

# Frontera Announces 2020 Capital Plan and Guidance Information

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Outlook for Operating EBITDA in Excess of Capital Expenditures Provides Excess Cash for Maximizing Shareholder Value

Transformational Exploration Opportunities to be Executed in 2020 in Colombia, Guyana and Ecuador

Update to Board of Directors

TORONTO, Dec. 5, 2019 - [Frontera Energy Corp.](#) (TSX: FEC) ("Frontera" or the "Company") today announced full year 2020 capital plan and guidance information. All values in this news release and the Company's financial disclosures are in US dollars, unless otherwise noted.

Gabriel de Alba, Chairman of the Board of Directors, said:

"Frontera's 2020 plan demonstrates the Company's continued confidence in its ability to generate strong excess cash which is significantly exceeding capital expenditures. Our midpoint operating EBITDA guidance of \$425 million is \$75 million above the midpoint of capital expenditures guidance. The capital program continues to invest \$250 million per year to sustain production and explore reserves in Colombia. We are investing an additional \$75 million in major exploration opportunities offshore Guyana and Ecuador and Colombia which is targeted to deliver production and reserves growth, for the Company over the medium-term.

As announced in our third quarter 2019 results, Frontera has had a strong 2019 and remains on track to deliver fiscal year 2020 results that are at the favorable end of guidance metrics. Year to date, we have made dividend distributions to shareholders of over \$100 million and the Company's balance sheet remains very strong with over \$442 million of total cash, including restricted cash, at the end of the third quarter.

I would also like to welcome René Burgos Díaz to Frontera's Board of Directors. He will be joining the Board as an independent director and as our eighth member. René is very knowledgeable about Frontera and the Latin America oil and gas sector, particularly through his time at CarVal Investors. His understanding of the Company, combined with significant capital market knowledge, makes René a valuable addition to our Board."

Richard Herbert, Chief Executive Officer, commented:

"Frontera built on its track record of delivery in 2019, with stable production, focused reduction of costs and strong cash flow. We have also grown our portfolio with new exploration opportunities in Colombia, Ecuador, and Guyana, providing Frontera with excellent growth opportunities in the future.

Our 2020 plan reflects the continuing benefits of cost savings and efficiency projects combined with exciting exploration opportunities. During 2020 the Company plans to test some of its most promising exploration opportunities, for natural gas in northern Colombia in the first quarter, exploration in the CPE-6 heavy oil block in Colombia in the second quarter, exploration offshore Guyana in the third quarter and our first exploration well in Ecuador in the fourth quarter.

Our expected 2020 production reflects the impact of the scheduled expiry of the service contract on Block 192 in Peru in 2020. Even with a lower assumed Brent oil price of \$60/bbl for 2020, we are maintaining our operating EBITDA and capital expenditures guidance with our original 2019 plan, as we again generate more cash than is needed to sustain and grow our business. In Colombia, we will invest in growing production from CPE-6 following successful exploration and horizontal development well drilling in 2019. With the availability of a new well pad, we will resume appraisal drilling on the Coralillo medium oil field in the Guatiquia block and continue our successful efforts to mitigate decline in the Quifa field."

Board of Directors Update:

The Company is pleased to announce the appointment of Mr. René Burgos Díaz to the Board of Directors. With this appointment,

the Company's Board is at eight members, all of whom are independent. Mr. Burgos Díaz is a financial markets executive with approximately 20 years of experience in investment management, leveraged financing, restructuring and financial advisory expertise across multiple industries and geographies, specifically in Latin America. Mr. Burgos Díaz's career has included the position of Director in the Emerging Markets team at CarVal Investors, a leading global alternative investment manager with \$10 billion in assets under management. Prior to CarVal Investors, Mr. Burgos Díaz also held roles at Deutsche Bank and Bank of America, including the role of Director with Deutsche Bank's Emerging Markets Structured Credit Trading team. Mr. Burgos Díaz holds a Bachelor of Business Administration, Accounting and Finance from the Universidad de Puerto Rico.

#### 2020 Capital Plan and Guidance:

Frontera's 2020 plan and guidance has been developed with the following four key objectives:

1. Delivering sustainable levels of production and reserves in Frontera's core Colombian operations;
2. Ensuring that the capital expenditures in core operations have strong financial returns;
3. Pursuing continuous operational improvements and greater cost efficiencies;
4. Creating opportunities for future growth in production and reserves through new exploration and development activities.

These objectives, combined with flexible capital allocation, will enable the Company to maximize shareholder returns. All budgets are developed and scrutinized throughout the year and changed if necessary in the context of project returns, market pricing expectations, and the balancing of project risks and time horizons.

#### 2020 Guidance Metrics:

|   | 2019 Guidance     | 2019 Revised Guidance | 2020 Guidance     |
|---|-------------------|-----------------------|-------------------|
| Operating EBITDA <sup>(1)</sup>             | \$400 - \$450 MM  | \$525 - \$575 MM      | \$400 - \$450 MM  |
| Capital Expenditures <sup>(2)</sup>         | \$325 - \$375 MM  | \$325 - \$375 MM      | \$325 - \$375 MM  |
| Average Daily Production (boe/d)            | 65,000 - 70,000   | 65,000 - 70,000       | 60,000 - 65,000   |
| Production Cost (\$/boe) <sup>(3)</sup>     | \$12.50 - \$13.50 | \$12.00 - \$12.50     | \$11.50 - \$12.50 |
| Transportation Cost (\$/boe) <sup>(4)</sup> | \$12.50 - \$13.50 | \$12.50 - \$13.50     | \$12.50 - \$13.50 |
| Brent Oil Price Assumption                  | \$65.00/bbl       | \$65.00/bbl           | \$60.00/bbl       |
| Oil Price Differential                      | \$8.40/bbl        | \$3.50/bbl            | \$4.00/bbl        |

<sup>(1)</sup> Assuming average USD/COP of 3,000:1 for 2019 Guidance, 3,100:1 for 2019 Revised Guidance and 3,300:1 for 2020 Guidance.

<sup>(2)</sup> Includes Frontera's estimate of its share of costs of the 2020 Guyana exploration program, as joint venture partner, but does not include the consolidation impact of CGX Energy Inc.'s share of those exploration costs. An update to Capital Expenditures guidance will be provided pending finalization of the Guyana 2020 capital program.

<sup>(3)</sup> Calculated using production before royalties in the denominator as this most accurately reflects per unit production cost and is consistent with our peers.

<sup>(4)</sup> Calculated using production after royalties in the denominator as this most accurately reflects per unit transportation costs.

The Company expects to deliver 2020 Operating EBITDA guidance that is flat with original 2019 guidance, despite an 8% increase to its Brent oil price assumption of \$60/bbl in 2020 compared to \$65/bbl in 2019. The Company has used an average oil price differential in 2020 of \$4.00/bbl, slightly above realized differentials in 2019, reflecting improved production in Venezuela and the impact of International Marine Organization 2020 regulations. The Brent less WTI spread is estimated at \$5.00/bbl for the purpose of estimating high priced royalties paid in kind at Quifa.

Average annual production in 2020 is expected to be in the range of 60,000 to 65,000 boe/d. Peru production will be impacted by the scheduled expiry of Frontera's service contract for Block 192 in March 2020. The Company is entitled to sell pipeline inventory following the relinquishment of the contract which will result in sales volumes in 2020 in Peru being similar to those in 2019.

#### 2020 Capital Expenditure Program:

| Capital Expenditures (\$MM)          | 2019 Guidance | 2020 Guidance |
|--------------------------------------|---------------|---------------|
| Maintenance and development drilling | 210 to 240    | 230 to 250    |
| Exploration activities               | 55 to 65      | 65 to 85      |
| Facilities and infrastructure        | 50 to 60      | 20 to 35      |
| Administrative and other assets      | 10            | 5 to 10       |
| Total Capital Expenditures           | 325 to 375    | 325 to 375    |

Capital expenditures are expected to be flat in 2020 compared to 2019 with an increasing mix of exploration growth capital and a reduction in facilities and infrastructure spending.

#### Development Drilling Projects:

- Facilities expansion at CPE-6 combined with continued horizontal well development drilling expected to increase production from 1,500 bbl/d in 2019 to over 4,000 bbl/d in 2020, with exit rate 2020 production targeted at over 6,000 bbl/d.
- Continued deployment of AICD subsurface water diversion devices throughout the Quifa development drilling program as continued vertical and deviated development drilling with the purpose of expanding the Quifa field limit.
- Appraisal drilling at Cajua in the ongoing evaluation of a new field area within the Quifa North block.
- Continued development of Coralillo field on the Guatiquia block with appraisal drilling to evaluate the eastern part of the field with the potential for multiple productive reservoir intervals.
- Evaluation of the updated reservoir model of the Copa fields within the Cubiro block to recommence the water flow control maintenance project or additional development drilling.

#### Exploration Projects:

- Near field exploration in Colombia, on existing producing blocks, building on successes in 2019, where the Company achieved a success rate of over 90% on blocks including CPE-6, Sabanero, Quifa North, and Mapache.
- The drilling of two exploration wells offshore Guyana, one well on each of the Demerara and Corentyne blocks, expected to start during the third and fourth quarters. The Company, along with its joint venture partner, CGX Energy Inc., expects to start drilling locations for each block during the first half of the year. Additionally, during the first half of 2020 the Company is providing a resource report for the two blocks offshore Guyana.
- In Ecuador, the Company will drill the Jandaya-1 exploration well on the Perico block, expected in the fourth quarter of 2020 as the acquisition, interpretation and processing of a 3D seismic program on the Espejo block.
- Drilling in the Lower Magdalena Valley on the Guama block targeting natural gas and natural gas liquids with the Guama exploration well and Asai Shallow-1 exploration well.
- Continued exploration drilling to the north and south of the Hamaca field on the CPE-6 block, following on from exploration successes during 2019.

#### Hedging Program:

For 2020, the Company has, to date, hedged approximately 30% of expected production with a combination of Brent oil purchased put options, zero cost collars, put spreads, and three-way collars at strike prices above \$55/bbl Brent between August 2019 and September 2020. In order to hedge oil prices, the Company will use a variety of financial instruments on a go-forward basis sufficient to protect the Company's capital program and financing costs, as well as potential future dividends.

#### Update on Normal Course Issuer Bid and Dividend:

During October and November 2019, the Company repurchased 722,300 shares at an average price C\$10.71/share or \$5.9 million under the Company's ongoing Normal Course Issuer Bid which expires on October 17, 2020.

On November 7, 2019, the Company announced a regular quarterly dividend of C\$0.205 to be paid on or about January 17, 2020 to shareholders of record on January 3, 2020.

About Frontera:

[Frontera Energy Corp.](#) is a Canadian public company and a leading explorer and producer of crude oil and natural gas, with operations focused in South America. The Company has a diversified portfolio of assets with interests in more than 40 exploration and production blocks in Colombia, Peru, Ecuador and Guyana. The Company's strategy is focused on sustainable growth in production and reserves. Frontera is committed to conducting business safely, in a socially and environmentally responsible manner. Frontera's common shares trade on the Toronto Stock Exchange under the ticker symbol "FEC".

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Advisories:

#### Cautionary Note Concerning Forward-Looking Statements

This news release contains forward-looking statements. All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding estimates and/or assumptions in respect of the corporate strategy, production, revenue and other financial results, cash flow and costs, future income generation capacity, reserve and resource estimates, potential resources and reserves, the Company's exploration and development plans and objectives, including its drilling plans and the timing thereof, cost savings initiatives and G&A savings, statements regarding the Company's policy and dividend payments and future dividends) are forward-looking statements. These forward-looking statements reflect the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, the Company. Factors that could cause actual results or events to differ materially from current expectations include, among other things: uncertainty of estimates of capital and operating costs, production estimates and estimated economic return; uncertainties associated with estimating oil and natural gas reserves; failure to establish estimated resources or reserves; volatility in market prices for oil and natural gas; fluctuation in currency exchange rates; inflation; changes in equity markets; perceptions of the Company's prospects and the prospects of the oil and gas industry in Colombia and the other countries where the Company operates or has investments; uncertainties relating to the availability and costs of financing needed in the future; the uncertainties involved in interpreting drilling results and other geological data; and the other risks disclosed under the heading "Risk Factors" and elsewhere in the Company's annual information form dated March 13, 2019 filed on SEDAR at [www.sedar.com](http://www.sedar.com). Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

This news release contains future oriented financial information and financial outlook information (collectively, "FOFI") (including, without limitation, statements regarding expected capital expenditures, Operating EBITDA and financial results for the Company in 2019 and 2020), and are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraph. The FOFI has been prepared by management to provide an outlook of the Company's activities and results, and such information may not be appropriate for other purposes. The Company and management believe that the

FOFI has been prepared on a reasonable basis, reflecting management's reasonable estimates and judgments, however, actual results of operations of the Company and the resulting financial results may vary from the amounts set forth herein. Any FOFI speaks only as of the date on which it is made and the Company disclaims any intent or obligation to update any FOFI, whether as a result of new information, future events or results or otherwise, unless required by applicable laws.

#### Non-IFRS Financial Measures

This news release contains financial terms that are not considered in the International Financial Reporting Standards ("IFRS"): Operating EBITDA does not have any standardized meaning, and therefore are unlikely to be comparable to similar measures presented by other companies. These non-IFRS measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These financial measures are included because management uses this information to analyze operating performance and liquidity.

Management believes that EBITDA is a common measure used to assess profitability before the impact of different financing methods, income taxes, depreciation and impairment of capital assets and amortization of intangible assets. Operating EBITDA represents the operating results of the Company's primary business, excluding the effects of capital structure, other investments (infrastructure assets), non-cash items that depend on accounting policy choices, and one-time items that are not expected to recur.

Please see the Company's most recent Management's Discussion and Analysis, which is available at [www.sedar.com](http://www.sedar.com) for additional information about these financial measures.

#### Boe Conversion

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

#### Definitions:

bbl(s) Barrel(s) of oil

bbl/d Barrel of oil per day

Contact

boe Refer to "Boe Conversion" disclosure above.  
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boe/d Barrel of oil equivalent per day

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CS Canadian dollar  
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<https://www.rohstoff-welt.de/news/340277--Frontera-Announces-2020-Capital-Plan-and-Guidance-Information.html>

Mcf Thousand cubic feet

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