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited; in thousands of U.S.\$)	Notes	Three Months Ended March 31	
		2023	2022
OPERATING ACTIVITIES			
Net (loss) income for the period		\$ (11,415)	\$ 101,980
Items not affecting cash:			
Depletion, depreciation and amortization		66,713	38,784
Impairment expense	7	16,815	—
Expense (recovery) of asset retirement obligations	7	13,081	(4,429)
Unrealized gain on risk management contracts	16	(4,825)	(1,144)
Share-based compensation		179	5,088
Deferred income tax expense (recovery)	8	6,513	(14,304)
Unrealized foreign exchange gain		(2,150)	(8,041)
Share of income from associates	12	(13,572)	(9,094)
Finance expense		15,221	12,235
Finance income		(4,301)	(607)
Dividends from associates	12	—	9,101
Income tax paid		(36,473)	(16,700)
Interest received		2,438	442
Settlement of asset retirement obligations	14	(1,460)	(2,224)
Other		924	3,258
Changes in working capital (excluding cash)	17	(46,843)	403
Cash provided by operating activities		\$ 845	\$ 114,748
INVESTING ACTIVITIES			
Additions to oil and gas properties, infrastructure port, and plant and equipment		\$ (42,980)	\$ (50,283)
Additions to exploration and evaluation assets		(88,946)	(60,422)
Acquisition of non-controlling interests		—	—
Return of capital contributions from investment in associates	12	—	1,942
Sale of subsidiaries		—	(4,000)
Decrease in restricted cash and other		1,594	525
Changes in working capital (excluding cash)	17	10,004	6,640
Cash used in investing activities		\$ (120,328)	\$ (105,598)
FINANCING ACTIVITIES			
Net proceeds from PIL Loan Facility	13	\$ 114,935	\$ —
Repayment of 2025 Puerto Bahia Loan	13	(106,192)	—
Constitution debt service reserve account of PIL Loan Facility, net	13	(8,743)	—
Transaction cost of PIL Loan Facility	13	(1,147)	—
Repayment of long-term debt	13	(2,341)	(1,697)
Lease payments		(1,003)	(1,071)
Repurchase of Common Shares under NCIB		(4,170)	(6,124)
Interest paid and other charges	13	(1,133)	(836)
Cash used in financing activities		\$ (9,794)	\$ (9,728)
Effect of exchange rate changes		1,704	447
Decrease in cash and cash equivalents during the period		(127,573)	(131)
Cash and cash equivalents, beginning of the period		289,845	257,504
Cash and cash equivalents, end of the period		\$ 162,272	\$ 257,373
Cash		85,575	194,080
Cash equivalents		76,697	63,293
Total cash and cash equivalents		\$ 162,272	\$ 257,373

Notes to the Interim Condensed Consolidated Financial Statements

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

1. Corporate Information

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

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

2. Basis of Preparation and Significant Accounting Policies

Statement of Compliance

These Interim Condensed Consolidated Financial Statements for the three months ended March 31, 2023 and 2022 (the “**Interim Condensed Financial Statements**”), have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board (“**IASB**”). The Company has prepared the Interim Condensed Financial Statements on the basis that it will continue to operate as a going concern.

The Interim Condensed Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended December 31, 2022 (the “**2022 Annual Financial Statements**”). These Interim Condensed Financial Statements were approved and authorized for issuance by the Audit Committee of the Board of Directors on May 3, 2023.

Functional and Presentation Currency

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

Significant Accounting Policies

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

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

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

Key Accounting Estimates and Judgments

Global Economy

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

Critical Judgments in Applying Accounting Policies

CPE-6 contingent payments in acquisition

As part of the acquisition of the 50% working interest in the CPE-6 block, the Company has certain contingent payments based on production (Note 18). The Company applied significant judgments for the accounting for these contingent payments. The Company has selected to capitalize those payments when the amount is payable to the counterparty, recognizing the variable and fixed components when incurred, as an addition to oil and gas properties.

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

3. Segmented Information

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

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

Canada & Others: Includes the corporate office in Canada, and non-operating entities that have been aggregated as they do not generate revenue for the Company. In addition, it includes certain business activities in Peru, which includes completing remediation work in Block 192 as its petroleum license expired on February 5, 2021. Also, the Block Z1 has not been in production since December 19, 2019.

For the three months ended March 31, 2023, operating segmented information for the Interim Condensed Financial Statements of (Loss) income is as follows:

Three Months Ended March 31	Exploration and Production Onshore				Exploration and Infrastructure Guyana		Midstream Colombia		Canada & Others		Eliminations		Total		
	Colombia		Ecuador		2023	2022	2023	2022	2023	2022	2023	2022	2023	2022*	
	2023	2022*	2023	2022											
Oil and gas sales	\$ 245,363	\$ 264,248	\$ 3,044	\$ —	\$ —	\$ —	\$ 11,146	\$ 10,332	\$ —	\$ —	\$ (1,664)	\$ (1,452)	\$ 257,889	\$ 273,128	
Other revenues	1,690	743	—	—	—	—	—	—	—	—	—	—	1,690	743	
Royalties	(9,063)	(19,244)	(150)	—	—	—	—	—	—	—	—	—	(9,213)	(19,244)	
Revenue	237,990	245,747	2,894	—	—	—	11,146	10,332	—	—	(1,664)	(1,452)	250,366	254,627	
Operating costs	78,384	64,925	477	—	—	—	5,117	4,679	686	473	(1,664)	(1,452)	83,000	68,625	
Costs of purchases	59,031	35,422	—	—	—	—	—	—	—	—	—	—	59,031	35,422	
General and administrative	7,866	8,607	224	132	1,282	1,742	1,342	1,671	2,000	2,513	(45)	(9)	12,669	14,656	
Share-based compensation	(316)	3,631	4	8	27	288	—	—	125	1,161	—	—	(160)	5,088	
Depletion, depreciation and amortization	65,214	37,228	12	5	13	11	1,232	1,476	242	64	—	—	66,713	38,784	
Impairment, exploration expenses and other	17,523	(3,413)	—	26	—	—	—	—	12,760	(570)	—	—	30,283	(3,957)	
Restructuring, severance and other costs	681	154	—	—	—	—	103	174	788	3	—	—	1,572	331	
(Loss) income from operations	9,607	99,193	2,177	(171)	(1,322)	(2,041)	3,352	2,332	(16,601)	(3,644)	45	9	(2,742)	95,678	
Share of income from associates	—	—	—	—	—	—	13,572	9,094	—	—	—	—	13,572	9,094	
Segment (loss) income	\$ 9,607	\$ 99,193	\$ 2,177	\$ (171)	\$ (1,322)	\$ (2,041)	\$ 16,924	\$ 11,426	\$ (16,601)	\$ (3,644)	\$ 45	\$ 9	\$ 10,830	\$ 104,772	
Other non-operating expense items														(14,725)	(15,543)
Income tax (expense) recovery														(7,520)	12,751
Net (loss) income for the period														\$ (11,415)	\$ 101,980

* As a result of a review of the financials statements, certain amounts have been changes in presentation. These changes will result in more usefully information to the users of the financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

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

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

As at	March 31	December 31
	2023	2022
Colombia	\$ 1,856,167	\$ 1,902,712
Guyana	367,274	291,939
Ecuador	35,405	33,786
Canada & Others	568	568
Total non-current assets	\$ 2,259,414	\$ 2,229,005

4. Revenue from Contracts with Customers

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

	Three Months Ended March 31	
	2023	2022*
Colombia		
Produced crude oil sales	\$ 190,290	\$ 228,745
Purchased crude oil and products sales	51,316	31,712
Gas sales	3,757	3,791
Colombia oil and gas sales	245,363	264,248
Ecuador crude oil sales ⁽¹⁾	3,044	—
Oil and gas sales	248,407	264,248
Other revenues ⁽²⁾	1,690	743
Midstream sales to external customers	9,482	8,880
Inter-segment sales	1,664	1,452
Midstream sales	11,146	10,332
Elimination of midstream inter-segment sales	(1,664)	(1,452)
Oil and gas sales and other revenue	\$ 259,579	\$ 273,871

⁽¹⁾ Proceeds from selling oil produced from an E&E asset.

⁽²⁾ Revenues from Promotora Agricola de los Llanos.

* As a result of a review of the financials statements, certain amounts have been changes in presentation. These changes will result in more usefully information to the users of the financial statements.

5. Operating Costs

	Three Months Ended March 31	
	2023	2022*
Production costs ⁽¹⁾	\$ 45,157	\$ 49,339
Transportation costs ⁽¹⁾	37,370	32,083
Post-termination obligation	157	228
Other dilution costs	256	298
Inventory valuation ⁽¹⁾	(8,053)	(18,572)
Total oil and gas operating costs	74,887	63,376
Port operating costs	5,117	4,679
Special project and other costs ⁽²⁾	2,996	570
Total operating costs	\$ 83,000	\$ 68,625

⁽¹⁾ Includes production costs, of \$1.4 million, transportation costs of \$0.3 million and reduction in inventory valuation of \$1.3 million, from oil produced from E&E assets, for the three months ended March 31, 2023.

⁽²⁾ Mainly includes costs related to Promotora Agricola de los Llanos S.A., Peru and the SAARA (previously Agrocascada) reverse osmosis water treatment facility ("SAARA") expansion in 2023.

* As a result of a review of the financials statements, certain amounts have been changes in presentation. These changes will result in more usefully information to the users of the financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

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

Costs of Purchases

Cost of purchases corresponds to the cost of third-party hydrocarbon volumes purchased primarily for use in dilution and refining as part of the Company's oil operations and marketing and transportation strategy. For the three months ended March 31, 2023, the cost of purchases was \$59.0 million (2022: \$35.4 million) including the transportation and processing fees for purchased volumes sold. The cost of purchases was higher than previous quarter due to additional volumes acquired partially offset by lower Brent benchmark oil prices. The sale of purchased volumes generated an income of \$51.3 million for the three months ended March 31, 2023 (2022: \$31.7 million).

6. General and Administrative

	Three Months Ended March 31	
	2023	2022
Salaries and benefits	\$ 7,468	\$ 8,258
Professional fees	3,333	4,174
Taxes	1,067	1,464
Other expenses	801	760
Total	\$ 12,669	\$ 14,656

7. Impairment, Exploration Expenses and Other

	Three Months Ended March 31	
	2023	2022
Impairment expense of:		
Exploration and evaluation assets (Note 11)	15,164	—
Other	1,651	—
Total impairment expense	16,815	—
Exploration expenses of:		
Geological and geophysical costs, and other	387	472
Total exploration expenses	387	472
Expense (recovery) of asset retirement obligations	13,081	(4,429)
Impairment, exploration expenses and other	\$ 30,283	\$ (3,957)

Exploration and Evaluation Assets

During the three months ended March 31, 2023, the Company recorded an impairment charge on exploration and evaluation of assets in Colombia of \$15.2 million (2022: \$Nil million), as a result of the Company's decision to proceed with steps to relinquish the VIM-22 block, which remains subject to approval by the Agencia Nacional de Hidrocarburos ("ANH").

Other

During the three months ended March 31, 2023, the Company recognized other impairment expenses of \$1.6 million (2022: \$Nil million) related to obsolete inventories and allowance of doubtful account receivables.

Expense (recovery) of asset retirement obligations

During the three months ended March 31, 2023, the Company recognized an asset retirement obligation expense resulting from the acquisition of the remaining 51% working interest ("W.I.") in Block Z1 in Peru from BPZ Resources Inc.

Subsequent to the quarter, the Company reached an agreement to finalize the sale of Frontera Energy OffShore Perú, the 100% consolidated entity that owns the 100% W.I. in Block Z1, for a payment of \$10.0 million to a third party, subject to completion of certain conditions precedent. As a result of this transaction, the Company expects to no longer recognize any asset retirement obligation related to Block Z1 and to generate a \$35.8 million asset retirement obligation recovery once the conditions precedent are satisfied.

Notes to the Interim Condensed Consolidated Financial Statements

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

8. Income Taxes

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

	Three Months Ended March 31	
	2023	2022
Net (loss) income before income tax	\$ (3,895)	\$ 89,229
Colombian statutory income tax rate	50%	35%
Income tax expense at statutory rate	(1,948)	31,230
(Decrease) increase in income tax provision resulting from:		
Non-deductible/taxable expense/income and other differences	9,597	11,337
Share-based compensation	(132)	1,516
Differences in tax rates	(11,262)	(10,246)
Change in deferred income tax	11,265	(46,588)
Income tax expense (recovery)	7,520	(12,751)
Current income tax expense	1,007	1,553
Deferred income tax expense (recovery):		
Relating to origination and reversal of temporary differences	6,513	(14,304)
Income tax expense (recovery)	\$ 7,520	\$ (12,751)
Effective tax rate	-193.07%	-14.29%

During the three months ended March 31, 2023, the Company recognized a current income tax expense of \$1.0 million (2022: \$1.6 million), mainly from withholding taxes on dividends from investments in associates, partially offset by tax deductions and changes in tax assessments recognized during the first quarter of 2023.

During the three months ended March 31, 2023, the Company recognized a deferred income tax expense of \$6.5 million, (2022: \$14.3 million deferred income tax recovery). The variation is mainly due to the use of deferred tax assets as taxable profits accrued during the quarter, that movement was partially offset by the Colombian Pesos (“COP”) revaluation. As of March 31, 2023, the deferred tax asset was \$58.2 million (2022: \$64.3 million), and the deferred tax liability was \$5.1 million (2022: \$4.6 million).

9. (Loss) earnings per Share

	Three Months Ended March 31	
	2023	2022
<i>(In thousands of U.S.\$, except share and per share amounts)</i>		
Net (loss) income attributable to equity holders of the Company	\$ (11,330)	\$ 102,228
Basic weighted average number of shares outstanding	85,344,329	94,560,453
Effect of dilution from dilutive instruments	—	2,737,853
Diluted weighted average number of shares outstanding	85,344,329	97,298,306
(Loss) earnings per share attributable to equity holders of the Company		
Basic	\$ (0.13)	\$ 1.08
Diluted	\$ (0.13)	\$ 1.05

10. Properties, Plant and Equipment

Cost	Oil & Gas Properties	Port Infrastructure	Plant & Equipment	Total
As at January 1, 2023	\$ 8,175,545	\$ 207,429	\$ 92,312	\$ 8,475,286
Additions	41,959	323	698	42,980
Change in asset retirement obligations (Note 14)	8,569	—	—	8,569
Disposal	(2,449)	(36)	22	(2,463)
Currency translation adjustment	2,681	6,752	108	9,541
As at March 31, 2023	\$ 8,226,305	\$ 214,468	\$ 93,140	\$ 8,533,913

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

Accumulated Depletion, Depreciation and Impairment	Oil & Gas Properties	Port Infrastructure	Plant & Equipment	Total
As at January 1, 2023	\$ 6,622,415	\$ 12,847	\$ 79,244	\$ 6,714,506
Charge for the period	70,528	1,088	1,163	72,779
Impairment	58	—	—	58
Disposal	(1,432)	—	46	(1,386)
Currency translation adjustment	2,329	314	55	2,698
As at March 31, 2023	\$ 6,693,898	\$ 14,249	\$ 80,508	\$ 6,788,655

Net Book Value	Oil & Gas Properties	Port Infrastructure	Plant & Equipment	Total
As at January 1, 2023	\$ 1,553,130	\$ 194,582	\$ 13,068	\$ 1,760,780
As at March 31, 2023	\$ 1,532,407	\$ 200,219	\$ 12,632	\$ 1,745,258

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

	Oil & Gas Properties	Port Infrastructure	Plant & Equipment	Amount
Properties, plant and equipment - owned	\$ 1,530,891	\$ 200,219	\$ 10,468	\$ 1,741,578
Right-of-use ("ROU") assets - leased	1,516	—	2,164	3,680
As at March 31, 2023	\$ 1,532,407	\$ 200,219	\$ 12,632	\$ 1,745,258

Details of ROU assets are as follows:

	Power Generation	Plant & Equipment	Amount
As at January 1, 2023	\$ 2,275	\$ 2,496	\$ 4,771
Additions	—	236	236
Depreciation	(759)	(568)	(1,327)
As at March 31, 2023	\$ 1,516	\$ 2,164	\$ 3,680

11. Exploration and Evaluation Assets

	2023
As at January 1	\$ 320,580
Additions ⁽¹⁾	88,946
Impairment expense (Note 7)	(15,164)
Change in asset retirement obligations	277
Disposals	(31)
As at March 31	\$ 394,608

⁽¹⁾ Mainly includes additions of \$75.3 million in Guyana related to the Corentyne block and \$12.9 million in Colombia, mainly in the VIM-22 block.

12. Investments in Associates

	ODL
As at January 1, 2023	\$ 59,974
Share of income from associates	13,572
Dividends	(37,018)
Return of capital contributions	(5,202)
Currency translation adjustment	2,760
As at March 31, 2023	\$ 34,086
Company's interest as at March 31, 2023	35.0 %

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

Notes to the Interim Condensed Consolidated Financial Statements

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

Oleoducto de los Llanos Orientales S.A. (“ODL”)

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

During the three months ended March 31, 2023, the Company recognized gross dividends of \$37.0 million (2022: \$40.5 million) and received cash dividends of \$Nil (2022: \$9.1 million). As at March 31, 2023, the carrying value of dividends receivable after withholding taxes was \$29.6 million (2022: \$27.8 million).

In addition, during the three months ended March 31, 2023, the Company recognized a return of capital of \$5.2 million (2022: \$3.9 million) and received \$Nil in cash (2022: \$1.9 million).

13. Long-Term Debt

As at	Maturity	Principal	Interest Rate	March 31	December 31
				2023	2022
2028 Unsecured Notes	June 2028	\$ 400,000	7.875%	\$ 392,725	\$ 392,535
PIL Loan Facility (Tranche A)	December 2027	\$ 100,000	SOFR 6M + 7.25%	94,820	—
PIL Loan Facility (Tranche B)	December 2027	\$ 20,000	11%	18,968	—
PetroSud credit loans	December 2023	\$ 24,800	LIBOR 3M + 4.95%	10,486	12,828
2025 Puerto Bahia Debt	June 2025	\$ 370,000	LIBOR 6M + 5%	—	103,094
Total				\$ 516,999	\$ 508,457

As at	March 31	December 31
	2023	2022
Current portion	\$ 15,486	\$ 115,922
Non-current portion	501,513	392,535
Total	\$ 516,999	\$ 508,457

Pipeline Investment Loan Facility (“PIL Loan Facility”)

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

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

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

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

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

Notes to the Interim Condensed Consolidated Financial Statements

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

As at March 31, 2023, Puerto Bahía and Frontera have no obligation under the 2025 Puerto Bahia Debt.

CPE-6 Solar Plant Project Leasing Agreement

During the fourth quarter of 2022, the Company entered into a leasing agreement with Bancolombia S.A. to finance the construction and commissioning of a solar plant project at the CPE-6 block (the “**Solar Plant Debt**”). The financing is denominated in COP, in an amount equivalent to US\$5.3 million and with a maturity date that is 72 months following the date the conditions precedent to the financing are satisfied. The Solar Plant Debt bears interest equivalent to IBR⁽¹⁾ +5.75%, payable monthly. As of March 31, 2023, no disbursements have been made under this financing.

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

14. Asset Retirement Obligations

	2023
As at January 1	\$ 154,794
Accretion expense	2,682
Additions	496
Changes in estimates	9,426
Liabilities settled	(1,460)
Expense of asset retirement obligations ⁽¹⁾	24,587
As at March 31	\$ 190,525

⁽¹⁾ During the three months ended March 31, 2023, the Company recognized an asset retirement obligation expense resulting from the acquisition of the remaining 51% W.I. in Block Z1 in Peru from BPZ Resources Inc.

	As at March 31 2023	December 31 2022
Current portion	\$ 16,737	\$ 25,814
Non-current portion	173,788	128,980
Total	\$ 190,525	\$ 154,794

Asset retirement obligations (“**ARO**”) represent the present value of decommissioning and environmental liability costs relating to oil and gas properties and E&E assets. The total undiscounted ARO is \$321.0 million (2022: \$282.4 million), expected to be executed between 2023 and 2045, of which \$263.3 million (2022: \$249.2 million) relates to Colombia, \$56.4 million (2022: \$31.8 million) in Peru and \$1.3 million (2022: \$1.4 million) in Ecuador.

During the three months ended March 31, 2023, the Company recognized a decrease in the ARO due to changes in estimates of \$9.4 million, which includes a decrease of \$1.1 million relating to updating the risk-free and inflation rates and \$0.9 million due to the impact of foreign exchange rates. A total of \$8.6 million relating to changes in estimates was recognized within Properties, Plant and Equipment (Note 10).

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

- A risk-free rate between 11.60% and 12.45% and an inflation rate between 2.50% and 3.6% for cash flows expected to be settled in COP for Colombia (2022: risk-free rate between 12.2% and 13.3% with inflation rate between 2.5% and 3.3%)
- A risk-free rate between 22.29% and 22.62% and an inflation rate between (0.3)% and 2.2% for cash flows expected to be settled in U.S. dollars for Ecuador (2022: risk-free rate between 16.72% and 17.23% with inflation rate between —% and 3.1%); and
- A risk-free rate between 5.53% and 5.86% and an inflation rate between 2.6% and 3.1% for cash flows expected to be settled in U.S. dollars for Peru (2022: risk-free rate between 7.8% and 8.3% with inflation rate between 2.5% and 4.1%).

Notes to the Interim Condensed Consolidated Financial Statements

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

15. Related-Party Transactions

The following tables provide the total balances outstanding, commitments and transactional amounts with related parties, as at March 31, 2023 and December 31, 2022, and for the three months ended March 31, 2023, and 2022, respectively:

	As at March 31			Three Months Ended	
		Accounts Receivable	Accounts Payable	March 31	
ODL (Note 12)	2023	\$ 34,816	\$ 587	\$ 24,619	\$ 6,910
	2022	—	2,553	31,796	5,363

The related-party transactions correspond to the ship-or-pay contract for the transportation of crude oil in Colombia for a total commitment of \$24.6 million until 2025 (Note 18).

16. Financial Instruments and Risk Management

a. Risks Associated with Financial Assets and Liabilities

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

i) Credit Risk

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

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

As at	March 31	December 31
	2023	2022
Trade receivables before ECL	\$ 82,110	\$ 37,091
Allowance for ECLs - trade receivables	(16,295)	(15,657)
Trade receivables	65,815	21,434
Other receivables:		
Receivables from joint arrangements	24,143	28,595
Withholding tax and others	36,076	33,798
Other receivables	56,745	11,776
Allowance for ECLs - other receivables	(7,716)	(7,655)
Other receivables	\$ 109,248	\$ 66,514
Withholding tax and others - not considered for credit risk	(36,076)	(33,798)
Total financial assets carried at amortized cost	\$ 138,987	\$ 54,150

Reconciliation of ECLs

The following table shows a continuity of ECLs:

	2023
As at January 1	\$ 23,312
Provision for ECLs	638
Effect of exchange rate changes	90
Write-off	(29)
As at March 31	\$ 24,011

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

ii) Liquidity Risk

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

The following tables summarizes the undiscounted cash outflows relating to contractual maturities of the Company's non-derivative financial liabilities as at March 31, 2023:

Financial Liability Due In	2023	2024	2025	2026	2027	Subsequent to 2027	Total
Accounts payable and accrued liabilities ⁽¹⁾	\$ 477,180	\$ 4,087	\$ —	\$ —	\$ —	\$ —	\$ 481,267
Long-term debt	15,486	15,000	15,000	20,000	65,000	400,000	530,486
Interest on long-term debt	42,473	44,861	42,114	40,155	36,989	15,750	222,342
Lease liabilities	2,133	333	155	—	—	—	2,621
Total	\$ 537,272	\$ 64,281	\$ 57,269	\$ 60,155	\$ 101,989	\$ 415,750	\$ 1,236,716

⁽¹⁾ Includes provisions of \$116.6 million, which do not have a definitive amortization term and are therefore classified as current liabilities. These provisions are not expected to be settled within the next 12 months.

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

	As at March 31 2023	December 31 2022
Trade and other payables	\$ 195,205	\$ 170,573
Accrued liabilities	115,573	123,509
Supplier holdbacks and advances	33,831	30,382
Withholding and tax provisions	13,191	11,095
Share-based payment liability	6,861	7,605
	364,661	343,164
Provision for contingencies and others	116,606	126,940
Total accounts payable and accrued liabilities	\$ 481,267	\$ 470,104

The Company has various guarantees in place in the normal course of business, supported by letters of credit. As at March 31, 2023, the Company had issued letters of credit for a total of \$112.4 million (2022: \$104.1 million).

iii) Market and Interest Risk

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

Risk Management Contracts

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

Risk Management Contracts - Crude Oil

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

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

Type of Instrument	Term	Benchmark	Volume (bbl)	Avg. Strike Prices	Carrying Amount		
				Put \$/bbl	Assets	Liabilities	
Not Subject to Hedge Accounting:							
<i>Commodities price risk contracts</i>							
Put	April to June 2023	Brent	1,275,000	70.00	1,293	—	
Total as at March 31, 2023					\$	1,293	\$ —
Put	January 2023	Brent	460,000	80.00	341	—	
Put	February to March 2023	Brent	840,000	70.00	875	—	
Total as at December 31, 2022					\$	1,216	\$ —
Total as at March 31, 2023					\$	1,293	\$ —
Total as at December 31, 2022					\$	1,216	\$ —

Risk Management Contracts - Foreign Exchange

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

Type of Instrument	Term	Benchmark	Notional Amount / Volume in USD	Avg. Put / Call	Carrying Amount		
				Par forward (COP\$)	Assets	Liabilities	
Zero-cost collars	April to June 2023	COP / USD	60,000,000	4,350 / 5,515	178	—	
Zero-cost collars	July to December 2023	COP / USD	120,000,000	4,800 / 5,364	3,416	—	
Total as at March 31, 2023					\$	3,594	\$ —
Zero-cost collars	January to June 2023	COP / USD	120,000,000	4,200 / 5,321	—	1,045	
Total as at December 31, 2022					\$	—	\$ 1,045

Risk Management Contracts - Interest swaps

As at March 31, 2023, as a result of the full repayment of the 2025 Puerto Bahia Loan, the Company terminated the financial derivative that was used to manage the exposure to risks due to the fluctuation of interest rates (Note 13).

Type of Instrument	Term	Benchmark	Notional Amount	Avg. Strike Prices	Carrying Amount		
				Floating rate	Assets	Liabilities	
Total as at March 31, 2023					\$	—	\$ —
Swap	January 2023 to June 2025	LIBOR + 180	\$ 79,100	3.9 %	\$ 1,092	\$ —	
Total as at December 31, 2022					\$	1,092	\$ —
						Assets	Liabilities
Total Risk Management Contracts as at March 31, 2023					\$	4,887	\$ —
Total Risk Management Contracts as at December 31, 2022					\$	2,308	\$ 1,045

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

	Three Months Ended March 31	
	2023	2022
Premiums paid on risk management contracts settled	\$ (3,175)	\$ (2,682)
Unrealized gain on risk management contracts	4,825	1,144
Total	\$ 1,650	\$ (1,538)

b. Fair Value of Financial Instruments

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

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

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

	Period	Carrying Value	Fair Value		
			Level 1	Level 2	Level 3
Financial Assets Measured at Fair Value through Profit & Loss					
Risk management assets	2023	\$ 4,887	\$ —	\$ 4,887	\$ —
	2022	2,308	—	2,308	—
Financial Assets Measured at Fair Value through Other Comprehensive Income					
Investments in equity instruments	2023	\$ 1,612	\$ —	\$ —	\$ 1,612
	2022	1,872	—	—	1,872
Financial Liabilities Measured at Fair Value through Profit & Loss					
Risk management liabilities	2023	\$ —	\$ —	\$ —	\$ —
	2022	(1,045)	—	(1,045)	—
Financial Liabilities Measured at Amortized Cost					
2028 Unsecured Notes ⁽¹⁾	2023	\$ (392,725)	\$ —	\$ (319,800)	\$ —
	2022	(392,535)	—	(334,348)	—
Other long-term debt (Note 13)	2023	\$ (124,274)	\$ —	\$ (130,486)	\$ —
	2022	(115,922)	—	(115,922)	—

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

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

c. Capital Management

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

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

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

	As at March 31	December 31
	2023	2022
Equity attributable to equity holders of the Company	\$ 1,578,544	\$ 1,579,347
Long-term debt	501,513	392,535
Working capital (surplus) deficit ⁽¹⁾	(14,984)	109,607
Total	\$ 2,065,073	\$ 2,081,489

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

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17. Supplemental Disclosure on Cash Flows

Changes in non-cash working capital are as follows:

	Three Months Ended March 31	
	2023	2022
(Decrease) increase in accounts payable and accrued liabilities	\$ (4,328)	\$ 42,441
Increase in accounts receivable	(15,683)	(9,287)
Decrease in income taxes payable	(4,429)	(2,518)
Increase in inventories	(10,818)	(25,201)
Decrease in prepaid expenses and deposits	815	889
(Increase) decrease in income taxes receivable	(2,396)	719
Changes in non-cash working capital	\$ (36,839)	\$ 7,043
Attributable to		
Operating activities	\$ (46,843)	\$ 403
Investing activities	10,004	6,640
Changes in non-cash working capital	\$ (36,839)	\$ 7,043

18. Commitments and Contingencies

Commitments

The Company's commitments as at March 31, 2023, undiscounted and by calendar year, are presented below:

As at March 31, 2023	2023	2024	2025	2026	2027	Subsequent to 2027	Total
Transportation							
Ocensa P-135 ship-or-pay agreement	\$ 53,388	\$ 71,185	\$ 35,739	\$ —	\$ —	\$ —	\$ 160,312
ODL agreements	12,774	11,845	—	—	—	—	24,619
Other transportation and processing commitments	10,541	11,689	11,630	11,630	3,895	—	49,385
Exploration and evaluation							
Minimum work commitments ⁽¹⁾	84,088	37,318	53,025	—	—	5,066	179,497
Other commitments							
Operating purchases, community obligations and others.	75,554	15,048	20,413	15,214	10,959	9,335	146,523
Total	\$ 236,345	\$ 147,085	\$ 120,807	\$ 26,844	\$ 14,854	\$ 14,401	\$ 560,336

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

Guyana Commitments

As at March 31, 2023, the Company, through its 76.97% interest in CGX and directly through its working interest has certain work commitments under the Petroleum Prospecting License ("PPL") for the Corentyne block, offshore Guyana (Frontera 68% W.I. and non-operator). In accordance with the PPL for the Corentyne block, a second exploration well was required to be spud by January 31, 2023, which was extended from the previous expiry date of November 26, 2022. On January 23, 2023, CGX and Frontera, the majority shareholder of CGX and joint venture partner of CGX (the "Joint Venture") announced that the Joint Venture had spud the Wei-1 well on the Corentyne block, approximately 200 kilometers offshore from Georgetown, Guyana. In addition, the Government of Guyana has approved an Appraisal Plan for the northern section of the Corentyne block, which commenced with the Wei-1 well. Following completion of Wei-1 drilling operations and upon detailed analysis of the results, the Joint Venture may consider future wells per its appraisal program to evaluate possible development feasibility in the Kawa-1 discovery area and throughout the northern section of the Corentyne block.

In addition, in connection with (i) a drilling contract agreement between Maersk Drilling Holdings Singapore Pte. Ltd. (now NobleCorp.) and CGX Resources Inc. ("CGX Resources"), the operator of the Corentyne block, for the provision of a semi-submersible drilling unit owned by NobleCorp. and associated services to drill the Joint Venture's Wei-1 well, and (ii) a services agreement between Schlumberger Guyana Inc. ("Schlumberger") and CGX Resources for the provision of certain oilfield services and the supply of related goods and products for the Corentyne block, Frontera entered into a deed of guarantee with each of NobleCorp. and Schlumberger for certain obligations, in each case up to a maximum of \$30.0 million and subject to a

Notes to the Interim Condensed Consolidated Financial Statements

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sliding scale mechanism in connection with payments made under the drilling contract with NobleCorp. or the services agreement with Schlumberger, as applicable.

As at March 31, 2023, CGX had entered into purchase orders and contracts for the drilling of the Wei-1 well and the Guyana Port Project, pursuant to which the Company has amounts outstanding of \$42.0 million, which is expected to be paid during 2023.

Oleoducto Central S.A. (“Ocensa”) and Cenit Pledge

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

Other Guarantees and Pledges

As part of the Company's acquisition of Repsol Colombia Oil & Gas Ltd.'s (“RCOG”) 50% working interest in the CPE-6 block, the Company granted a pledge to RCOG over the production from the CPE-6 block to guarantee the payments, up to a maximum of \$48.0 million. Under the farm-out agreement, two kinds of payments are set, each contingent on production from this block and each applicable until the maximum payment of \$48.0 million is paid: (i) a variable monthly payment, and (ii) three potential production milestone payments of \$5.0 million each when 5 million, 10 million and 20 million total barrels production, respectively, are achieved. As at March 31, 2023, the Company has paid and accrued a total of \$16.0 million of such amounts under the agreement.

Contingencies

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

Quifa Late Delivery Volumes Claim

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

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

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

Puerto Bahia –Tank Construction Related Arbitration

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

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

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

19. Subsequent Events

Changes to Indenture Relating to 2028 Senior Notes

Subsequent to the quarter, the Company designated Frontera Energy Guyana Holding Ltd. and Frontera Energy Guyana Corp. ("**Frontera Guyana**") as unrestricted subsidiaries and released Frontera Guyana as a note guarantor under the indenture governing the Company's outstanding \$400.0 million unsecured notes due in June 2028. The designation is consistent with Frontera's efforts to strategically align its three core businesses and focus on maximizing value from the assets.