Frontera Announces Second Quarter 2021 Results

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PRODUCTION AVERAGED 35,682 BOE/D, EXPECT 2021 EXIT RATE OF OVER 40,000 BOE/D

CASH PROVIDED BY OPERATING ACTIVITIES WAS $87.4 MILLION, UP 84% COMPARED TO Q1

OPERATING EBITDA WAS $84.8 MILLION, UP 23% COMPARED TO Q1

GUYANA PROSPECT KAWA-1 WELL TO BE SPUD BY THE END OF AUGUST 2021

TORONTO, Aug. 11, 2021 /CNW/ - Frontera Energy Corp. (TSX: FEC) ("Frontera" or the "Company") today reported fi and operational results for the second quarter ended June 30, 2021. All financial amounts in this news release are in U States dollars, unless otherwise stated.

Second Quarter Operational and Financial Results:

- Production averaged 35,682 boe/d compared to 40,599 boe/d in the prior quarter and 42,597 boe/d in the second 2020. See the table below for product type and prior quarter production information. On July 16, 2021, the Compa its expected average daily production for the year to 37,500-39,500 boe/d and anticipates a year-end exit rate of 40,000 boe/d.

	Q2 2021	Q1 2021	Q2 2020
Heavy crude oil production (bbl/d)	17,241	20,997	22,533
Light and medium crude oil production (bbl/d)	17,535	18,685	18,415
Conventional natural gas production (mcf/d)	5,164	5,227	9,399
Total production (boe/d)	35,682	40,599	42,597

- Cash provided by operating activities was $87.4 million, an increase of 84% compared with $47.4 million in the pr and $102.3 million in the second quarter of 2020. The Company reported a total cash position of $486.6 million a 2021, including $63.4 million of cash that was utilized to repay the 2023 Bond balance on July 7, 2021, and $128. restricted cash.
- Operating EBITDA was $84.8 million, up 23% compared with $69.2 million in the prior quarter and $37.6 million i second quarter of 2020 as the Company benefited from attractive commercial differentials and higher oil prices d quarter.
- Operating netback was $32.83/boe, up 12.7% compared with $29.13/boe in the prior quarter and $14.31/boe in t quarter of 2020.
- The Company recorded a net loss of $25.6 million ($0.26/share), compared with net loss of $14.1 million ($0.14/s the prior quarter and a net loss of $67.8 million ($0.70/share) in the second quarter of 2020. The net loss in the c quarter included debt extinguishment costs of $29.1 million, total income tax expense of $37.9 million, and a total risk management contracts of $17.4 million, partially offset by $65.6 million of income from operations.
- The Company completed an offering of U.S.$400 million in senior unsecured notes at a coupon rate of 7.875%, n 2028 (the "2028 Unsecured Notes"), increasing the size of the Bond, improving the Company's debt covenants, e the maturity and reducing the Company's average cost of debt.

- Capital expenditures were $61.2 million in the second quarter of 2021, compared with $14.4 million in the prior qu $15.7 million in the second quarter of 2020. The increase in capital expenditures in the second quarter compared prior quarter was primarily due to increased drilling activity as the Company drilled a total of 12 development wells CPE-6, Quifa and La Creciente and increased exploration activity in Guyana and Colombia. The Company expec increased capital spending during the second half of the year in-line with its $245-$295 capital guidance range fo

- Production costs averaged $12.08/boe compared with $10.54/boe in the prior quarter and $9.03/boe in the secon of 2020. The increase in production cost on a per barrel basis in the second quarter compared to the prior quarte primarily due to well services conducted during the quarter, and reduced production volumes quarter over quarte road blockades and localized community-related delays, separate from the national strikes.

- Transportation costs averaged $10.84/boe compared with $10.89/boe in the prior quarter and down from $11.28/ second quarter of 2020.

- The Company recorded a realized loss on risk management contracts of $24.9 million in the second quarter of 20 compared to a realized loss of $11.0 million in the first quarter of 2021 and a gain of $39.9 million in the second q 2020. The realized loss is due primarily to the cash settlement on 3-ways and put spread contracts paid during th and six months ended June 30, 2021 at an average price of $69.01/bbl. In the second quarter of 2021, the Comp increased its hedged production from 40% to 60% for the remainder of 2021, using $60/bbl naked puts. The Com second half hedges do not materially cap upside price potential. See the Hedging Update section below for more information.

- Under the Company's current Normal Course Issuer Bid which commenced on March 17, 2021 ("NCIB") program Company repurchased for cancellation 1,525,500 of its common shares during the quarter at a cost of approxima million. During the first quarter of 2021 the company repurchased 262,000 Common Shares for $1.3 million for ca

- At June 30, 2021, the Company had a total inventory balance of 969,028 bbls compared to 1,183,035 bbls at Mar 2021. Frontera's oil inventory in Peru was 480,200 bbls at the end of Q2 2021 compared to 580,499 bbls at the e 2021.

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

"Frontera made progress on a number of important fronts in the second quarter of 2021. The Company increased cash provided by operating activities to $87.4 million, up 84% compared to the first quarter. The Company also refinanced its bonds at a lower interest rate while extending the maturity to 2028, and through significant investor demand, increased the size of the bond to $400 million. Frontera also bought back approximately 1.5 million shares under its NCIB, secured an acreage extension to the CPE-6 block, reduced its restricted cash position by $33 million and released its 2020 Sustainability Report and ESG goals. Subsequent to the quarter, the Company increased its expected annual Operating EBITDA guidance to $325-$375 million and, through its joint venture, prepared to spud the Kawa-1 well in the Corentyne block, offshore Guyana which is expected to occur in the coming days. I believe that the Kawa-1 well is one of the most exciting exploration wells in the world with a potential discovery serving as a key value creation catalyst."

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

"Frontera increased its operating EBITDA to $84.8 million, up 23% compared to the first quarter and improved its operating netback to $32.83/boe, up 12.7% compared to the first quarter despite temporary setbacks in production volumes. As of August 9, five rigs were active across Frontera's operations. In the second half of this year, the Company anticipates increasing production at CPE-6 and Quifa. Through its joint venture, the Company is drilling the Planadas-1 exploration well at VIM-1 and expects to begin initial production of compressed natural gas from the La Belleza discovery in the fourth quarter. In addition, the Company is thrilled that drilling will begin shortly on the potentially transformational Kawa-1 well offshore Guyana."

Operational and Financial Summary:

		Q2 2021	Q1 2021	Q2 2020
Operational Results				
Heavy crude oil production	(bbl/d)	17,241	20,997	22,533
Light and medium crude oil production	(bbl/d)	17,535	18,685	18,415
Total crude oil production (1)	(bbl/d)	34,776	39,682	40,948
Conventional natural gas production	(mcf/d)	5,164	5,227	9,399
Total production (2)(3)	(boe/d) (4)	35,682	40,599	42,597
Inventory Balance				
Colombia	(bbl)	488,828	602.536	840.893
Peru	(bbl)	480,200	580.499	852.892
Total Inventory	(bbl	969,028	1,183,035	1,693,785
Oil & gas sales, net of purchases (5)	($/boe)	64.54	58.18	24.96
Realized (loss) gain on risk management contracts	($/boe)	(8.00)	(3.53)	12.19
Royalties	($/boe)	(0.53)	(1.96)	-
Diluent costs	($/boe)	(0.26)	(2.13)	(2.53)
Net sales realized price (6)	($/boe)	55.75	50.56	34.62
Production costs (7)	($/boe)	(12.08)	(10.54)	(9.03)
Transportation costs (8)	($/boe)	(10.84)	(10.89)	(11.28)
Operating netback (9)	($/boe)	32.83	29.13	14.31
Financial Results				
Oil and Gas Sales, net of purchases	($M)	200,581	180,956	81,701
Realized (loss) gain on risk management contracts	($M)	(24,877)	(10,980)	39,885
Royalties	($M)	(1,640)	(6,110)	-
Diluent costs	($M)	(803)	(6,614)	(8,273)
Net sales (9)	($M)	173,261	157,252	113,313
Net (loss)(10)	($M)	(25,648)	(14,126)	(67,760)
Per share - basic	($)	(0.26)	(0.14)	(0.70)
Per share - diluted	($)	(0.26)	(0.14)	(0.70)

General and administrative	($M)	14,132	13,202	9,716
Operating EBITDA [9]	($M)	84,771	69,158	37,608
Cash provided by operating activities	($M)	87,391	47,393	102,256
Capital expenditures [11]	($M)	61,214	14,365	15,651
Cash and cash equivalents - unrestricted	($M)	358,325	248,237	256,135
Restricted cash short and long-term	($M)	128,283	161,230	138,634
Total cash, including restricted cash	($M)	486,608	409,467	394,769
Total debt and lease liabilities	($M)	565,238	534,656	379,790
Consolidated total indebtedness (Excl. Unrestricted Subsidiaries) [12]	($M)	468,424	361,699	373,363
Net Debt (Excluding Unrestricted Subsidiaries) [12]	($M)	138,701	139,327	128,882

1. Reference to crude oil or natural gas production in the above table and elsewhere in the MD&A refer to the light and medium crude oil and heavy crude oil and conventional natural gas, respectively, product types in National Instrument 51-101- Standards of Disclosure for Oil and Gas Activities

2. Represents working-interest production before royalties and total volumes produced from service contracts. Refer to the "Further Disclosures" section on page 23 of the MD&A.

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 15 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 15 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 include costs, net of income from exploration and evaluation ("E&E") assets.

12. Refer to the "Non-IFRS Measures" section on page 15 of the MD&A. ("Unrestricted Subsidiaries") include CGX Energy Inc.("CGX"), Frontera ODL Holding Corp., including its subsidiary Pipeline Investment Ltd. ("PIL"), Frontera BIC Holding, and Frontera Bahía Holding Ltd., including its subsidiary Sociedad Portuaria Puerto Bahía S.A. ("Puerto Bahia")".

Operational Update

Guyana

Frontera and majority-owned subsidiary and coventurer CGX, joint venture partners in the Petroleum Prospecting Licenses for the Corentyne and Demerara blocks offshore Guyana, intend to spud the Kawa-1 well in Corentyne by the end of August 2021. The Maersk Discoverer, a sixth-generation semi-submersible drilling rig is currently on route from Trinidad and is expected at the Kawa-1 location on August 15, 2021. The joint venture expects the Kawa-1 well will reach total depth in approximately 85 days. As part of its contract with Maersk, the joint venture also holds an option to drill an additional well.

The Kawa-1 well is located in the northeast quadrant of the Corentyne block, approximately 200 kilometers offshore from Georgetown. The water depth is approximately 355 meters (1174 ft) and the expected total depth of the Kawa-1 well is 6,685 meters (21,932 ft). The primary target of the Kawa-1 well is a light oil, large Santonian slope fan complex with an overlying Campanian fan in a combination structural and stratigraphic trap. Trapping of hydrocarbons within Campanian to Santonian aged sandstone reservoirs is expected to be provided by a pinchout of the reservoir section updip.

The Kawa-1 well will also penetrate secondary objectives in a shallower Campanian sand and a deeper Santonian sand which the joint venture believes has additional hydrocarbon potential. The stacked primary and secondary Kawa-1 targets are considered analogous to the discoveries immediately adjacent to the Corentyne block in Block 58 in Suriname.

Proximity of the Corentyne block to the Cretaceous Berbice Canyon sediment source is interpreted to have concentrated sandstone reservoirs in the North Corentyne area. Channelized, stacked internal fan geometries evident on 3D seismic are indicative of thick, stacked, coarser-grained sand reservoirs.

The joint venture has assembled a highly-qualified and experienced team for the drilling campaign, with extensive deep water drilling expertise from operations around the globe, including the Guyana Basin.

Colombia

Production in the second quarter averaged 35,682 boe/d, down approximately 12% compared with 40,599 boe/d in the prior quarter. The reduction in production quarter over quarter was mainly due to temporarily reduced water disposal volumes and community concerns which delayed drilling a new injector well at Quifa and slower than anticipated recovery of full production levels at CPE-6 following the lifting of road blockades. These community concerns have now been resolved.

Currently, the Company has three drilling rigs and two workover rigs active at its Quifa, CPE-6 and Coralillo operations. In the second quarter of 2021, the Company drilled 12 wells and completed well services on 23 others.

At Quifa, reserves have been unaffected by the temporary reduction in water disposal volumes. The Company is developing other water disposal options for the benefit of long-term production, including drilling a new injector well on the block. The Company expects that once the new injector well is operational, Quifa production will increase. Frontera expects to drill 10 development wells at Quifa in the second half of 2021.

At CPE-6, production has returned to pre shut-in levels of approximately 3,600 boe/d. The Company continues to expect increased production at CPE-6 by approximately 40% by the end of the year (compared to 2020) through continued drilling and construction of additional water-handling facilities.

During the quarter, the Agencia Nacional de Hidrocarburos agreed to extend the CPE-6 boundary area by 115,869 net acres to the north of the current CPE-6 boundary area, bringing the Company's total acreage position to 645,626 net acres. The boundary extension provides the Company with additional near-field exploration and growth opportunities adjacent to its existing and expanding CPE-6 facilities.

On the VIM-1 Block (Frontera 50% W.I., Parex 50% W.I. and operator) the joint venture is accelerating development for the La Belleza discovery drilled in 2019, including the production of compressed natural gas. Subject to timing, partner and regulatory approval, the joint venture anticipates preliminary production of approximately 7 million cubic feet/day plus liquids, for a total equivalent production of 2,700 boe/d (gross) in Q4 2021.

The Basilea-1 well was drilled to a total depth of 10,864 feet encountering gas shows through the shallower Porquero Formation and has now been temporarily suspended. The drill rig has been moved to the Planadas-1 location, approximately seven kilometers west of the La Belleza discovery. The Planadas-1 exploration well was spud on July 30, 2021 and is targeting Cienaga de Oro limestones.

Ecuador

In Ecuador, seismic acquisition planning and other preliminary activities continue in advance of drilling in the Espejo block (Frontera 50% W.I., GeoPark 50% W.I. and operator) and planning for the Jandaya-1 exploration well in the Perico block (Frontera 50% W.I. and operator, GeoPark 50% W.I.) in the fourth quarter of 2021 or the first quarter of 2022.

Peru

The Company continues to complete remediation work in Block 192 and the Z-1 block as it pursues its exit from Peru. At the end of the second quarter, Frontera's oil inventory in Peru was 480,200 bbls compared to 580,499 bbls at the end of the first quarter of 2021. The Company expects to sell the remaining oil inventory in Peru in 2021.

Production Guidance Revised

On July 16, 2021, the Company announced that it expects average daily production of 37,500-39,500 boe/d for the year and anticipates a year-end exit rate of over 40,000 boe/d. This compares to 40,500-42,500 boe/d and approximately 43,000 boe/d that the Company previously announced. The Company has increased its annual Operating EBITDA guidance by 17% at the midpoint to $325-$375 million from $275-$325 million as a result of stronger than expected Brent prices. The Company also narrowed its total capital expenditure range to $245-$295 million, reflecting the expected costs of the Kawa-1 exploration well offshore Guyana as it continues to consider strategic options.

Bond Refinancing Completed

The Company's long-term borrowing consists of the 2028 Unsecured Notes in the aggregate amount of $400.0 million, issued on June 21, 2021. The 2028 Unsecured Notes bear interest at a rate of 7.875% per year. The Unsecured Notes will mature in June 2028, unless earlier redeemed or repurchased. Concurrent with the offering, the net proceeds of the 2028 Unsecured Notes were partially used to repurchase, at a premium and including accrued interest, the total obligation under the Company's previously issued 2023 Unsecured Notes, which were set to mature in 2023. The remaining proceeds will be used for general corporate purposes.

Frontera received tenders and consents from holders of $287.8 million (or 82.24%) of the aggregate principal amount of its 2023 Unsecured Notes, pursuant to its previously announced cash tender offer and consent solicitation made upon the terms and subject to the conditions set forth in the Offer to Purchase and Consent Solicitation Statement dated as of June 7, 2021, and the related Letter of Transmittal. The notes tendered prior to the early tender date were settled on June 21, 2021 and the notes tendered after the early tender date and prior to the expiration time were settled on July 7, 2021.

On July 7, 2021, the Company redeemed all of the remaining 2023 Unsecured Notes. The Company's long-term borrowing of $350.0 million of 2023 Unsecured Notes was completely discharged on July 7, 2021.

Update on Credit Lines

The Company has various uncommitted bilateral letters of credit lines. As of June 30, 2021, the Company had issued letters of credit and guarantees for exploration, operational, and transport commitments totaling $72.7 million, with cash collateral of $14.3 million. In July, the Company increased the credit line with Banco BTG Pactual S.A. by an additional $15 million. This new uncommitted credit line does not require cash collateral, and as a result, Frontera released $9.1 million of restricted cash early in the third quarter of 2021.

Update on the Company's Restricted Cash Position

As of June 30, 2021, Frontera's restricted cash position was $128.3 million, a decrease of approximately $33 million compared to $161.2 million in the first quarter of 2021. The decrease in restricted cash quarter over quarter is primarily due to the release of $10.0 million of abandonment funds that were replaced with letters of credit, the release of $12.5 million in exploration commitments due to the reduction in cash collateral requirements under new letter of credit lines, the release of $11 million due to a new agreement with Citibank regarding cash collateral of letter of credits and foreign exchange fluctuations. In the third quarter of 2021, the Company anticipates releasing additional restricted cash as the Company continues to optimize its credit lines.

Update on the Normal Course Issuer Bid

During the second quarter of 2021, the company repurchased for cancellation 1,525,500 common shares at a cost of approximately $8 million. As of Aug 9, 2021, the Company had repurchased for cancellation a total of 2,225,500 million common shares at a cost of $11.8 million with an additional 2,972,112 common shares available for repurchase under the NCIB. Under its NCIB, Frontera 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", calculated in accordance with the rules of the TSX as of March 11, 2021.

Hedging Update

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 40%-60% of the estimated production using a combination of instruments, capped and non-capped, to protect the revenue generation and cash position of the Company, while maximizing the upside. This diversification of instruments allows the Company to take a more dynamic approach to the management of its hedging portfolio. In 2021, the Company executed a risk management strategy using a variety of derivatives instruments, including 3 - ways, puts and put spreads primarily to protect against downward oil price movements. The following table summarizes Frontera's hedging position as of Aug 10, 2021.

Term	Instrument	Notional Amount/ Volume (bbl/d)	Strike Prices Put/ Call; Call Spreads
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	7,543	60
	Put Spread	13,630	40/50

Frontera releases its 2020 Sustainability Report and ESG Goals

During the quarter, Frontera released its 2020 Sustainability Report (the "Sustainability Report") and reaffirmed its commitment to develop new visions for environmental, social and governance ("ESG") approaches across its business. Frontera's 2020 Sustainability Report highlights the progress the Company has made to act consistently and transparently, to offer quality employment, to promote a sustainable supply chain, to contribute to the sustainable development of communities and to work in harmony with the environment. The Sustainability Report is a relevant tool for our stakeholders to track the Company's progress towards achieving its ESG goals. Frontera's Sustainability Report covers the period from January 1, 2020 to December 31, 2020. Frontera's Sustainability Report can be accessed on the Company's website at: https://www.fronteraenergy.ca/sustainability-reports/.

Second Quarter 2021 Conference Call Details

A conference call for investors and analysts will be held on Thursday, Aug 12, 2021 at 10:00 a.m. Eastern Time. Participants will include Gabriel de Alba, Chairman of the Board of Directors, Orlando Cabrales, Chief Executive Officer, Alejandro Piñeros, 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):	1-800-437-2398
Participant Number (Toll Free Colombia):	01-800-518-0795
Participant Number (International):	1-647-792-1240
Conference ID:	3330960
Webcast Audio:	www.fronteraenergy.ca

A replay of the conference call will be available until 11:59 p.m. Eastern Time on Aug 19, 2021.

Encore Toll free Dial-in Number:	1-647-436-0148
International Dial-in Number:	1-888-203-1112
Encore ID:	3330960

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 39 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.

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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 approval, 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 to the new operating netback approach. Refer to the "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:

		Three Months Ended	
($M)	June 30, 2021	March 31, 2021	June 30, 2020
Net loss	(25,648)	(14,126)	(67,760)
Finance Income	(3,675)	(840)	(6,167)
Finance expenses	13,747	13,587	11,728
Income tax expense	37,869	13,280	1,161
Depletion, depreciation and amortization	40,455	32,636	58,250
Impairment and Others	(1,111)	(5,738)	3,329
Cost under terminated pipeline contracts	-	-	8,391
Shared-based compensation	3,142	1,317	1,316
Restructuring, severance and other cost	1,535	381	6,302
Share of income from associates	(9,805)	(9,786)	(23,336)
Foreign exchange loss	48	18,488	2,535
Unrealized (gain) loss on risk management contracts	(7,453)	8,838	36,011
Other loss, net	3,182	9,601	2,668
Non-controlling interests	3,373	1,520	3,180
Debt extinguishment costs	29,112	-	-
Operating EBITDA	84,771	69,158	37,608

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
Bcf	Billion cubic feet
boe	Refer to "Boe Conversion" disclosure above
boe/d	Barrel of oil equivalent per day
Mcf	Thousand cubic feet
MMbbl	Million barrels of oil
MMboe	Million barrels of oil equivalent
W.I.	Working Interest
Net Production	Net production represents the Company's working interest volumes, net of royalties and internal consumption

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Contact
Brent Anderson, Director, Investor Relations, +1 403 705 8827, ir@fronteraenergy.ca, www.fronteraenergy.ca