

Frontera Announces First Quarter 2021 Results

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DELIVERED AVERAGE PRODUCTION OF 40,599 BOE/D,
IN LINE WITH GUIDANCE

RECORDED A NET LOSS OF \$14.1 MILLION

INCREASED OPERATING EBITDA BY 94% TO \$69.2 MILLION AND
REDUCED PRODUCTION COSTS PER BARREL BY 22% COMPARED TO Q4/2020

RECEIVED FAVOURABLE OPINION ON CONCILIATION AGREEMENT
FROM PROCURADURÍA GENERAL DE LA NACIÓN

TARGETING AN EARLY THIRD QUARTER SPUD FOR THE GUYANA KAWA-1 WELL

TORONTO, May 5, 2021 - [Frontera Energy Corp.](#) (TSX: FEC) ("Frontera" or the "Company") today reported financial and operational results for the first quarter ended March 31, 2021. All financial amounts in this news release are in United States dollars, unless otherwise stated.

First Quarter Operational and Financial Results:

- Production averaged 40,599 boe/d, in line with production guidance, compared to 41,945 boe/d in the prior quarter and 63,572 boe/d in the first quarter of 2020. See the table below for product type and prior quarter and year over year production information.

	Q1 2021	Q4 2020	Q1 2020
Heavy crude oil production (bbl/d)	20,997	21,074	31,996
Light and medium crude oil production (bbl/d)	18,685	19,756	29,539
Conventional natural gas production (mcf/d)	5,227	6,356	11,611
Total production (boe/d)	40,599	41,945	63,572

- The Company recorded a net loss of \$14.1 million (\$0.14/share), compared with net income of \$48.6 million (\$0.50/share) in the prior quarter and a net loss of \$387.8 million (\$4.04/share) in the first quarter of 2020. The net loss in the current quarter was primarily driven by a loss of \$19.8 million on risk management contracts, foreign exchange loss of \$18.5 million and a non-cash charge of \$9.3 million from legal contingencies offset by operating income of \$51.5 million due to the increase in oil prices and higher margins earned on oil and gas sales volumes.
- Cash provided by operating activities was \$47.4 million, compared with \$42.1 million in the prior quarter and \$46.1 million in the first quarter of 2020.
- Capital expenditures were \$14.4 million, compared with \$24.9 million in the prior quarter and \$64.7 million in the first quarter of 2020. The decrease in capital expenditures in the first quarter compared to the prior quarter was primarily due to ramping up development activities early in the quarter to protect the Company's cash position until clarity on improved oil prices emerged. As of May 4, 2021, operational activity was back to normal levels with five rigs running across Frontera operations. The company expects this current level of activity and increased capital spending in line with guidance for 2021 to continue through to the end of 2021.

- Operating EBITDA was \$69.2 million, up 94% compared with \$35.6 million in the prior quarter and \$47.0 million in the first quarter of 2020.
- Production costs averaged \$10.54/boe, down 22% compared with \$13.46/boe in the prior quarter and \$12.48/boe in the first quarter of 2020.
- Transportation costs averaged \$10.89/boe, essentially flat compared with \$10.93/boe in the prior quarter and down from \$12.44/boe in the first quarter of 2020.
- Operating netback was \$29.13/boe, up 114% compared with \$13.59/boe in the prior quarter and \$16.84/boe in the first quarter of 2020.
- Under the Company's current Normal Course Issuer Bid ("NCIB") program, 262,000 Common Shares were purchased for cancellation during the quarter.
- The Company's total cash position at March 31, 2021 was \$409.5 million of which \$161.2 million is restricted cash compared to \$401.2 million total cash and \$168.9 million restricted cash as at December 31, 2020. Frontera's restricted cash decreased by \$7.7 million from December 31, 2020, primarily due to impacts of foreign exchange.
- At March 31, 2021, the Company had a total inventory balance of 1,183,035 bbls compared to 1,115,377 bbls at the end of Q4 2020. Frontera's oil inventory in Peru was 580,499 bbls at the end of Q1 2021 compared to 995,585 bbls at the end of Q4 2020.

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

"Frontera continues to make significant progress in delivering value-focused production and cash flow from the Company's Colombian operations, achieving continuous operational improvements and greater cost efficiencies across the business while advancing the Company's exciting exploration portfolio in Colombia, Ecuador and Guyana. Frontera's solid first quarter production and financial results demonstrate these efforts are achieving excellent results. We delivered production within our guidance, generated strong operating EBITDA and free cash flow, and ended the quarter with a strong cash position of \$409 million and restricted cash."

Orlando Cabrales, Chief Executive Officer (CEO), Frontera, commented:

"Since joining the Frontera Board in November 2018 and becoming CEO in mid-March of this year, I have been proud to be part of the Company's evolution into a stronger, more competitive, returns-focused business. Over the past eight weeks, I have had the privilege of working side-by-side with Frontera's leadership, operational and administrative teams, whose professionalism and business and operational acumen are truly impressive. Our first quarter results, including increasing our operating EBITDA to \$69.2 million compared to Q4 2020, decreasing production costs by 22% per barrel compared to Q4 2020 and increasing our operating netback by 114% compared to Q4 2020 demonstrate our team's continued progress in delivering value-focused production and operational efficiency. I'm also pleased with the progress we've made to strengthen relationships with the local community, which supports our efforts to optimize our balance sheet and efficiently manage cash levels."

Looking ahead, we are excited about the advances we're making to realize our substantial exploration opportunities. Through our majority-owned subsidiary and joint venture with CGX Energy, we are preparing to drill the Kawa-1 well offshore Guyana in the third quarter of this year. Through our joint venture partnership with Parex Resources in Colombia, we will execute our exploration program at VIM-1 to develop this exciting greenfield opportunity. We continue to grow production in the CPE-6 block and our exploration program in the Espejo and Perico blocks in Ecuador with our joint venture partner GeoPark."

Executive Updates

As previously announced, during the first quarter of 2021, Frontera continued to evolve its leadership structure to ensure the best combination of skills and experience among its senior leadership team. Effective March 15, 2021, Board Member Orlando Cabrales Segovia was appointed as CEO, replacing Richard Herbert who had served as CEO for the last three years.

Effective March 29, 2021, Alejandra Bonilla became Corporate Vice-President, Legal & Secretary. Ms. Bonilla has extensive industry experience in addition to previously serving over nine years in the Company's legal department, and will lead the Company's legal, compliance and internal audit functions.

Operational and Financial Summary:

		Q1 2021	Q4 2020	Q1 2020
Operational Results				
Heavy crude oil production	(bbl/d)	20,997	21,074	31,996
Light and medium crude oil production	(bbl/d)	18,685	19,756	29,539
Total crude oil production ⁽¹⁾	(bbl/d)	39,682	40,830	61,535
Conventional natural gas production ⁽¹⁾	(mcf/d)	5,227	6,356	11,611
Total production ⁽²⁾⁽³⁾	(boe/d) ⁽⁴⁾	40,599	41,945	63,572
Inventory Balance				
Colombia	(bbl)	602,536	119,792	666,378
Peru	(bbl)	580,499	995,585	852,998
Total Inventory	(bbl)	1,183,035	1,115,377	1,519,376
Oil & gas sales, net of purchases ⁽⁵⁾	(\$/boe)	58.18	42.20	41.57
Realized (loss) gain on risk management contracts	(\$/boe)	(3.53)	(2.00)	2.65
Royalties	(\$/boe)	(1.96)	(0.47)	(1.18)
Diluent costs	(\$/boe)	(2.13)	(1.75)	(1.28)
Net sales realized price ⁽⁶⁾	(\$/boe)	50.56	37.98	41.76
Production costs ⁽⁷⁾	(\$/boe)	(10.54)	(13.46)	(12.48)
Transportation costs ⁽⁸⁾	(\$/boe)	(10.89)	(10.93)	(12.44)
Operating netback ⁽⁹⁾	(\$/boe)	29.13	13.59	16.84
Financial Results				
Oil and Gas Sales, net of purchases	(\$M)	180,956	172,980	242,835
Realized (loss) gain on risk management contracts	(\$M)	(10,980)	(8,205)	15,490
Royalties	(\$M)	(6,110)	(1,925)	(6,900)
Diluent costs	(\$M)	(6,614)	(7,158)	(7,468)
Net sales ⁽⁹⁾	(\$M)	157,252	155,692	243,957
Net (loss) Income ⁽¹⁰⁾	(\$M)	(14,126)	48,636	(387,809)
Per share - basic	(\$)	(0.14)	0.50	(4.04)
Per share - diluted	(\$)	(0.14)	0.48	(4.04)
General and administrative				

(\$M)

13,202

19,851

15,015

Operating EBITDA ⁽⁹⁾	(\$M)	69,158	35,639	46,982
Cash provided by operating activities	(\$M)	47,393	42,055	46,541
Capital expenditures ⁽¹¹⁾	(\$M)	14,365	24,871	64,676
Cash and cash equivalents - unrestricted	(\$M)	248,237	232,288	265,009
Restricted cash short and long-term	(\$M)	161,230	168,934	96,260
Total cash, including restricted cash	(\$M)	409,467	401,222	361,269
1. Refer to the lease liabilities related to natural gas production in the above table as well as the lease liabilities related to the light and medium crude oil and heavy crude oil and conventional natural gas, respectively	(\$M)	594,656	588,241	390,259
2. Represents working interest production before royalties and total volumes produced from service contracts. Refer to the "Further Disclosures" section on page 22 of the MD&A.	(\$M)	361,599	362,001	349,778
Net Debt (Excluding Unrestricted Subsidiaries) ⁽¹²⁾	(\$M)	139,327	146,978	98,269

3. Natural gas liquids have not been presented separately because production for such type was immaterial to the Company.

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

5. "Oil & Gas sales, net of purchases" is a non-IFRS measure and includes crude oil and natural gas sales, net of the cost of volumes purchased from third-party. For further detail refer to the "Non-IFRS Measures" section on page 13 of the MD&A.

6. Per boe is calculated using sales volumes from development and producing ("D&P") assets. Volumes purchased from third parties are excluded.

7. Per boe is calculated using production.

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

9. Refer to the "Non-IFRS Measures" section on page 13 of the MD&A. This section also includes a description and details for all per boe metrics included in operating netback.

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

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

12. Refer to the "Non-IFRS Measures" section on page 13 of the MD&A. ("Unrestricted Subsidiaries") include CGX Energy Inc. ("CGX"), ODL JV Ltd., and Frontera Bahía Holding Ltd including its subsidiary Sociedad Operadora Puerto Bahía S.A. ("Puerto Bahía").

During the first quarter of 2021, the Company increased credit lines with Bancolombia and Banco BTG Pactual S.A. to million. These new uncommitted credit lines do not require cash collateral and Frontera expects that these increased lines enable the Company to release additional restricted cash amounts in the second quarter of 2021.

Favorable Opinion on Conciliation Agreement from Procuraduría General de la Nación

On March 24, 2021, the Procuraduría General de la Nación recommended that the previously announced conciliation agreement (the "Conciliation Agreement") between Frontera, Cenit Transporte y Logística de Hidrocarburos S.A.S. ("CENIT") and Bicentenario de Colombia S.A.S. ("Bicentenario") be approved. The favorable opinion represents the first of two stages of the Conciliation Agreement. If approved by the Administrative Tribunal of Cundinamarca, the second stage of the process will be completed, and the parties will be able to complete the settlement arrangement, resolving all the disputes between the Company and the other parties related to the Bicentenario Pipeline and the Caño Limón - Coveñas Pipeline. There can be no assurance that the required approvals will be received on a timely basis or at all.

Operational Update

Colombia

Production in the first quarter averaged 40,599 boe/d, down 3% compared with 41,945 boe/d in the prior quarter due to declines in some of the Company's mature fields and reductions of water disposal volumes at Quifa, partially offset by a gain in production at CPE-6 from a new well drilled on the block.

At the end of the first quarter, the Company voluntarily and temporarily reduced production at Quifa as it seeks to identify water disposal options in the block. The Company anticipates lower production in the second quarter of 2021 but returning to planned levels in the third quarter of 2021. Frontera expects to meet its full year guidance forecast of 40,500-42,500 boe/d.

On the VIM-1 Block, the joint venture (Frontera 50% W.I., Parex 50% W.I. and operator) anticipates starting a two well drilling program to further assess the block. The wells, Basilea and Planadas are located 2.6 and 6.3 kilometers respectively from the La Belleza-1 discovery. The joint venture is currently evaluating development plans for the La Belleza discovery that include possible reinjection of gas to increase liquids recovery and maximize project value.

Guyana

On April 16, 2021, Frontera and majority-owned subsidiary and joint venture partner CGX Energy Inc. ("CGX"), joint venture partners in Petroleum Prospecting Licenses for the Corentyne and Demerara blocks offshore Guyana, announced that the joint venture entered into a term sheet for a \$19 million loan that will enable CGX to continue to finance its share of costs related to the Corentyne, Demerara and Berbice blocks, the Berbice Deepwater Port, and other budgeted costs as agreed to by Frontera and CGX.

On April 21, 2021, Frontera and CGX also announced that CGX Resources Inc., operator of the Corentyne Block, entered into an agreement with Maersk Drilling Holdings Singapore Pte. Ltd., a subsidiary of The Drilling Company of 1972 A/S, for the lease of a semi-submersible drilling unit, the Maersk Discoverer, and associated services to drill the Kawa-1 well (the "Drilling Contract"). The joint venture is targeting an early third quarter spud for the Kawa-1 well.

In conjunction with the Drilling Contract between CGX Resources and Maersk, Frontera has entered into a separate Deed of Guarantee (the "Deed") with Maersk for certain obligations in connection with the day rates under the Drilling Contract. CGX Resources, up to a maximum of \$25 million subject to a sliding scale mechanism in connection with payments made under the Drilling Contract. Frontera and CGX anticipate entering into an agreement pursuant to which all amounts drawn under the Deed that are attributed to CGX Resources' share of the joint venture costs, shall be guaranteed by CGX.

The primary target for the Kawa -1 well is a Santonian age, stratigraphic trap, interpreted to be analogous to the discovery immediately to the east on Block 58 in Suriname. The Kawa-1 well is anticipated to be drilled to a total depth of approximately 6,500 meters in a water depth of approximately 370 meters.

Ecuador

In Ecuador, seismic acquisition planning and other preliminary activities are underway in advance of drilling in the Espejo block (Frontera 50% W.I., GeoPark 50% W.I. and operator) and the Perico block (Frontera 50% W.I. and operator, GeoPark 50% W.I.) in the second half of 2021 or early 2022.

Peru

On February 5, 2021, Frontera's service contract for Block 192 expired as per its terms and the Company is no longer operating the block. During the quarter, the Company began remediation work in Block 192 and the Z-1 block as it pursues its exit strategy. Frontera's oil inventory in Peru was 580,499 bbls at the end of Q1 2021 compared to 995,585 bbls at the end of Q4 2020.

NCIB Update

On March 17, 2021, Frontera commenced an NCIB for its common shares (the "Common Shares"). Pursuant to the NCIB, the Company will repurchase up to 10% of its common shares over the next 12 months.

may purchase up to 5,197,612 Common Shares during the twelve-month period commencing March 17, 2021 and ending March 16, 2022, representing approximately 10% of the Company's "public float" as of March 11, 2021. On this date, there were 97,466,224 Common Shares issued and outstanding of which 51,976,116 constituted the "public float", calculated in accordance with the rules of the TSX. Under the Company's NCIB program, as of March 31, 2021, 262,000 Common Shares had been purchased for cancellation for \$1.3 million. As of May 3, 2021, the Company had repurchased for cancellation a total of 4,428,812 Common Shares for \$4.0 million with an additional 4,428,812 Common Shares available for repurchase under the NCIB program.

Hedging Update

Frontera uses a combination of Brent oil price linked purchased put options, zero cost collars, put spreads and three-way collars to protect the Company's balance sheet and capital program within hedging limits set by the Board of Directors. The following table summarizes Frontera's hedging position as of May 5, 2021.

Term	Instrument	Notional Amount/ Volume (bbl/d)	Strike Prices
			Put/ Call; Call Spreads
1Q-21	3-Ways	9,333	25.8/35.8/50.5
	Put Spread	12,543	26.4/36.4
2Q-21	3-Ways	15,275	25.5/35.5/51.8
	Put Spread	5,275	26.5/36.5
3Q-21	3-Ways	1,957	37/47/62.9
	Put	7,750	60
	Put Spread	13,696	38.7/48.7
4Q-21	3-Ways	1,957	37/47/62.9
	Put Spread	13,630	40/50

First Quarter 2021 Conference Call Details

A conference call for investors and analysts will be held on Thursday, May 6, 2021 at 11:00 a.m. (EST/GMT-5). Participants will include Gabriel de Alba, Chairman of the Board of Directors, Orlando Cabrales, Chief Executive Officer, Alejandro Piñero, Chief Financial Officer, and select members of the senior management team.

Analysts and investors are invited to participate using the following dial-in numbers:

Participant Number (Toll Free North America): 1-888-664-6392

Participant Number (Toll Free Colombia): 01-800-518-4036

Participant Number (International): 1-416-764-8659

Conference ID: 26188387

Webcast Audio: www.fronteraenergy.ca

A replay of the conference call will be available until 11:59 p.m. (EST/GMT-5) May 13, 2021.

Encore Toll free Dial-in Number: 1-416-764-8677

International Dial-in Number: 1-888-390-0541

Encore ID: 188387

About Frontera:

[Frontera Energy Corp.](#) is a Canadian public Company involved in the exploration, development, production, transportation, storage and sale of oil and natural gas in South America, including related investments in both upstream and midstream facilities. The Company has a diversified portfolio of assets with interests in 40 exploration and production blocks in Colombia, Ecuador and Guyana, and pipeline and port facilities in Colombia. Frontera is committed to conducting business safely and in a socially, environmentally and ethically 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, the Company's exploration and development plans and objectives, including its drilling plans and the timing thereof, estimates and/or assumptions in respect of the Company's capital expenditure program (including Company's guidance), production levels, costs, future income generation capacity, cash levels (including the timing and ability to release restricted cash), regulatory approvals, including the approval of the Administrative Tribunal of Cundinamarca, the impact of shut-ins and other work in the field on future field performance, and the Company's hedging program and its ability to mitigate the impact of changes in oil prices) 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: volatility in market prices for oil and natural gas (including as a result of a sustained low oil price environment due to the COVID-19 pandemic and the procedures imposed by governments in response thereto and the actions of OPEC and non-OPEC countries); the duration and spread of the COVID-19 pandemic and its severity, the success of the Company's program to manage COVID-19; uncertainties associated with estimating and establishing oil and natural gas reserves and resources; liabilities inherent with the exploration, development, exploitation and reclamation of oil and natural gas; uncertainty of estimates of capital and operating costs, production estimates and estimated economic return; increases or changes to transportation costs; expectations regarding the Company's ability to raise capital and to continually add reserves through acquisition and development; the Company's ability to access additional financing; the ability of the Company to maintain its credit ratings; the ability of the Company to: meet its financial obligations and minimum commitments, fund capital expenditures and comply with covenants contained in the agreements that govern indebtedness; political developments in the countries where the Company operates; the uncertainties involved in interpreting drilling results and other geological data; geological, technical, drilling and processing problems; timing on receipt of government approvals; fluctuations in foreign exchange or interest rates and stock market volatility and the other risks disclosed under the heading "Risk Factors" and elsewhere in the Company's annual information form dated March 3, 2021 filed on SEDAR at 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 average production), 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, Operating Netback, Net Sales, Oil & gas sales, net of purchases, Consolidated Total Indebtedness and Net Debt. These financial measures, together with measures prepared in accordance with IFRS, provide useful information to investors and shareholders, as management uses them to evaluate the operating performance of the Company. The Company's determination of these non-IFRS measures may differ from other reporting issuers, and therefore are unlikely to be comparable to similar measures presented by other companies. Further, these non-IFRS measures should not be considered in isolation or as a substitute for measures of performance or cash flows prepared in accordance with IFRS. These financial measures are included because management uses this information to analyze operating performance and liquidity. Prior period figures are different compared with those previously reported as a result of the change in the treatment of purchased volumes and cost of purchases according with the new operating netback approach. Refer to "Non-IFRS Measures" section on page 13 of the MD&A for further details.

Operating EBITDA

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.

EBITDA is a commonly used measure that adjusts net income (loss) as reported under IFRS to exclude the effects of income taxes, finance income and depletion, depreciation and amortization expense.

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

A reconciliation of Operating EBITDA to net loss is as follows:

(\$M)		Three Months Ended	
		March 31, 2021	December 31, 2020
Net loss (income)	(14,126)	48,636	(387,809)
Finance Income	(840)	(6,665)	(4,678)
Finance expenses	13,587	18,778	15,260
Income tax expense (recovery)	13,280	(143,756)	173,074
Depletion, depreciation and amortization	32,636	51,637	88,020
Impairment and Others	(5,738)	(14,430)	148,134
Cost under terminated pipeline contracts	-	99,058	2,839
Shared-based compensation	1,317	1,181	1,217
Restructuring, severance and other cost	381	7,340	6,408
Share of income from associates	(9,786)	(13,422)	8,406
Foreign exchange loss (gain)	18,488	(27,840)	20,597
Unrealized loss (gain) on risk management contracts	8,838	(741)	(29,140)
Other loss, net	9,601	3,043	2,991
Non-controlling interests	1,520	12,820	1,663
Operating EBITDA	69,158	35,639	46,982

Netbacks

Management believes that Netback is a useful measure to assess the net profit after all the costs associated with bringing one barrel of oil to the market. It is also commonly used by the oil and gas industry to analyze financial and operating performance expressed as profit per barrel. Operating Netback represents realized price per barrel plus realized gain or loss on financial derivatives, less production costs, transportation costs, royalties, and diluent costs, and shows how efficient the Company is at extracting and selling its product. For netback purposes, the Company removes the effects of trading activities and Midstream segment from its per barrel metrics. Refer to the "Operating Netback" section on page 6 of the MD&A.

Net Sales

Net sales are a non-IFRS subtotal that adjusts revenue to include realized gains and losses from risk management contracts while removing the cost of dilution activities. This is a useful indicator for management as the Company hedges a portion of its oil production using derivative instruments to manage exposure to oil price volatility. This metric allows the Company to report its realized net sales after factoring in these risk management activities. The deduction of diluent cost is helpful to understand the Company's sales performance based on the net realized proceeds from production net of dilution, the cost of which is partially recovered when the blended product is sold. Net sales exclude sales from port services, as it is not considered part of the oil & gas segment, and sales and purchases of oil and gas for trading as the gross margins from these activities are not considered significant or material to the Company's operations. Refer to the reconciliation in the "Sales" section on page 7 of the MD&A.

Consolidated Total Indebtedness and Net Debt

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

Please see the MD&A for additional information about these financial measures.

Oil and Gas Information Advisories

Reported production levels may not be reflective of sustainable production rates and future production rates may differ materially from the production rates reflected in this news release due to, among other factors, difficulties or interruptions encountered during the production of hydrocarbons.

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
boe	Refer to "Boe Conversion" disclosure above
boe/d	Barrel of oil equivalent per day
Mcf	Thousand cubic feet
mcf/d	thousand cubic feet per day
Net Production	Net production represents the Company's working interest volumes, net of royalties and internal consumption

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