Frontera Announces Second Quarter 2022 Results

10.08.2022 | CNW

Generated EBITDA of $190.7 Million, Production of 41,586 Boe/d

Increased Operating Netback by 16% to $68.01/Boe, Net Sales Realized Price by 12% to $91.50/Boe

Recorded Net Income of $13.5 Million

Executed C$65 Million Substantial Issuer Bid, Resuming NCIB on August 11, 2022

Released 2021 Sustainability Report, Achieved 98% of 2021 ESG Goals, Announced 2022 Targets, Reduced CO_2 Emi
31,000 Tons Compared With 2Q'21

Announced Transaction for the Corentyne Block That Secures Funding for the Wei-1 Exploration Well, to be Spud in October 2022

Updated 2022 Capital and Production Guidance

Forecast 2022 EBITDA of $575-$625 Million at $90/bbl Brent,

$675-$700 Million at $100/bbl Brent

CALGARY, Aug. 9, 2022 - Frontera Energy Corp. (TSX: FEC) ("Frontera"' or the "Company") released financial and op
results for the second quarter ended June 30, 2022 and announced updated 2022 capital and production guidance. All
amounts in this news release are in United States dollars, unless otherwise stated.

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

"Frontera continued to perform ahead of plan, substantially delivering on its financial and operating objectives in the firs
months of 2022, while extending its track record of ESG delivery and focusing on enhancing shareholder returns throug
ongoing normal course issuer bid share buyback and the C$65 million substantial issuer bid. Subsequent to the quarter
announced a transaction with CGX that will increase the Company's working interest in the Corentyne block, offshore G
68% and secure funding of up to $130 million for the Joint Venture's second exploration well, Wei-1, which is anticipate
spud in October in one of the most exciting exploration basins in the world.

In light of the Company's strong operational and financial performance in the first half of this year and the momentum th
Company expects to carry into the second half of the year, Frontera is tightening its 2022 production guidance to 41,00
boe/d and increasing its operating EBITDA guidance to $675-$700 million as a result of an increase in assumed Brent p
$100/bbl. The Company reiterates its cost guidance including production costs of $11.00-$12.00/boe and transportation
$10.00-$11.00/boe. Consistent with its increased working interest in the Corentyne block in Guyana, as previously ann
July 22, 2022, and reflective of the spending commitment at the Wei-1 exploration well, the Company anticipates increa
capital expenditures for the year of $435-$495 million. Frontera looks forward to advancing its exciting inventory of deve
and exploration opportunities in the second half of this year."

Orlando Cabrales, Chief Executive Officer, Frontera, commented:

"I am very pleased with Frontera's strong financial and operating results in the second quarter of 2022. The Company increased production by 1% to 41,586 boe/d including record production at CPE-6 block, improved its operating netback by 16% to $68.01/boe, increased its net sales realized price by 12% to $91.50/boe, grew its cash provided by operating activities by 114% to $246.6 million and generated $190.7 million in EBITDA. This is the fourth consecutive quarter of growth in these important metrics. The Company also unlocked opportunities within its portfolio with drilling successes during the quarter in Guyana at Kawa-1 and in Ecuador at Yin-1. Importantly, during the quarter, the Company released its 2021 Sustainability Report which details the Company's achievement of 98% of its 2021 ESG targets and outlines its 2022 ESG targets. Frontera has a healthy balance sheet with a sizable amount of cash on hand and low debt balances and we continue to manage operating costs during a time of rising inflationary pressures. Looking ahead to the second half of the year, the Company remains on track to optimize capital efficiency and free cash flow after development capex, while maintaining strong capital discipline and a targeted investment approach."

Executive Updates

Effective June 3, 2022, Mr. René Burgos Díaz was appointed as Chief Financial Officer ("CFO") of the Company replac Alejandro Piñeros. Mr. Burgos is a financial markets executive with over 20 years of experience in investment manager leveraged finance, restructuring and financial advisory expertise across multiple industries and geographies, specificall America. Prior to his appointment as CFO, Rene served on Frontera's Board of Directors since December 2019.

Second Quarter 2022 Operational and Financial Summary

		Q2 2022	Q1 2022	Q2 2021
Operational Results				
Heavy crude oil production (1)	(bbl/d)	21,455	21,214	17,241
Light and medium crude oil production (1)	(bbl/d)	17,348	17,248	17,142
Total crude oil production	(bbl/d)	38,803	38,462	34,383
Conventional natural gas production (1)	(mcf/d)	10,374	9,530	5,164
Natural gas liquids (1)	(boe/d)	963	966	393
Total production (2)	(boe/d) (3)	41,586	41,100	35,682
Total inventory balance	(bbl)	1,423,695	1,434,111	969,028
Oil and gas sales, net of purchases (4)	($/boe)	103.34	90.42	64.54
Realized loss on risk management contracts (5)	($/boe)	(1.15)	(1.06)	(8.00)
Royalties (5)	($/boe)	(10.57)	(7.58)	(0.53)
Dilution costs (5)	($/boe)	(0.12)	(0.12)	(0.34)
Net sales realized price (4)	($/boe)	91.50	81.66	55.67

Production costs [5]	($/boe)	(12.65)	(13.48)	(11.72)
Transportation costs [5]	($/boe)	(10.84)	(9.74)	(11.15)
Operating netback [4]	($/boe)	68.01	58.44	32.80
Financial Results				
Oil & gas sales, net of purchases [6]	($M)	312,910	229,569	200,581
Realized loss on risk management contracts	($M)	(3,476)	(2,682)	(24,877)
Royalties	($M)	(32,018)	(19,244)	(1,640)
Dilution costs	($M)	(376)	(298)	(1,056)
Net sales [6]	($M)	277,040	207,345	173,008
Net income (loss) [7]	($M)	13,484	102,228	(25,648)
Per share - basic	($)	0.14	1.08	(0.26)
Per share - diluted	($)	0.14	1.05	(0.26)
General and administrative	($M)	15,097	14,656	14,132
Operating EBITDA [6]	($M)	190,678	132,998	83,072
Cash provided by operating activities	($M)	246,615	114,980	87,391
Capital expenditures [6]	($M)	93,835	113,545	61,214
Cash and cash equivalents - unrestricted	($M)	295,098	257,373	358,325
Restricted cash short and long-term [8]	($M)	57,975	66,146	128,283
Total cash [8]	($M)	353,073	323,519	486,608
Total debt and lease liabilities [8]	($M)	535,454	558,281	565,238
Consolidated total indebtedness (excluding Unrestricted Subsidiaries) [9]	($M)	409,694	410,161	468,424
Net debt (excluding Unrestricted Subsidiaries) [9]	($M)	168,512	199,303	138,701

1. Reference to heavy crude oil, light and medium crude oil combined, natural gas liquids, or conventional natural gas production in the above table and elsewhere in this press release refer to the heavy crude oil, light and medium crude oil combined, natural gas liquids, and conventional natural gas, respectively, product types as defined in National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities.
2. Represents working interest ("W.I.") production before royalties. Refer to the "Further Disclosures" section on page 27 of the Company's management's discussion and analysis dated August 9, 2022 (the "MD&A").
3. Boe has been expressed using the 5.7 to 1 Mcf/bbl conversion standard required by the Colombian Ministry of Mines & Energy. Refer to the "Further Disclosures - Boe Conversion" section on page 27 of the MD&A.
4. Non-IFRS ratio (equivalent to a "non-GAAP ratio", as defined in NI 52-112 - Non-GAAP and Other Financial Measures Disclosure ("NI 52-112"). Refer to the "Non-IFRS and Other Financial Measures" section on page 16 of the MD&A.
5. Supplementary financial measure (as defined in NI 52-112). Refer to the "Non-IFRS and Other Financial Measures" section on page 16 of the MD&A.
6. Non-IFRS financial measure (equivalent to a "non-GAAP financial measure", as defined in NI 52-112). Refer to the "Non-IFRS and Other Financial Measures" section on page 16 of the MD&A.
7. Net income (loss) attributable to equity holders of the Company.
8. Capital management measure (as defined in NI 52-112). Refer to the "Non-IFRS and Other Financial Measures" section on page 16 of the MD&A.
9. "Unrestricted Subsidiaries" include CGX Energy Inc.("CGX") listed on the TSX Venture Exchange under the trading symbol "OYL" , Frontera ODL Holding Corp., including its subsidiary Pipeline Investment Ltd., Frontera BIC Holding Ltd., and Frontera Bahía Holding Ltd., including its subsidiary Sociedad Portuaria Puerto Bahía S.A. Refer to the "Liquidity and Capital Resources" section on page 20 of the MD&A.

Second Quarter Operational and Financial Results:

- Production averaged 41,586 boe/d, up 1% compared to 41,100 boe/d in the prior quarter and 35,682 boe/d in the quarter of 2021. See the table above for production by product type for the prior quarter and second quarter of 20 Company's year-to-date average production to June 30, 2022 was 41,343 boe/d (consisting of 21,335 bbl/d of he oil, 17,298 bbl/d of light and medium crude oil, 9,952 mmcf/d of conventional natural gas and 965 bbl/d of natural liquids).

- Operating EBITDA was $190.7 million in the second quarter of 2022 compared with $133.0 million in the prior qu $83.1 million in the second quarter of 2021. The increase in operating EBITDA quarter over quarter was primarily higher Brent prices and better differentials, during the second quarter partially offset by higher royalties. As the C has uncapped exposure to higher oil prices, every $10/Bbl increase in average Brent price for the year equals ap $100 million of additional EBITDA.

- During the quarter, the Company launched a C$65 million substantial issuer bid ("SIB"), which proceeded by way "modified Dutch auction" procedure with a tender price range from C$11.00 to C$13.00 per share. The SIB expire p.m. on August 8, 2022. On August 9, 2022, Frontera announced that in accordance with the terms and condition SIB and based on the preliminary calculation of Computershare Investor Services Inc., as depositary for the SIB ("Depositary"), Frontera expects to take up and pay for approximately 5.42 million of its common shares (approxim 5.84% of the total number of Frontera's issued and outstanding common shares as of June 30, 2022) at a price o per Share (the "Purchase Price"), representing an aggregate Purchase Price of approximately C$65 million. After cancellation of the common shares taken up and paid for by the Company, Frontera anticipates that approximatel million common shares will be issued and outstanding. Final results will be confirmed by press release on August

- Cash provided by operating activities was $246.6 million in the second quarter of 2022, compared with $115.0 mi prior quarter and $87.4 million in the second quarter of 2021. The increase in cash provided by operating activitie over quarter was primarily due to higher average Brent prices and better differentials, lower production costs and capital adjustments quarter over quarter.

- The Company increased its total cash position by $29.6 million to $353.1 million as at June 30, 2022, compared t million at March 31, 2022. During the quarter, the Company invested $73 million in its exploration, production and development facilities in Colombia and Ecuador, funded $41 million in debt service obligations (including $21 milli Puerto Bahia's equity contribution agreement obligations), returned $20 million in capital to shareholders via its N invested an additional $20 million in its potentially transformative exploration opportunity in Guyana and recorded in capex related working capital adjustments.

- The Company's restricted cash position was $58.0 million as at June 30, 2022, compared to $66.1 million as at M 2022. The Company anticipates releasing additional restricted cash in 2022 as the Company continues to optimiz lines.

- As at June 30, 2022, the Company had a total inventory balance of 1,423,695 bbls compared to 1,434,111 bbls a 31, 2022. The Company expects to reduce its inventory balance in the next quarter.

- The Company has various uncommitted bilateral credit lines. As of June 30, 2022, the Company had increased it uncollateralized credit lines to $107.8 million, an increase of $0.9 million compared to March 31, 2022.

- Through the Company's current normal course issuer bid ("NCIB"), which commenced on March 17, 2022 and wi March 16, 2023, the Company has repurchased 1,992,100 common shares for cancellation for approximately $2 as of August 9, 2022. Frontera may purchase up to 4,787,976 common shares, representing approximately 10% Company's public float through its current NCIB. In connection with the SIB and as required under Toronto Stock ("TSX") rules, Frontera suspended share repurchases under its NCIB from June 20, 2022 (the date the SIB was a until August 8, 2022 (the expiry of the SIB). The Company anticipates recommencing share repurchases under it August 10, 2022.

- Capital expenditures were $93.8 million in the second quarter of 2022, compared with $113.5 million in the prior c $61.2 million in the second quarter of 2021. Capital expenditures during the quarter included $39.1 million on dev drilling primarily at Quifa, CPE-6 and Guatiquia blocks, $19.0 million for Guyana exploration, $11.4 million on dev facilities mainly related to additional flow handling and injector line facilities at the Guatiquia block, road improvem CPE-6 block, increased expenditures related to environmental requirements at the Quifa block and reactivation o in the Sabanero block, and $10.7 million on exploration activities mainly in Ecuador at the Perico block and in Co VIM-22, VIM-46, Llanos 119 and Llanos 99 blocks.

- The Company recorded net income of $13.5 million or $0.14/share in the second quarter of 2022, compared with of $102.2 million or $1.08/share in the prior quarter and a net loss of $25.6 million or $0.26/share in the second q 2021. The Company's second quarter net income included operating income of $132.7 million, partially offset by in deferred income tax expenses of $90.0 million, foreign exchange loss of $13.1 million, finance expense of $12. and realized and unrealized loss on risk management contracts of $5.3 million.

- The Company's operating netback was $68.01/boe, up 16% compared with $58.44/boe in the prior quarter and $ in the second quarter of 2021. The increase in operating netback quarter over quarter is primarily due to higher n realized price, and a decrease in production costs from lower well services and lower energy prices, activity parti by higher transportation costs as described below.

- The Company's net sales realized price was $91.50/boe in the second quarter of 2022, up 12% compared to $81 the prior quarter and $55.67/boe in the second quarter of 2021. The increase was primarily driven by the increas benchmark oil price and better differentials compared to the previous quarter, partially offset by higher royalties.

- Production costs averaged $12.65/boe in the second quarter of 2022, compared with $13.48/boe in the prior qua $11.72/boe in the second quarter of 2021. The decrease in production costs was mainly due to lower well service and lower energy prices quarter over quarter.

- Transportation costs averaged $10.84/boe in the second quarter of 2022, compared with $9.74/boe in the prior q $11.15/boe in the second quarter of 2021. The increase in transportation costs was mainly due to lower costs du previous quarter due to non-recurrent savings in the Oleoducto Central S.A. pipeline take or pay, additional volum transported in Ecuador during the second quarter and the initiation of the pipeline take or pay commitment as pre disclosed on November 11, 2021 as part of the settlement agreement with Bicentenario de Colombia S.A.S.

- The Company recorded a realized loss on risk management contracts of $3.5 million in the second quarter of 202 compared with a realized loss of $2.7 million in the prior quarter and a loss of $24.9 million in the second quarter The realized loss on risk management contracts was due to the cash paid for put options settled during the perioc the second quarter of 2022, the Company entered into new put hedges totaling 1,410,000 bbls to protect the Com 2022 capital program at a $70/bbl strike price. The Company's 2022 hedges do not cap upside price potential. Se Hedging Update section below for more information.

Frontera Extends Its Track Record Of ESG Delivery

On May 18, 2022, the Company released its 2021 Sustainability Report, announced its 2022 environmental, social and governance ("ESG") targets and reaffirmed its commitment to continue to develop and implement meaningful actions to strengthen its ESG performance across its business. In 2021, Frontera achieved 98% of its 2021 ESG goals. Frontera's 2021 Sustainability Report details Frontera's ESG initiatives and track record, benchmarks the Company's 2021 ESG performance against its goals and establishes Frontera's 2022 ESG goals. Frontera's 2021 Sustainability Report can be accessed on the Company's website at: https://www.fronteraenergy.ca/sustainability-reports/

Second Quarter 2022 ESG Results

In the second quarter, the Company achieved a neutralization of 52% of its total emissions in Colombia, exceeding its 2022 neutralization ESG goal. Additionally, following an October 2021 decision to migrate its Quifa Field energy demand from the Termopetróleo thermal generation plant to the National Electric System in order to reduce its emission intensity, the Company reduced its CO_2 emissions in the second quarter by 31,000 tons and 69,160 tons in the first half of 2022. Frontera's CO_2 decrease in the first half of 2022 is a reduction of approximately 12% of Frontera's total 2021 CO_2 emissions.

Guyana

On May 9, 2022, Frontera and CGX, joint venture partners (the "Joint Venture") in the Petroleum Prospecting License for the Corentyne block, offshore Guyana, announced the discovery of 228 feet (69 metres) of net pay across the Maastrichtian, Campanian, Santonian and Coniacian horizons at the Kawa-1 exploration well, offshore Guyana. Third-party analyses indicated the presence of light oil in the Santonian and Coniacian, and gas condensate in the Maastrichtian and Campanian. The findings are consistent with discoveries reported by other Operators adjacent to the Corentyne block and further de-risk equivalent oil targets anticipated at the Wei-1 exploration well.

Wei-1 Exploration Well

Final preparations are underway in advance of spudding the Joint Venture's second exploration well, Wei-1, in October 2022, subject to rig release from a third-party operator. The Wei-1 exploration well will be located approximately 14 kilometres northwest of the Kawa-1 exploration well in the Corentyne block, approximately 200 kilometres offshore from Georgetown, Guyana. The Wei-1 exploration well will be drilled in water depth of approximately 1,912 feet (583 metres) to an anticipated total depth of 20,500 (6,248 metres) and will target Campanian and Santonian aged stacked channels in a western channel complex in the northern section of the Corentyne block.

Demerara

During the quarter, Frontera and CGX announced that they had reached an agreement in principle with the Government of Guyana to allow for the relinquishment of the Demerara block through a mutual termination agreement, the terms of which remain to be defined and documented. Such termination agreement will allow relinquishment of the Demerara block in a timely manner, allowing the people of Guyana to benefit from exploration activities under the stewardship of interested parties.

Farm-In Transaction

Subsequent to the quarter, CGX and Frontera announced that the companies had entered into an agreement to amend the Joint Operating Agreement originally signed between CGX and a subsidiary of Frontera on January 30, 2019, as amended (the "JOA Amendment"), effectively farming into the Corentyne block and securing funding for the Wei-1 exploration well. As a result of the JOA Amendment, CGX will have a 32.00% participating interest and Frontera will have a 68.00% participating interest in the Corentyne block. The Agreement remains subject to certain conditions precedent, including approval of the TSX Venture Exchange and certain confirmations from the Government of Guyana relating to the petroleum agreement for the Corentyne block.

Colombia

Currently, the Company has 4 drilling rigs and 4 workover rigs active across its Colombian operations. In the second quarter of 2022, the Company drilled 20 development wells in Colombia and completed 44 workovers and well services. Year to date, the Company has drilled 34 development wells in Colombia and completed 88 workovers and well services in its Colombian operations.

Production at Key Fields

At Quifa, year to date to June 30, 2022 production averaged approximately 16,500 bbl/d of heavy crude oil (including both Quifa and Cajua). The Company drilled 14 development wells at Quifa in the second quarter of 2022.

At Guatiquia, year to date to June 30, 2022 production averaged approximately 8,900 bbl/d of light and medium crude oil. The Company installed additional flow handling and injection line facilities in the block during the quarter.

At the CPE-6 block in the Llanos Basin, the Company achieved record daily production of approximately 5,300 bbl/d of heavy crude oil on August 1, 2022. Year to date to June 30, 2022 production averaged approximately 4,800 bbl/d of heavy crude oil. The Company drilled five development wells at CPE-6 in the second quarter which provided important information for the location of future horizontal wells. At the end of the second quarter, the Company spud the Hamaca-101D well. The well was drilled to a total depth of 1,515 metres (5,299 feet) MD, discovering approximately 11° API heavy crude oil across 53 feet of net pay in the Basal sands. The successful Hamaca-101D well supports future development of the Hamaca field to the northwest of Frontera's Hamaca-29 cluster. Subsequent to the quarter, the Company spud the HAM-101DSTH horizontal well. The Company is encouraged by the drilling results and believes additional near-field exploration and growth opportunities exist adjacent to its CPE-6 facilities. In the fourth quarter of 2021, Frontera began selling a portion of its CPE-6 production, as Llanos Blend, to a new niche asphalt market for the Company.

At the VIM-1 block (Frontera 50% W.I., and non-operator) in the Lower Magdalena Valley, year to date to June 30, 2022 net production averaged approximately 1,300 boe/d, including approximately 3,400 mmcf/d of conventional natural gas and approximately 740 bbl/d of light crude oil. In the second quarter of 2022, the operator brought additional gas processing facilities on-line which is expected to increase liquids production following the completion of the La Belleza-2 development well which was spud on July 15, 2022 and is currently being drilled.

On the recently acquired VIM-46 block, which includes 58,806 hectares within the Lower Magdalena Valley, the VIM-22, Llanos 99, Llanos 119 blocks, and CPE-6, the Company started pre-seismic and pre-drilling activities related to social and environmental impact studies in anticipation of upcoming exploration activities in the blocks in the second half of 2022 and first half of 2023.

Ecuador

On May 15, 2022, Frontera spud the Yin-1 well in the Perico block (Frontera 50% W.I. and operator) in Ecuador. The Yin-1 well is located approximately 0.53 kilometres to the southwest of the Jandaya-1 well in the northeastern portion of the block. The Yin-1 well was completed to a total depth of 11,345 feet (3,458 metres) and encountered a total of 39 feet of net hydrocarbon bearing pay in the Hollin formation.

Current gross Jandaya, Tui and Yin production is approximately 2,760 boe/d of medium crude oil. Frontera's share of production in Ecuador for the three months ended June 30, 2022 was 610 bbl/d of medium crude oil. During the quarter, Frontera sold 28,355 bls (net) of Oriente crude oil, its first production from the Perico block.

Additional prospects on the Perico block have been identified and are being matured for future drilling. Frontera and its partner in the Perico block are evaluating subsequent activities in the block, including a potential development drilling plan for recent discoveries in Jandaya, Tui and Yin fields.

In the Espejo block (Frontera 50% W.I. and non-operator), the operator completed the acquisition of 63 km^2 of 3D seismic. Pre-drilling activities are underway ahead of spudding the first exploration well on the block, Pashuri-1, anticipated in September 2022.

Summary of Frontera's Updated 2022 Capital and Production Guidance

Frontera is tightening its 2022 production guidance to 41,000-43,000 boe/d and increasing its operating EBITDA guidance to $675-$700 million at $100/bbl average Brent for the year. The Company reiterates its cost guidance including production costs of $11.00-$12.00/boe and transportation costs of $10.00-$11.00/boe. Frontera also increased its total capital expenditures guidance for the year of $435-$495 million, primarily as a result of Frontera's increased working interest in the Corentyne block in Guyana, as previously announced on July 22, 2022, and reflective of the Company's spending commitment at the Wei-1 exploration well.

Frontera developed its updated 2022 capital and production guidance using an exchange rate of 4,200 Colombian Pesos per US dollar. Frontera does not anticipate paying any material cash income taxes in Colombia in 2022, as a result of the Company's existing tax pool position.

Guidance Metrics	Unit	2022 Guidance Feb 16, 2022	2022 Updated Guidance Aug 9, 2022
Average Daily Production	boe/d	40,000 - 43,000	41,000 - 43,000
Production Costs (1)	$/boe	$11.00 - $12.00	$11.00 - $12.00
Transportation Cost (2)	$/boe	$10.00 - $11.00	$10.00 - $11.00
Operating EBITDA @ $90/bbl Brent (3)	$MM	$575 - $625	$575 - $625
Operating EBITDA @ $100/bbl Brent (3)	$MM	N/A	$675 - $700
Development Drilling	$MM	$130 - $140	$170 - $180
Development Facilities	$MM	$40 - $50	$50 - $60
Colombia and Ecuador Exploration	$MM	$50 - $60	$55 - $65
Others (4)	$MM	$5	$5
Total Colombia and Ecuador Upstream Capex	$MM	$225 - $255	$280 - $310
Guyana Kawa Well	$MM	$110 - $130	$51
Guyana Wei Well (5)	$MM		$100 - $130
Guyana Infrastructure	$MM	$5 - $10	$5
Total Capital Expenditures (6)(7)	$MM	$340 - $395	$435 - $495

Notes:
1. Per-barrel metric on a share before royalties basis.
2. Calculated using net production after royalties.
3. "Operating EBITDA" is a Non-IFRS financial measure (equivalent to a "non-GAAP financial measure", as defined in NI 52-112). Refer to the "Non-IFRS and Other Financial Measures" section on page 16 of the MD&A.
4. Others do not include $12.0 million related to the acquisition of an additional 35% W.I. in El Dificil Block nor the payment of $7.0 million related to the acquisition of 50% of the CPE-6 block. (For further information refer to the "Capital Expenditures and Acquisitions" section on page 13 of the MD&A).
5. Estimated Wei-1 exploration well costs for 2022. Total Wei-1 exploration well costs are estimated at approximately $130-$140 million (including pre-drill and other costs).
6. Capital Expenditures is a Non-IFRS financial measure. Refer to the "Non-IFRS and Other Financial Measures".
7. Capital expenditures excludes decommissioning costs of $10 million.

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 to protect the revenue generation and cash position of the Company while maximizing upside. In 2022, Frontera is only using put options, which allow the Company to capture the full upside price benefit while offering efficient downside hedging. The following table summarizes Frontera's hedging position as of August 9, 2022.

Term	Type of Instrument	Open Positions (bbl/d)	Strike Prices Put/ Call
July	Put	15,833	70
August	Put	15,484	70
September	Put	15,333	70
3Q-2022	Total Average	15,380	
October	Put	15,484	70
November	Put	15,333	70
December	Put	15,161	70
4Q-2022	Total Average	15,326	

Second Quarter 2022 Conference Call Details

A conference call for investors and analysts will be held on August 10, 2022, at 10:00 a.m. Eastern Time. Participants will include Gabriel de Alba, Chairman of the Board of Directors, Orlando Cabrales, Chief Executive Officer, René Burgos, Chief Financial Officer and other 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):	1-800-289-0720
Participant Number (International):	1-647-484-0258
Conference ID:	6606080
Webcast Audio:	www.fronteraenergy.ca

A replay of the conference call will be available until 11:59 p.m. Eastern Time on Aug 18, 2022.

Encore Toll free Dial-in Number:	1-888-203-1112
International Dial-in Number:	1-647-436-0148
Encore ID:	6606080

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 33 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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Corporate Presentation and Q2'22 Earnings Presentation

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Advisories

Cautionary Note Concerning Forward-Looking Statements

This news release contains forward-looking information within the meaning of Canadian securities laws. Forward-looking information relates to activities, events or developments that the Company believes, expects or anticipates will or may occur in the future. Forward-looking information in this news release includes, without limitation, statements relating to the Company's expectations regarding the Company's operational and financial progress throughout the rest of the year, including updates to the Company's previously issued guidance; preliminary results of the Company's SIB to be confirmed by news release on August 11, 2022;

expectations regarding the Company's NCIB; expectations with respect to releasing additional restricted cash in 2022 as the Company optimizes its credit lines in subsequent quarters; expectations with respect to reducing inventory balances in subsequent quarters; expectations regarding the relinquishment of the Demerara block to the Government of Guyana pursuant to a mutual termination agreement, the terms of which remain to be defined; expectations regarding the JOA Amendment, including outstanding conditions precedent; anticipated exploration, development and drilling activities, including, without limitation, expectations regarding the anticipated timing for spudding the Wei-1 exploration well in the Corentyne block, expectations regarding the future development of the Hamaca field and that additional near-field exploration and growth opportunities exist adjacent to the Company's CPE-6 facilities, expectations with respect to increased liquids production at the VIM-1 block following the completion of the La Belleza-2 development well, and the anticipated timing for spudding Pashuri-1, the first exploration well on the Espejo block in Ecuador; expectations with respect to the Company's hedging strategy; and expectations regarding the Company's commitment to ESG. All information other than historical fact is forward-looking information.

Forward-looking information reflects the current expectations, assumptions and beliefs of the Company based on information currently available to it and considers the Company's experience and its perception of historical trends, including expectations and assumptions relating to commodity prices and interest and foreign exchange rates; the current and potential impacts of the COVID-19 pandemic, actions of the Organization of Petroleum Exporting Countries, the impact of the Russia Ukraine conflict, and the expected impact of measures that the Company has taken and continues to take in response to these events; the performance of assets and equipment; the availability and cost of labour, services and infrastructure; the development and execution of exploration and development projects; the receipt of any required regulatory approvals and outcome of discussions with governmental authorities; and the success of the Company's hedging strategy.

Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be placed on such information. Forward-looking information is subject to a number of risks and uncertainties, some that are similar to other oil and gas companies and some that are unique to the Company. The actual results may differ materially from those expressed or implied by the forward-looking information, 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. The Company's annual information form dated March 2, 2022, its annual management's discussion and analysis for the year ended December 31, 2021, and other documents it files from time to time with securities regulatory authorities describe the risks, uncertainties, material assumptions and other factors that could influence actual results and such factors are incorporated herein by reference. Copies of these documents are available without charge by referring to the Company's profile on SEDAR at www.sedar.com. All forward-looking information 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 information, whether as a result of new information, future events or results or otherwise.

Certain information included in this news release may constitute future oriented financial information and financial outlook information (collectively, "FOFI") within the meaning of applicable Canadian securities laws. The FOFI has been prepared by management to provide an outlook of the Company's activities and results and may not be appropriate for other purposes. Management believes that the FOFI has been prepared on a reasonable basis, reflecting management's reasonable estimates and judgments; however, actual results of the Company's operations and the resulting financial outcome may vary from the amounts set forth herein. Any FOFI speaks only as of the date on which it was made, and the Company disclaims any intent or obligation to update any FOFI, whether as a result of new information, future events or otherwise, unless required by applicable laws.

Non-IFRS Financial and Other Measures

This news release contains various "non-IFRS financial measures" (equivalent to "non-GAAP financial measures", as such term is defined in NI 52-112), "non-IFRS ratios" (equivalent to "non-GAAP ratios", as such term is defined in NI 52-112), "supplementary financial measures" (as such term is defined in NI 52-112) and "capital management measures" (as such term is defined in NI 52-112), which are described in further detail below. Such measures do not have standardized IFRS definitions. The Company's determination of these non-IFRS financial measures may differ from other reporting issuers and they are therefore unlikely to be comparable to similar measures presented by other companies. Furthermore, these financial measures should not be considered in isolation or as a substitute for measures of performance or cash flows as prepared in accordance with IFRS. These financial measures do not replace or supersede any standardized measure under IFRS. Other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures. The Company discloses these financial measures, together with measures prepared in accordance with IFRS, because management believes they provide useful information to investors and shareholders, as management uses them to evaluate the operating performance of the Company. These financial measures highlight trends in the Company's core business that may not otherwise be apparent when relying solely on IFRS financial measures. Further, management also uses non-IFRS measures to exclude the impact of certain expenses and income that management does not believe reflect the Company's underlying operating performance. The Company's management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period and to prepare annual operating budgets and as a measure of the Company's ability to finance its ongoing operations and obligations.

Set forth below is a description of the non-IFRS financial measures, non-IFRS ratios, supplementary financial measures and capital management measures used in this news release.

Operating EBITDA

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

Operating EBITDA is a non-IFRS financial measure that represents the operating results of the Company's primary business, excluding the following items: restructuring, severance and other costs, post-termination obligation and payments of minimum work commitments and certain non-cash items (such as impairments, foreign exchange, unrealized risk management 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 net income (loss) to operating EBITDA is as follows:

	Three months ended		
($M)	June 30, 2022	March 31, 2022	Jun
Net income (loss)	13,484	102,228	(25
Finance income	(876)	(607)	(3,6
Finance expenses	12,621	12,235	13,
Income tax expense	91,065	(12,751)	37,
Depletion, depreciation and amortization	49,510	38,784	40,4
Impairment, recovery of asset retirement obligation and minimum work commitment paid	4,618	(4,429)	(1,1
Post-termination obligation	6,842	228	-
Share-based compensation non cash portion	(583)	5,088	1,4
Restructuring, severance and other costs	1,055	331	1,5
Share of income from associates	(9,648)	(9,094)	(9,8
Foreign exchange loss	13,080	(3,642)	48
Other loss, net	5,062	6,019	3,1
Unrealized loss (gain) on risk management contracts	1,797	(1,144)	(7,4
Non-controlling interests	2,651	(248)	3,3
Loss on extinguishment of debt	-	-	29,
Operating EBITDA	190,678	132,998	83,

Capital Expenditures

Capital expenditures is a non-IFRS financial measure that reflects the cash and non cash items used by a company to invest in capital assets. This financial measure considers oil and gas properties, plant and equipment, infrastructure, exploration and evaluation assets.

Operating Netback and Oil and Gas Sales, Net of Purchases

Operating netback is a non-IFRS financial measure and operating netback per boe is a non-IFRS ratio. Operating netback per boe is used to assess the net margin of the Company's production after subtracting all 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 and is an indicator of how efficient the Company is at extracting and selling its product. For netback purposes, the Company removes the effects of any trading activities and results from its midstream segment from the per barrel metrics. Refer to the reconciliation in the "Operating Netback" section on page 7 of the MD&A.

Refer to the "Operating Netback and Oil and Gas Sales, Net of Purchases" section on page 17 of the MD&A

for a description of each component of the Company's operating netback and how it is calculated.

Oil and gas sales, net of purchases per boe, is a non-IFRS ratio that is calculated using oil and gas sales less the cost of volumes purchased from third parties including its transportation and refining cost, divided by the total sales volumes from D&P assets, net of purchases. Refer to the reconciliation in the "Operating Netback and Oil and Gas Sales, Net of Purchases" section on page 17 of the MD&A.

Realized Oil Price, Net of Purchases and Realized Gas Price Per Boe

Realized oil price, net of purchases, and realized gas price per boe are both non-IFRS ratios. Realized oil price, net of purchases, per boe is calculated using oil sales net of purchases, divided by total sales volumes, net of purchases. Realized gas price is calculated using sales from gas production divided by the conventional natural gas sales volumes.

Net Sales Realized Price

Net sales realized price is a non-IFRS ratio that is calculated using net sales (including oil and gas sales net of purchases, realized gains and losses from risk management contracts less royalties and dilution costs). Net sales realized price per boe is a non-IFRS ratio which is calculated dividing each component by total sales volumes, net of purchases. Refer to the "Net sales realized price" section on page 18 of the MD&A for a reconciliation of this calculation.

Production Cost Per Boe, Transportation Cost Per Boe, Royalties Per Boe and Dilution Costs Per Boe

Production costs mainly include lifting costs, activities developed in the blocks, and processes to put the crude oil and gas in sales condition. Production cost per boe is a supplementary financial measure that is calculated using production cost divided by production (before royalties). Refer to the "Production cost per boe" section on page 18 of the MD&A for a reconciliation of this calculation.Transportation costs include all commercial and logistics costs associated with the sale of produced crude oil and gas such as trucking, pipeline and refining processing fees. Transportation cost per boe is a supplementary financial measure that is calculated using transportation cost divided by net production after royalties. Refer to the "Transportation cost per boe" section on page 19 of the MD&A for a reconciliation of this calculation. Royalties include royalties and amounts paid to previous owners of certain blocks in Colombia and cash payments for PAP. Royalties per boe is a supplementary financial measure that is calculated using the royalties divided by total sales volumes, net of purchases. Dilution costs include all costs associated with the dilution services. Dilution costs per boe is a supplementary financial measure that is calculated using the dilution costs divided by total sales volumes, net of purchases.

Realized (loss) gain on risk management contracts per boe

Realized (loss) gain on risk management contracts includes the gain or loss during the period, as a result of the Company´s exposure in derivative contracts. Realized (loss) gain on risk management contracts per boe is a supplementary financial measure that is calculated using Realized (loss) gain on risk management contracts divided by total sales volumes, net of purchases.

Working Capital

Working capital is a capital management measure to describe the liquidity position and ability to meet its short term liabilities. Working Capital is defined as current assets less current liabilities.

Restricted cash short and long-term

Restricted cash (short and long term) is a capital management measure, that sum the short term portion and long term portion of the cash that the Company has in term deposits that have been escrowed to cover future commitments and future abandonment obligations or insurance collateral for certain contingencies and other matters that are not available for immediate disbursement.

Total cash

Total cash is a capital management measure to describe the total cash and cash equivalents restricted and unrestricted available, and consists of the cash and cash equivalents and the restricted cash short and long-term.

Total debt and lease liabilities

Total debt and lease liabilities are capital management measures to describe the total financial liabilities of the Company, and comprises the debt of unsecured notes, loans and liabilities from leases of various properties, power generation supply, vehicles and other assets.

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.

This news release includes terms such as "net pay" and "net hydrocarbon bearing pay" and variations thereof. Such terms should not be interpreted to mean there is any level of certainty in regard to the volume of oil, natural gas or natural gas liquids present therein, or that such volumes may be produced profitably, in commercial quantities, or at all.

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
bbls/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

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View original content:https://www.prnewswire.com/news-releases/frontera-announces-second-quarter-2022-results-301603054.html

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