Frontera Announces Second Quarter 2023 Results

11.08.2023 | CNW

Recorded Net Income of $80.2 Million

Generated Operating EBITDA of $116.5 Million, up 27% From the Previous Quarter

Increased Average Daily Production 1% to 42,049 Boe/d,
Increased Quifa and CPE-6 Quarter Over Quarter Average Daily Production by 8.4%

Standalone and Growing Midstream Business Generated $18.2 Million of Quarterly Segment Income and $30.4 Million
Midstream EBITDA

Entered Into Agreement To Connect Puerto Bahia and Cartagena Refinery with Up To 84,000 bbl/d Capacity Bi-Directi
Hydrocarbon Flowline

Discovered 210 Feet of Hydrocarbon-Bearing Sands in the Santonian, 77 Feet of Net Light Oil and Sweet Medium Cru
the Campanian and Maastrichtian at the Wei-1 Well, Offshore Guyana

Achieved 102% of 2022 ESG Goals, Invested $4.3 Million in 218 Projects Benefitting 73,100 People in Colombia, Ecua
Peru, Offset 52% of its GHG Emissions, Achieved Best Safety Performance In Company History

CALGARY, Aug. 10, 2023 - Frontera Energy Corp. (TSX: FEC) ("Frontera" or the "Company") today reported financial a
operational results for the first quarter ended June 30, 2023. All financial amounts in this news release are in United Sta
unless otherwise stated.

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

"Frontera continues to efficiently execute on its financial, operating, and strategic plan for its three core businesses. In t
Company's Colombia and Ecuador Upstream Onshore business, production, costs, Operating EBITDA, and capex are
guidance ranges at $80/bbl average Brent prices for the year.

In its potentially transformational Guyana Exploration business, Frontera and CGX Energy, its joint-venture partner, dis
feet of hydrocarbon-bearing sands in the Santonian horizon and 77 feet of net light oil and sweet medium crude pay in
Campanian and Maastrichtian horizons at the Wei-1 well, offshore Guyana.

In its standalone and growing Colombia Midstream business, the Company generated quarterly adjusted midstream EB
$30.4 million, an increase of 8% over the prior quarter. Subsequent to the quarter, Puerto Bahia, entered into an agreem
Ecopetrol's subsidiary, Refinería de Cartagena S.A.S ("Reficar" or "Cartagena Refinery") to connect Frontera's Puerto B
terminal to the Cartagena Refinery. The connection builds on the momentum from Puerto Bahia's growing liquids termi
and successful refinancing earlier this year as the Company further strengthens its standalone midstream business."

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

"Frontera demonstrated positive second quarter results. We increased average daily production by 1% to 42,049 boe/d
quarter as we successfully brought-back-online production after the road blockades that occurred during the first quarte
increased water-handling capacity at Quifa and CPE-6 where production improved 8.4%. We also grew natural gas liqu
production by 41% to 1,823 boe/d through increased gas reinjection at VIM-1. Subsequent to the quarter, we achieved
production at CPE-6 of 6,177 bbl/d.

Our total cash position including restricted cash as of the second quarter increased to $214 million while we deployed
approximately $155 million in capital spending primarily to drill 19 development wells at Quifa, CPE-6 and Cubiro, impro
flowlines, build a storage tank and other facilities to double water handing capacity at CPE-6, drill two exploration wells
and complete Wei-1 exploration drilling activities. We continue to proactively manage our inventories in Colombia, sellin
approximately 20% of total inventories under an improved differentials environment. Lastly, the Company remains vigila
with a stronger Colombian peso year-to-date affecting our domestic costs, we have hedged 40% of our Colombian-pes

denominated cost-base to help protect our bottom line.

Importantly, during the quarter, we released our annual Sustainability Report, highlighting investments in 218 projects b
more than 73,100 people in Colombia, Ecuador, and Peru, and our success in offsetting 52% of our greenhouse gas er
reducing water consumption at our operations by 15% and achieving the best health and safety performance in Fronter

Second Quarter 2023 Operational and Financial Summary

		Q2 2023	Q1 2023	Q2 2022
Operational Results				
Heavy crude oil production (1)	(bbl/d)	24,051	22,270	21,455
Light and medium crude oil combined production (1)	(bbl/d)	15,188	16,518	17,348
Total crude oil production	(bbl/d)	39,239	38,788	38,803
Conventional natural gas production (1)	(mcf/d)	5,626	8,590	10,374
Natural gas liquids production (1)	(boe/d)	1,823	1,291	963
Total production (2)	(boe/d) (3)	42,049	41,586	41,586
Inventory Balance				
Colombia	(bbl)	881,758	1,032,876	922,719
Peru	(bbl)	480,200	480,200	480,200
Ecuador	(bbl)	72,550	98,125	20,776
Total Inventory	(bbl)	1,434,508	1,611,201	1,423,695
Oil and gas sales, net of purchases (4)(5)	($/boe)	67.91	69.07	102.80
Realized (loss) on risk management contracts (6)	($/boe)	(0.80)	(1.16)	(1.15)
Royalties (6)	($/boe)	(3.02)	(3.36)	(10.57)
Net sales realized price (4)(5)	($/boe)	64.09	64.55	91.08
Production costs (5)(6)	($/boe)	(14.01)	(12.07)	(12.51)
Transportation costs (5)(6)	($/boe)	(11.40)	(11.20)	(10.80)
Operating netback per boe (4)	($/boe)	38.68	41.28	67.77
Financial Results				

Oil and gas sales, net of purchases [7]	($M)	221,218	189,120	311,253
Realized (loss) on risk management contracts	($M)	(2,600)	(3,175)	(3,476)
Royalties	($M)	(9,837)	(9,213)	(32,018)
Net sales [7]	($M)	208,781	176,732	275,759
Net income (loss) [8]	($M)	80,207	(11.330)	13.484
Per share - basic	($)	0.94	(0.13)	0.14
Per share - diluted	($)	0.92	(0.13)	0.14
General and administrative	($M)	12,422	12,669	15,097
Outstanding Common Shares	Number of Shares	85,188,573	85,188,573	92,676,495
Operating EBITDA [7]	($M)	116,461	91,922	190,678
Cash provided by operating activities	($M)	183,560	845	246,615
Capital expenditures [7]	($M)	154,860	131,452	93,835
Cash and cash equivalents - unrestricted	($M)	180,294	162,272	295,098
Restricted cash short and long-term [9]	($M)	33,485	30,877	57,975
Total cash [9]	($M)	213,779	193,149	353,073
Total debt and lease liabilities [9]	($M)	532,273	519,471	535,454
Consolidated total indebtedness (Excl. Unrestricted Subsidiaries) [10]	($M)	415,395	400,361	473,095
Net Debt (Excl. Unrestricted Subsidiaries) [10]	($M)	286,675	279,843	231,913

1. References to heavy crude oil, light and medium crude oil combined, conventional natural gas and natural gas liquids in the above table and elsewhere in this news release refer to the heavy crude oil, light crude oil and medium crude oil combined, conventional natural gas and natural gas liquids, respectively, product types as defined in National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities ("NI 51-101").

2. Represents W.I. production before royalties. Refer to the "Further Disclosures" section of the Company's management's discussion and analysis for the three months ended June 30, 2023 (the "Interim MD&A"), which will be filed on the Company's profile on SEDAR+ at www.sedarplus.ca.

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 "Oil and Gas Information Advisories" section.

4. Non-IFRS ratio (equivalent to a "non-GAAP ratio", as defined in National Instrument 52-112 - Non-GAAP and Other Financial Measures Disclosure ("NI 52-112"). Refer to the "Non-IFRS and Other Financial Measures" section.

5. 2022 prior period figures are different compared with those previously reported as a result of the exclusion of Promotora Agricola de los Llanos S.A ("ProAgrollanos") revenues and, production and transportation cost.

6. Supplementary financial measure (as defined in NI 52-112). Refer to the "Non-IFRS and Other Financial Measures" section.

7. 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.

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

9. Capital management measure (as defined in NI 52-112). Refer to the "Non-IFRS and Other Financial Measures" section.

10. "Unrestricted Subsidiaries" as of June 30, 2023, 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. ("PIL"), Frontera BIC Holding Ltd., and Frontera Bahía Holding Ltd. ("Frontera Bahia"), including its subsidiary Sociedad Portuaria Puerto Bahia S.A ("Puerto Bahia"). On April 11, 2023, Frontera Energy Guyana Holding Ltd. And Frontera Energy Guyana Corp. were designated as unrestricted subsidiaries. Refer to the "Liquidity and Capital Resources" section on page 25 of the MD&A.

Second Quarter 2023 Operational and Financial Results

- The Company recorded net income of $80.2 million or $0.94/share in the second quarter of 2023, compared with
$11.3 million or ($0.13/share) in the prior quarter and net income of $13.5 million or $0.14/share in the second qu
2022. The Company's second quarter net income included operating income of $55.6 million (including $35.5 mill
recovery of asset retirement obligations and impairment expenses), $14.3 million of share of income from associa
million foreign exchange gain and $1.5 million in finance income, partially offset by $15.7 million in finance expens
income tax expenses of $2.6 million.

- Production averaged 42,049 boe/d (consisting of 24,051 bbl/d of heavy crude oil, 15,188 bbl/d of light and mediur
5,626 mcf/d of conventional natural gas and 1,823 boe/d of natural gas liquids) in the second quarter of 2023, cor
41,586 boe/d in the prior quarter and 41,586 boe/d in the second quarter of 2022. See the table above for produc
product type for the prior quarter and second quarter of 2022. The increase in production quarter over quarter wa
result of successful development drilling in the Company's Quifa and CPE-6 blocks, and the start-up of injection fa
the VIM-1 block partially offset by decreases in light and medium crude oil combined and conventional natural gas
due to natural declines and the return of the Neiva and Orito blocks following the completion of the blocks' produc
contracts, which contributed approximately 670 boe/d.

- Operating EBITDA was $116.5 million in the second quarter of 2023, up 27% compared with $91.9 million in the p
and $190.7 million in the second quarter of 2022. The increase in operating EBITDA quarter-over-quarter was pri
result of increased sales during the quarter.

- As of June 30, 2023, the Company had a total inventory balance in Colombia of 0.9 million barrels, including 0.6 r
oil barrels and 0.3 million barrels of diluent and others. This compared to 1.0 million barrels in the prior quarter an
barrels at June 30, 2022. The decrease in inventory balance was primarily due to inventory drawn for export sales
highlighted during our first quarter release. The Company expects these inventory draws to continue during the th
Inventory balances in the second quarter related to Ecuador and Peru were 0.1 million barrels and 0.5 million bar
respectively.

- Capital expenditures were approximately $154.9 million in the second quarter of 2023, compared with $131.5 mill prior quarter and $93.8 million in the second quarter of 2022. Capital spending during the quarter was primarily de drill 19 development wells, improve flowlines, build a storage tank and other facilities at CPE-6, drill two exploratio complete Wei-1 exploration drilling activities.

- Cash provided by operating activities in the second quarter of 2023 was $183.6 million, compared with $0.8 millio quarter and $246.6 million in the second quarter of 2022. The increase in cash provided by operating activities quarter-over-quarter was primarily due to higher production, inventory sales, and realized foreign exchange gains offset by lower Brent oil prices.

- The Company reported a total cash position of $213.8 million on June 30, 2023, compared to $193.1 million at Ma 2023 and $353.1 million at June 30, 2022. In the second quarter, the Company invested $154.9 million in capital expenditures, including $72.8 million related to Guyana Wei-1 exploration well, and $26.7 million in debt service p The Company also borrowed $20.0 million under a new working capital loan facility with a maturity date of Decem This working capital loan is an important milestone for the Company as it marks the first time the Company has a traditional bank funding.

- Frontera's realized price in the second quarter was $64.09/boe, compared with $64.55/boe in the previous quarte $91.08/boe in the second quarter of 2022. The slight variance quarter-over-quarter was driven by the decrease in price benchmark partially offset by better oil differentials, lower royalties, and a lower realized loss on risk manage contracts.

- The Company's operating netback was $38.68/boe in the second quarter of 2023, compared with $41.28/boe in t quarter and $67.77/boe in the second quarter of 2022. The decrease in operating netback quarter-over-quarter w due to lower realized price, foreign exchange impacts and increased production costs.

- Production costs averaged $14.01/boe, in the second quarter of 2023 compared with $12.07/boe in the prior quar $12.51/boe in the second quarter of 2022. The increase in production costs quarter-over-quarter was primarily a r foreign exchange impacts, higher energy and internal transportation costs, and well services.

- Transportation costs averaged $11.40/boe in the second quarter of 2023 compared with $11.20/boe in the prior q $10.80/boe in the second quarter of 2022. The increase in transportation costs quarter-over-quarter was mainly d volumes transported in Colombia and increased transportation tariffs.

- Cost of purchases for the second quarter 2023 was $66.6 million including the transportation and processing fees purchased volume sold, compared with $59.0 million in the first quarter 2023 due to additional volumes acquired offset by lower Brent benchmark oil prices. The sale of the purchased volumes generated an income of $59.9 mil the second quarter compared to $51.3 million in the first quarter 2023.

- During the second quarter of 2023, the Company recognized a gain of $9.0 million as a result of the early termina zero-cost collar foreign exchange risk management contracts. The Company subsequently re-hedged these mon positions at updated market strike prices. Consistent with the company's hedging policies, Frontera has approxim its foreign currency risked hedged through zero- cost collars through the end of 2023 at the COP 4,300 to 4,900 r terms of crude oil hedges, the Company has hedged approximately 40% of its production through November 202 of $70/bbl to $80/bbl.

- The Company's Midstream business demonstrated solid performance: for ODL, total volumes pumped were 243, during the second quarter of 2023, up 8% compared to the prior quarter and 16% versus the second quarter of 20 Bahia liquid volumes were 73,714 bbl/d during the second quarter up 17% compared to the prior quarter and up 1 compared to the second quarter of 2022.

- Adjusted Midstream EBITDA in the second quarter of 2023 was $30.4 million, compared with $28.2 million in the and $16.4 million in the second quarter of 2022. The increase quarter over quarter was driven by both higher volu transported through ODL and higher throughput volumes in Puerto Bahia liquids port facility.

- Frontera, in a joint venture ("Joint Venture") with CGX, has successfully reached the total depth of 20,450' on the exploration and appraisal well. The well discovered approximately 71 feet of net oil pay in the Maastrichtian and C horizons and 210 feet of hydrocarbon-bearing sands in the Santonian horizon. Independent third-party analysis is to determine Santonian net pay and further evaluate this interval. The Joint Venture is excited by the definitive pre in the Maastrichtian and Campanian and the presence of hydrocarbons in the Santonian and believes there is sig potential in the block.

Frontera's ESG Strategy

During the quarter, the Company released its 2022 Sustainability Report, which highlighted significant achievements and set forth its ESG targets for 2023. In 2022, Frontera achieved 102% of its ESG goals - underscoring the Company's dedication to aligning its business objectives with its ESG goals and demonstrating that responsible corporate stewardship and robust business performance are mutually reinforcing.

For 2023, Frontera has set ambitious ESG targets, including (i) neutralizing 50% of its GHG (greenhouse gas) emissions through carbon credits, (ii) inaugurating its first solar farm at block CPE-6, (iii) commissioning one of its most important circular economy projects with its SAARA water treatment facility, (iv) recycling 15% of operational water used and (v) preserving an additional 1,000 hectares of biological corridors in Casanare and Meta.

Frontera's Three Core Businesses

Frontera's three core businesses include: (1) its Colombia and Ecuador Upstream Onshore business, (2) its standalone and growing Colombia Midstream business, and (3) its potentially transformational Guyana Exploration business offshore Guyana.

1. Colombia and Ecuador Upstream Onshore

During the quarter, Frontera produced 41,436 boe/d from its Colombian operations (consisting of 24,051 bbl/d of heavy crude oil, 14,575 bbl/d of light and medium crude oil combined, 5,626 mcf/d of conventional natural gas and 1,823 boe/d of natural gas liquids).

In the second quarter of 2023, the Company drilled 19 development wells at Quifa, CPE-6 and Cubiro blocks and one injector well at the CPE-6 block. This compares to 17 development wells in the prior quarter.

Currently, the Company has 2 drilling rigs and 1 workover rig active at its Quifa, CPE-6, Corcel/Guatiquia and Mapache blocks in Colombia.

Quifa Block: Quifa SW and Cajua

Production from the Quifa SW and Cajua fields averaged approximately 18,408 bbl/d of heavy crude in the second quarter of 2023 compared to approximately 16,829 bbl/d of heavy crude oil in the first quarter of 2023. The Company drilled 12 production wells (seven wells at Quifa and five wells at Cajua) on the blocks in the second quarter of 2023.

The Company's current water handling capacity is approximately 1.6 million bwpd in Quifa. Increasing water handling capacity is key to Frontera's efforts to grow production at Quifa. In 2023, Frontera began recommissioning SAARA (previously known as Agrocascada), its reverse osmosis water treatment facility with an estimated 1 million bwpd nameplate capacity. As of July 2023, the plant had processed 7.6 million barrels of water as part of its recommissioning program (a five-fold increase in treatment compared to April 2023), providing irrigation source water to the Company's nearby ProAgrollanos palm oil plantation.

CPE-6

At CPE-6, production averaged approximately 5,116 bbl/d of heavy crude oil in the second quarter 2023 compared with approximately 4,850 bbl/d in the first quarter of 2022. During the quarter, the Company drilled five development wells and one injector well. Subsequent to the quarter, the Company achieved record daily production at CPE-6 of 6,177 bbl/d. During the quarter, Frontera invested in the expansion and improvement of the development facilities in the CPE-6 block, which will double water-handling capacity to 240,000 bbls/day by the end of 2023 and support additional growth for the field.

Other Colombia Developments

At Guatiquia, production averaged approximately 7,228 bbl/d of light and medium crude oil in the second quarter of 2023 compared with approximately 7,317 bbl/d in the first quarter of 2022.

During the quarter, Cubiro production averaged approximately 1,915 bbl/d of light and medium crude oil in the second quarter of 2023 compared with approximately 2,180 bbl/d in the first quarter of 2022. The Company drilled two development wells.

At VIM-1 (Frontera 50% W.I., non-operator), production averaged 1,171 bbl/d of light and medium crude oil in the second quarter of 2023 compared to approximately 1,711 bbl/d of light and medium crude oil in the first quarter of 2023.

Colombia Exploration Assets

The Company's exploration focus remains on the Lower Magdalena Valley and Llanos Basins in Colombia.

At the Llanos-99 block, the Company completed the acquisition of 163 square kilometers of 3D seismic and is currently completing administrative closure of the project. The Company continues to progress pre-seismic and pre-drilling activities related to social and environmental studies in the Llanos-119, Llanos-99, CPE-6 and VIM-46 blocks.

Ecuador

Frontera's share of production in Ecuador for the three months ended June 30, 2023, was 613 bbl/d of medium crude oil compared to 1,005 bbl/d in the prior quarter.

At the Jandaya-1, Tui-1 and Yin-1 exploration wells, in the Perico block (Frontera 50% W.I. and operator), the Company continues to conduct long-term testing and is preparing environmental impact assessments in order to obtain a production environmental license. Currently, the Company has drilled three out of four wells required as part of its work commitment on the Perico block. The Yin-2 appraisal well was drilled in July, discovering 48 feet of net pay in the Lower U sand and 24 feet net pay in the Hollin main formation. The well has been successfully completed with initial production rates of approximately 1,200 bbl/d of 30.5 degree API crude oil. Pre-drilling activities and civil works are underway in advance of drilling the Jandiayacu (former Yin Sur-1) exploratory well, which the Company expects to spud in mid-late August.

At the Espejo block (Frontera 50% W.I. and non-operator), preliminary logging information indicated the presence of hydrocarbons in both the Pashuri-1 and Caracara-1 exploration wells and further analysis is underway. In addition, jointly with the operator, new 3D seismic survey data is being interpreted to define the location of the two remaining commitment exploration wells.

2. Midstream Colombia

Frontera has investments in certain infrastructure and midstream assets, including storage, port and other facilities in Colombia and the Company's investments in pipelines ("Midstream Colombia Segment"). The Midstream Colombia Segment principally includes a 35% equity interest in the Oleoducto de los Llanos Orientales S.A. ("ODL") pipeline through Frontera's wholly owned subsidiary PIL, and the Company's 99.80% interest in Puerto Bahia.

Puerto Bahia and Reficar Connection

Frontera's majority owned subsidiary Puerto Bahía and Refinería de Cartagena S.A.S. have entered into an agreement (the "Connection Agreement") to connect Puerto Bahia's port facility and the Cartagena Refinery via a 6.8-kilometre, 18-inch bi-directional hydrocarbon flowline allowing for the transportation of crude oil and other hydrocarbons between Puerto Bahía's port facility and the Cartagena Refinery.

The connection will be built, operated, and maintained by Puerto Bahia and will have a capacity of up to

84,000 barrels per day. The connection will be capable of handling imported and domestically produced crudes. Construction of the connection is expected to begin in 2H'23 and take approximately 12-18 months to complete at an anticipated total cost of approximately $30 million.

Midstream Colombia Segment Results

The Company's Midstream Colombia Segment income increased by $5.5 million for the three months ended June 30, 2023, compared with the same period of 2022. For the three months ended June 30, 2023, the Puerto Bahia liquids terminal revenues increased by $1.3 million compared with the same period of 2022. The liquids terminal revenues during the second quarter of 2023, represent 70% of total revenues. General cargo terminal revenues decreased by 10%, compared with the same period in 2022, due to lower volumes of roll-on/roll-off ("RORO") units.

For the three and six months ended June 30, 2023, ODL generated $69.9 million and $135.3 million of EBITDA, respectively, and $41.0 million and $79.8 million of net income, respectively. ODL total volumes pumped were 243,490 bbl/d during the second quarter of 2023, up 16% versus the second quarter of 2022. The ODL results are recorded through the equity method in the Company's Interim Financial Statements as "Share of income from associates".

	Three months ended June 30		Six months ended June 30	
($M)	2023	2022	2023	2022
Revenue	13,080	12,239	24,226	22,571
FEC liquids port facility	1,903	1,936	3,567	3,388
Third party liquids port facility	7,254	5,947	13,086	11,305
General Cargo	3,923	4,356	7,573	7,878
Cost	(5,733)	(5,612)	(10,850)	(10,291)
General administrative expenses	(1,455)	(1,082)	(2,797)	(2,753)
Depletion, depreciation, and amortization	(1,319)	(1,563)	(2,551)	(3,039)
Restructuring, severance, and other costs	(700)	(882)	(803)	(1,056)
Puerto Bahia Income from operations	3,873	3,100	7,255	5,432
Share of income from associates - ODL	14,345	9,648	27,917	18,742
Segment income	18,218	12,748	35,142	24,174
Segment cash flow from operations activities	20,101	14,980	27,709	32,004

	Three months ended June 30		Six months ended June 30	
($M)	2023	2022	2023	2022
Adjusted Midstream Revenue [1]	43,186	25,604	81,417	48,606
Adjusted Midstream Operating Cost [1]	(9,307)	(7,367)	(9,307)	(13,663)
Adjusted Midstream General and administrative [1]	(2,803)	(1,885)	(5,117)	(4,197)
Adjusted Midstream EBITDA	30,361	16,352	57,951	30,071

[1]. 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.

The Adjusted Midstream EBITDA for the three months ended June 30, 2023, increased by $14.0 million compared with the same period of 2022, as a result of the higher pipeline volumes transported, and higher throughput volumes at the liquids port facility.

3. Guyana Exploration

During the quarter, Frontera and its Joint Venture partner CGX, announced a significant oil discovery at the Wei-1 well, located on the Corentyne block, approximately 200 kilometers offshore from Georgetown, Guyana. The Joint Venture discovered 210 feet of hydrocarbon-bearing sands in the Santonian horizon confirmed by wireline logs and extensive core samples. The rock and fluid properties of the Santonian are currently being analyzed by an independent third-party laboratory to define net pay and a basis for the evaluation of this interval. This discovery follows the Company's previous Kawa-1 discovery in 2022.

Following the safe and successful completion of Wei-1 well drilling operations, Frontera and CGX have entered into an agreement (the "JOA Amending Agreement") to amend the Joint Operating Agreement originally signed between a subsidiary of Frontera and CGX on January 30, 2019 (as amended from time to time) effectively farming into the Corentyne block to cover the unexpected additional costs of the Wei-1 well due to delays associated with the late release of the rig by a third-party, costs associated with a lost sampling tool, and the drilling of the bypass well. The transactions contemplated by the JOA Amending Agreement remain subject to regulatory approvals, including approval of the TSX Venture Exchange.

As part of the JOA Amending Agreement, CGX will transfer 4.7% of its participating interest in the Corentyne block to Frontera in exchange for Frontera funding CGX's additional expected outstanding share of the Joint Venture's costs associated with the Wei-1 well (the "CGX Corentyne Block Expenses") for up to $16.5 million. As a result of the JOA Amending Agreement, if the full 4.7% participating interest is transferred by CGX and not re-assigned, the Company will have a 72.7% participating interest and CGX will have a 27.3% participating interest in the Corentyne block.

Hedging Update

As part of its risk management strategy, Frontera uses derivative commodity instruments to manage exposure to price volatility by hedging a portion of its oil production. Consistent with this strategy, the Company entered new put hedges totaling 2,096,000 bbls to protect a portion of the Company's production through November 2023. The following table summarizes Frontera's 2023 hedging position as of August 9, 2023.

Term	Type of Instrument	Open Positions (bbl/d)	Average Strike Prices Put/ Call
July	Put	13,548	70
August	Put	13,548	70
September	Put	14,000	70
3Q-2023	Total Average	13,696	
October	Put	13,733	78.57
November	Put	14,133	78.61
Oct/Nov-2023	Total Average	13,705	

The Company is exposed to foreign currency fluctuations primarily arising from expenditures that are incurred in COP and its fluctuation against the USD. During the second quarter 2023, the Company recognized a gain of $9.0 million due to the early termination of some zero- cost collars foreign exchange risk management contracts. The Company subsequently re-hedged these monetized positions at updated market strike prices. As of June 30, 2023, the Company had entered new positions of foreign currency derivatives contracts as follows:

Term	Type of Instrument	Open Interest ($ MM)	Strike Prices Put/Call	Hedging Ratio
3Q-2023	Zero-cost collars	60	4,320/ 4,907	40 %
4Q-2023	Zero-cost collars	60	4,320/4,914	40 %

Second Quarter 2023 Financial Results Conference Call

A conference call for investors and analysts will be held on Friday, August 11, 2023, at 11:00 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): 1-888-664-6383
Participant Number (Toll Free Colombia): 01-800-518-4036
Participant Number (International): 1-416-764-8650
RapidConnect URL https://emportal.ink/3NZNNJU
Conference ID: 29912947
Webcast Audio: www.fronteraenergy.ca

A replay of the conference call will be available until 11:59 p.m. Eastern Time on August 18, 2023.

Encore Toll free Dial-in Number: 1-888-390-0541
International Dial-in Number: 1-416-764-8677
Encore ID: 912947

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 27 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 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 regarding the Company's continued commitment to aligning its Upstream, Midstream and Guyana core businesses to achieve its financial, operating and strategic; statements relating to the Company's guidance and objectives for 2023; statements regarding the Company's ESG targets and the impact thereof; statements regarding the Company's water handling capacity and anticipated growth in production, including expectations regarding expected impacts of the Company's reverse osmosis water treatment facility (SAARA - previously Agrocascada); anticipated exploration, development and drilling activities and seismic acquisition; statements regarding the Connection Agreement, including the anticipated cost of and timing for completion of the connection project, the expected capacity of the connection project upon completion and the anticipated benefits and impacts of the connection project; expectations regarding the completion of the Wei-1 well exploration drilling activities on the Corentyne block, including statements regarding preliminary Wei-1 well results to date and additional analysis being conducted on well data; statements regarding the JOA Amending Agreement,and expectations with respect to the Company's hedging strategy. 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 expected impacts of the COVID-19 pandemic, actions of the Organization of Petroleum Exporting Countries ("OPEC+") and 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; expectations regarding the Company's ability to manage its liquidity and capital structure and generate sufficient cash to support operations, capital expenditures and financial commitments; the performance of assets and equipment; the Company's ability to achieve the increased oil and water handling capacity at Quifa in the time frames indicated; the availability and cost of labour, services and infrastructure; the execution of exploration and development projects; the receipt of any required regulatory approvals and outcome of discussions with governmental authorities; the success of the Company's hedging strategy; and the impact and success of the Company's ESG strategies.

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 1, 2023, its annual management's discussion and analysis for the year ended December 31, 2022, 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.sedarplus.ca. 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.

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 financial measures do not have standardized IFRS definitions. The Company's determination of these 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 financial 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 measure that adjusts net income 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. Since the three and six months ended June 30, 2022, the Company changed the composition of its Operating EBITDA calculation to exclude certain unusual or non-recurring items as post-termination obligations and payments of minimum work commitments, which could distort future projections as they are not considered part of the Company's normal course of operations. A reconciliation of net income to operating EBITDA is as follows:

	Three Months Ended June 30	
($M)	2023	2022
Net income [1]	80,207	13,484
Finance Income	(1,472)	(876)
Finance expenses	15,688	12,621
Income tax expense	2,605	91,065
Depletion, depreciation and amortization	81,389	49,510
Expense of impairment, recovery of asset retirement obligation and others	(35,900)	4,618
Post-termination obligation	6,120	6,842
Shared-based compensation non-cash portion	1,035	(583)
Restructuring, severance and other costs	1,825	1,055
Share of income from associates	(14,345)	(9,648)
Foreign exchange (income) loss	(17,006)	13,080
Other loss	716	5,062
Unrealized (gain) loss on risk management contracts	(4,057)	1,797
Non-controlling interests	(344)	2,651
Operating EBITDA	116,461	190,678

[1] Refers to net income attributable to equity holders of the Company

Capital Expenditures
Capital expenditures is a non-IFRS financial measure that reflects the cash and noncash 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 expenditures.

	Three months ended June 30	
($M)	2023	2022
Statements of Cash Flows		
Additions to Oil and Gas properties, infrastructure port and plant and equipment	66,166	66,526
Additions to exploration and evaluation assets	88,924	31,302
Total additions to Statements of Cash Flows	155,090	97,828
Non-cash Adjustments (1)	(230)	(3,993)
Total Capital Expenditures	154,860	93,835
Capital Expenditures attributable to Midstream Colombia Segment	836	946
Capital Expenditures attributable to other segments different to Midstream	154,024	92,889
Total Capital Expenditures	154,860	93,835

(1) Related to material inventory movements, capitalized non-cash items and other adjustments.

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 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 "Operating Netback and Oil and Gas Sales, Net of Purchases" section on pages 21 and 22 of the Interim 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, 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.

	Three months ended June 30	
	2023	2022
Produced crude oil and gas sales ($M) (1)	227,918	316,480
Purchased crude oil and products sales ($M)	59,902	47,968
(-) Cost of purchases ($M) (2)	(66,602)	(53,195)
Oil and gas sales, net of purchases ($M)	221,218	311,253
Sales volumes, net of purchases - (boe)	3,257,709	3,027,843
Oil and gas sales, net of purchases ($/boe)	67.91	102.80

(1) Excludes sales from port services as they are not part of the oil and gas segment. For further information, refer to the "Midstream Colombia" section.

(2) Cost of third-party volumes purchased for use and resale in the Company's oil operations, including its transportation and refining costs.

Net Sales
Net sales is a non-IFRS financial measure that adjusts revenue to include realized gains and losses from risk management contracts while removing the cost of other 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 for other dilution costs and cost of purchases 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 also exclude sales from port services, as it is not considered part of the oil & gas segment.

Midstream Colombia Calculations
Each of Midstream Revenue, Midstream Operating Cost and Midstream General and Administrative is a non-IFRS financial measure, and each is used to evaluate the performance of the Midstream Colombia Segment's operations. Midstream Revenue includes revenues of the Midstream Colombia Segment including ODL's revenue direct participation interest. Midstream Operating Cost includes costs of Midstream Colombia Segment including ODL's cost direct participation interest. Midstream General and Administrative includes general and administrative costs of the Midstream Colombia Segment including ODL's general and administrative direct participation interest. Midstream Cash and Midstream Debt is a non-IFRS financial measure or contains a non-IFRS financial measure and is used to evaluate the performance of the Midstream Colombia Segment's cash position and monitor the Midstream Colombia Segment's debt. Midstream Cash includes cash of Midstream Colombia Segment including ODL's cash direct participation interest. Midstream Debt includes debt of the Midstream Colombia Segment including ODL's debt direct participation interest. Midstream EBITDA is a non-IFRS financial measure used to assist in measuring the operating results of the Midstream Colombia Segment business.

	Three months ended June 30	
($M)[1]	2023	2022
Revenue Midstream Colombia Segment	13,080	12,239
Revenue from ODL	86,017	63,715
Direct participating interest in the ODL	35.00 %	20.98 %
Equity adjustment participation of ODL[1]	30,106	13,367
Adjusted Midstream Revenues	43,186	25,606
Operating Cost Midstream Colombia Segment	(5,733)	(5,612)
Operating Cost from ODL	(10,212)	(8,366)
Direct participating interest in the ODL	35.00 %	20.98 %
Equity adjustment participation of ODL[1]	(3,574)	(1,755)
Adjusted Midstream Operating Cost	(9,307)	(7,367)
General and Administrative Midstream Colombia Segment	(1,455)	(1,082)
General and administrative from ODL	(3,850)	(3,826)
Direct participating interest in the ODL	35.00 %	20.98 %
Equity adjustment participation of ODL[1]	(1,348)	(803)
Adjusted Midstream General and Administrative		

(2,803)

(1,885)

(1) Revenues and expenses related to the ODL are accounted for using the equity method described in the Note 12 of the Interim Financial Statements

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 other 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.

	Three months ended June 30	
	2023	2022
Oil and gas sales, net of purchases ($M) (1)	221,218	311,253
(-) Realized loss on risk management contracts ($M)	(2,600)	(3,476)
(-) Royalties ($M) (2)	(9,837)	(32,018)
Net Sales ($M)	208,781	275,759
Sales volumes, net of purchases - (boe)	3,257,709	3,027,843
Oil and gas sales, net of purchases ($/boe)	67.91	102.80
Realized loss on risk management contracts ($/boe) (2)	(0.80)	(1.15)
Royalties ($/boe)	(3.02)	(10.57)
Net sales realized price ($/boe)	64.09	91.08

(1) Non-IFRS financial measure

(2) Supplementary financial measure

Production cost per boe
Production costs mainly includes 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). A reconciliation of this calculation is provided below:

	Three months ended June 30	
	2023	2022
Production costs ($M)	53,615	47,335
Production (boe)	3,826,459	3,784,235
Production costs ($/boe)	14.01	12.51

Transportation cost per boe
Transportation costs includes all commercial and logistics costs associated with the sale of produced crude oil and gas such as trucking and pipeline. Transportation cost per boe is a supplementary financial measure that is calculated using transportation cost divided by net production after royalties. A reconciliation of this

calculation is provided below:

	Three months ended June 30	
	2023	2022
Transportation costs ($M)	39,130	35,065
Net Production (boe)	3,431,246	3,246,607
Transportation costs ($/boe)	11.40	10.80

Realized gain (loss) on risk management contracts per boe
Realized gain (loss) on risk management contracts includes the gain or loss during the period, as a result of the Company's exposure in derivative contracts. Realized gain (loss) on risk management contracts per boe is a supplementary financial measure that is calculated using Realized gain (loss) 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
This news release includes terms and phrases such as "hydrocarbon-bearing intervals" and "presence of hydrocarbons". Such terms and phrases should not be interpreted to mean there is any level of certainty in regards to the volume of oil, natural gas or condensates present therein, or that such volumes may be produced profitably or in commercial quantities.

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

View original content:https://www.prnewswire.com/news-releases/frontera-announces-second-quarter-2023-results-301898457.html

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