

FRONTERA ENERGY CORPORATION

NEWS RELEASE

FRONTERA ANNOUNCES FOURTH QUARTER 2020 RESULTS

Delivered full year average production of 47,800 boe/d.

Reduced capital expenditures by 69% compared to 2019.

Reduced production and transportation costs by 7% and 10% respectively compared to 2019.

Recorded a net loss of \$497.4 million in 2020.

Exited 2020 better positioned for long-term value creation.

TORONTO, March 3, 2021 /CNW/ - Frontera Energy Corporation (TSX: FEC) ("Frontera" or the "Company") announced today the release of its Consolidated Financial Statements, Management Discussion and Analysis ("MD&A"), Annual Information Form and Form 51-101 F1 - Statement of Reserves Data and Other Oil and Gas Information for the Company for the year ended December 31, 2020. These documents, among others, will be posted on the Company's website at www.fronteraenergy.ca and SEDAR at www.sedar.com. All values in this news release and the Company's financial disclosures are in United States dollars unless otherwise stated.

Summary of Fourth Quarter and Year End Operational and Financial Results:

In 2020, in response to the lower oil price environment caused by decreased global oil and gas demand due to the COVID-19 pandemic, the Company took decisive steps to protect its balance sheet by significantly reducing its capital expenditures, focusing spending on its highest return assets and accelerating cost savings across the business.

- The Company recorded a net loss of \$497.4 million (\$5.13/share), compared with net income of \$294.3 million (\$3.01/share) in 2019.
- Frontera delivered full year production of 47,800 boe/d, lower compared to 70,875 boe/d in 2019, but on the high-end of the 46,000 - 48,000 boe/d range provided by the Company on August 6, 2020 in its guidance update to the market.
- Production in Colombia was 46,461 boe/d in 2020 compared with 63,625 boe/d in 2019 as the Company proactively reduced its capital program, shut-in production, and mature fields naturally declined. In Peru, production from Block 192 was suspended in February 2020 with volumes remaining shut-in through the end of the year.
- Cash provided by operating activities was \$226.8 million, compared with \$547.0 million in 2019, contributing to a total cash position at December 31, 2020, of \$401.2 million, including \$168.9 million of restricted cash.
- Capital expenditures were \$108.1 million in 2020, or a 69% decrease compared with \$345.9 million in 2019, as the Company focused its 2020 capital budget on activities that remained economic at low oil prices, primarily

consisting of essential maintenance, workovers and activities that sustained production from higher netback fields.

- Operating EBITDA was \$172.3 million compared to \$586.2 million in 2019.
- Production costs averaged \$11.13/boe in 2020, or a 7% decrease compared with \$11.99/boe in 2019. Production costs were \$13.46/boe in the fourth quarter of 2020 compared to \$8.97 boe in the third quarter of 2020 primarily due to minor operational and maintenance catch-up work including well maintenance that had been deferred from earlier in the year, remediation in Peru and a re-rating of the USD versus Colombian Peso during the fourth quarter.
- Transportation costs averaged \$11.27/boe in 2020, or a 10% decrease compared to \$12.51/boe in 2019. Transportation costs averaged \$10.93/boe in the fourth quarter of 2020 compared to \$9.89 in the third quarter of 2020.
- Operating netback averaged \$15.84/boe, compared with \$31.65/boe in 2019.

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

"In 2020, Frontera took decisive steps to protect the Company's strong balance sheet against the impacts of collapsing oil prices brought on by the COVID-19 pandemic. The Company voluntarily shut-in higher cost production, reduced capital spending and accelerated cost reduction initiatives across the Company. Thanks to the Company's relentless pursuit of continuous operational improvements and greater cost efficiencies, Frontera exited 2020 with a total cash position including restricted cash of \$401.2 million and is much better positioned for long-term value creation."

Richard Herbert, Chief Executive Officer of Frontera, commented:

"The decline in oil prices in 2020 and the uncertainty and challenges brought on by the pandemic, created an opportunity for Frontera to make substantive changes across the enterprise to become a stronger, more sustainable company. Thanks to the hard work of Frontera employees across the business, we reduced capital expenditures by 69% compared to 2019, we focused on our highest value production, we reduced production and transportation costs per barrel by 7% and 10% respectively and reduced G&A by 28%. We expect those cost efficiencies achieved in 2020 to be permanent, improving our cost structure and competitiveness going forward."

Board of Directors Update

After more than four years of service on Frontera's Board of Directors, Board Member Raymond J. Bromark has decided not to seek re-election to the Company's Board of Directors at the Company's next annual general meeting. Mr. Bromark will resign as chair of the Company's Audit Committee effective March 29, 2021 and existing Board Member Ellis Armstrong will be appointed as Chair of the Audit Committee from this date. To ensure a smooth transition, Mr. Bromark will remain a member of the Audit Committee until the next annual general meeting.

"I would like to thank Ray for his tireless service to the Board since he joined in November 2016," said Gabriel de Alba, Chairman of the Board of Directors. "I have personally appreciated Ray's commitment and steady voice of reason throughout his time on the Board. As Chair of the Audit Committee, Ray's passion and dedication have been instrumental in advancing the ethics and compliance culture at Frontera, culminating in Frontera's inclusion in Ethisphere's most ethical companies in the world list for 2021. On behalf of the Board, I'd like to thank Ray for everything he's done to help make Frontera a better and stronger company and I welcome Ellis as the new Chair of the Audit Committee who brings great experience to the role."

Operational and Financial Summary:

		2,020			2,019	
		Q4	Q3	FY	Q4	FY
<u>Operational Results</u>						
Average Production ⁽¹⁾						
Oil production - Colombia	(bbl/d)	40,830	41,817	44,916	58,517	61,224
Oil production - Peru	(bbl/d)	—	—	1,339	10,164	7,250
Natural gas production - Colombia ⁽²⁾	(boe/d)	1,115	1,385	1,545	2,224	2,401
Total ⁽²⁾	(boe/d)	41,945	43,202	47,800	70,905	70,875
Inventory Balance						
Colombia	(bbl)	119,792	708,103	119,792	904,648	904,648
Peru	(bbl)	995,585	1,000,058	995,585	1,382,754	1,382,754
Total	(bbl)	1,115,377	1,708,161	1,115,377	2,287,402	2,287,402
Operating Netback						
Net sales realized price ⁽³⁾	(\$/boe)	37.97	36.31	38.24	56.22	56.15
Production costs ⁽⁴⁾	(\$/boe)	(13.46)	(8.97)	(11.13)	(13.76)	(11.99)
Transportation costs ⁽⁵⁾	(\$/boe)	(10.93)	(9.89)	(11.27)	(12.84)	(12.51)
Operating netback ⁽⁶⁾	(\$/boe)	13.58	17.45	15.84	29.62	31.65
<u>Financial Results</u>						
Oil and Gas Sales	(\$M)	173,047	149,474	648,060	356,922	1,351,071
Net sales ⁽⁶⁾	(\$M)	155,692	135,123	648,085	340,431	1,261,517
Net income (loss) ⁽⁷⁾	(\$M)	48,636	(90,473)	(\$497,406)	69,408	294,287
Per share – basic	(\$)	0.50	(0.93)	(5.13)	0.71	3.01
Per share – diluted	(\$)	0.48	(0.93)	(5.13)	0.70	2.96
General and administrative	(\$M)	19,851	10,539	55,121	22,897	76,072
Operating EBITDA ⁽⁶⁾	(\$M)	35,639	52,113	172,342	137,052	586,158
Cash provided by operating activities	(\$M)	42,055	35,929	226,781	151,575	546,967
Capital expenditures ⁽⁸⁾	(\$M)	24,871	2,905	108,103	132,452	345,919
Total cash, including restricted cash	(\$M)	401,222	421,298	401,222	455,811	455,811
Total debt and lease liabilities	(\$M)	538,244	557,182	538,244	402,660	402,660
Consolidated total indebtedness (Excl. Unrestricted Subsidiaries) ⁽⁹⁾	(\$M)	362,001	352,058	362,001	392,587	392,587
Net Debt (Excluding Unrestricted Subsidiaries) ⁽⁹⁾	(\$M)	146,978	113,054	146,978	81,628	81,628

1. Represents working interest production before royalties and total volumes produced from service contracts. Refer to the “Further Disclosures” section on page 29 of the MD&A.

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

3. Per boe is calculated using sales volumes from development and producing (“D&P”) assets.

4. Per boe is calculated using production.

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

6. Refer to the “Non-IFRS Measures” section on page 17 of the MD&A. This section also includes a description and details for all per boe metrics included in operating netback.

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

8. Capital expenditures includes costs, net of income from exploration and evaluation (“E&E”) assets.

9. Refer to the “Non-IFRS Measures” section on page 17 of the MD&A. “Unrestricted Subsidiaries” include CGX Energy Inc., ODL JV Ltd. (formerly Pacific Midstream Ltd.), and Frontera Bahía Holding Ltd (formerly Pacinfra Holding Ltd.) including its subsidiary Sociedad Portuaria Puerto Bahía S.A.(“Puerto Bahía”).

Agreement Reached to Resolve Outstanding Transportation Disputes in Colombia

In November 2020, Frontera, Cenit Transporte y Logística de Hidrocarburos S.A.S. ("**CENIT**") and Oleoducto Bicentenario de Colombia S.A.S. ("**Bicentenario**") separately announced that they had reached an agreement for the joint filing of a petition for a approval of a conciliation agreement which, upon completion, will resolve all the disputes pending among them, related to the Bicentenario Pipeline ("**BIC Pipeline**") and the Caño Limón – Coveñas Pipeline ("**CLC Pipeline**"), and will terminate all proceedings related to such disputes.

The arrangement is conditional upon approval of the conciliation arrangement under Colombian law which requires an opinion to be issued by the Office of the Attorney General of Colombia (Procuraduría General de la Nación) and approval of the Administrative Tribunal of Cundinamarca, an appeals court.

Operational Update:

Colombia

In 2020, the Company drilled 22 development wells in Colombia compared to 116 development wells in 2019, including 14 wells in the Quifa block, 6 wells in the CPE-6 block, one well in the Sabanero block and one well in the Canaguaro block. In the Lower Magdalena Valley of Colombia, the Company, through its joint venture on the VIM-1 block (Frontera 50% WI, Parex 50% WI, operator) announced successful testing results from the La Belleza-1 exploration well targeting the Cienaga De Oro formation. The Company also drilled the Asai-1 exploration well on the Guama block which discovered hydrocarbons but not in commercial quantities and was subsequently plugged and abandoned.

Guyana

In Guyana, the Company, through its joint venture with CGX Energy Inc, continued to advance its exploration program in the fourth quarter in both the Corentyne and Demerara blocks with well locations being selected by the joint venture.

In the Corentyne block, plans are proceeding on the Kawa-1 exploration well. Well design is complete, procurement of long lead items is in advanced stages and key technical staff have been recruited. The joint venture plans to spud the Kawa-1 exploration well during the second half of this year.

In the Demerara block, the joint venture continues to advance its preparatory work for the Makarapan-1 exploration well (previously called Demerara-F). The previous February 12, 2021 deadline for drilling the Makarapan-1 exploration well was extended to February 11, 2022, subject to documentation.

Peru

On February 5, 2021, the Company's service contract for Block 192 expired as per its terms and the Company is no longer operating on the block. The Company has started remediation work in Block 192 and Z-1 block as it pursues its exit from Peru.

Financial Liquidity:

The Company's debt as of December 31, 2021, is outlined in the table below.

(\$M)	As at December 31, 2020
Gross Debt ⁽¹⁾⁽²⁾	\$ 538,244
(-) 2025 Puerto Bahia Debt	\$ 183,414
(+) Risk Management Assets, net ⁽²⁾	\$ 7,171
'= Consolidated Total Indebtedness excluding 2025 Puerto Bahia debt ⁽⁴⁾	\$ 362,001
(-) Cash and Cash Equivalents (excluding unrestricted subsidiaries) ⁽⁵⁾	(215,023)
= Net Debt excluding 2025 Puerto Bahia debt	\$ 146,978

1. Gross debt is the sum of Long-term debt, Borrowings (2025 Puerto Bahia debt), and Lease liabilities

2. Excludes \$0.3 million of lease liabilities attributable to the Unrestricted Subsidiaries

3. Excludes \$12.6 million of risk management liabilities attributable to the Unrestricted Subsidiaries

4. Consolidated Total Indebtedness per Frontera 2023 indenture definition

5. Excludes \$17.3 million of cash attributable to the Unrestricted Subsidiaries

Fourth Quarter 2021 Conference Call Details

The Company will host a conference call for investors and analysts to discuss its year-end 2020 results, year-end 2020 independent reserves assessment and 2021 capital plan and guidance information on Thursday, March 4, 2021 at 10:00 a.m. (EST/GMT-5). Analysts and investors are invited to participate using the following dial-in numbers:

Participant Number (Toll Free North America): 1-888-664-6392
Participant Number (Toll Free Colombia): 01-800-518-4036
Participant Number (International): 1-416-764-8659
Conference ID: 91202363
Webcast Audio: www.fronteraenergy.ca

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

Encore Toll free Dial-in Number: 1-888-390-0541
International Dial-in Number: 1-416-764-8677
Encore ID: 202363

About Frontera:

Frontera Energy Corporation is a Canadian public company involved in the exploration, development, production, transportation, storage and sale of oil and natural gas in South America, including related investments in both upstream and midstream facilities. The Company has a diversified portfolio of assets with interests in 40 exploration and production blocks in Colombia, Ecuador and Guyana, and pipeline and port facilities in Colombia. Frontera is committed to conducting business safely and in a socially, environmentally and ethically responsible manner. Frontera's common shares trade on the Toronto Stock Exchange under the ticker symbol "FEC".

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Advisories:

Cautionary Note Concerning Forward-Looking Statements

This news release contains forward-looking statements. All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, the impact of the COVID-19 pandemic on the Company's operations, the effectiveness or adequacy of the measures that the Company's has to manage the COVID-19 pandemic and oil price environment and the effectiveness thereof, estimates and/or assumptions in respect of the Company's capital expenditures and the future impact thereof), the Company's exploration and development plans and objectives, the timing and receipt of approvals and final documentation from the Government of Guyana and other regulatory approvals; and the impact of the conciliation arrangement on future business opportunities for the Company, the ability to obtain certain regulatory approvals, including an opinion from the Office of the Attorney General of Colombia and the approval of the Administrative Tribunal of Cundinamarca) are forward-looking statements. These forward-looking statements reflect the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, the Company. Factors that could cause actual results or events to differ materially from current expectations include, among other things: volatility in market prices for oil and natural gas (including as a result of a sustained low oil price environment due to the COVID-19 pandemic and the procedures imposed by governments in response thereto and the actions of OPEC and non-OPEC countries); the duration and spread of the COVID-19 pandemic and its severity, the success of the Company's program to manage COVID-19; uncertainties associated with estimating and establishing oil and natural gas reserves and resources; liabilities inherent with the exploration, development, exploitation and reclamation of oil and natural gas; uncertainty of estimates of capital and operating costs, production estimates and estimated economic return; increases or changes to transportation costs; expectations regarding the Company's ability to raise capital and to continually add reserves through acquisition and development; the Company's ability to access additional financing; the ability of the Company to maintain its credit ratings; the ability of the Company to: meet its financial obligations and minimum commitments, fund capital expenditures and comply with covenants contained in the agreements that govern indebtedness; political developments in the countries where the Company operates; the uncertainties involved in interpreting drilling results and other geological data; geological, technical, drilling and processing problems; timing on receipt of government approvals; fluctuations in foreign exchange or interest rates and stock market volatility and the other risks disclosed under the heading "Risk Factors" and elsewhere in the Company's annual information form dated March 3, 2021 filed on SEDAR at www.sedar.com. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

Non-IFRS Financial Measures

This news release contains financial terms that are not considered in the International Financial Reporting Standards (“IFRS”): Operating EBITDA, Operating Netback, Net Sales, Consolidated Total Indebtedness and Net Debt. These financial measures, together with measures prepared in accordance with IFRS, provide useful information to investors and shareholders, as management uses them to evaluate the operating performance of the Company. The Company's determination of these non-IFRS measures may differ from other reporting issuers, and therefore are unlikely to be comparable to similar measures presented by other companies. Further, these non-IFRS measures should not be considered in isolation or as a substitute for measures of performance or cash flows prepared in accordance with IFRS. These financial measures are included because management uses this information to analyze operating performance and liquidity.

Operating EBITDA

Management believes that EBITDA is a common measure used to assess profitability before the impact of different financing methods, income taxes, depreciation and impairment of capital assets and amortization of intangible assets.

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

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

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

(\$M)	Three Months Ended		
	Year ended December 31, 2020	December 31, 2020	December 31, 2019
Net (loss) income	(497,406)	48,636	69,408
Finance Income	(19,529)	(6,665)	(3,162)
Finance expenses	58,421	18,778	17,438
Income tax expense (recovery)	33,284	(143,756)	(42,540)
Depletion, depreciation and amortization	258,867	51,637	89,753
Impairment (reversal) and others	137,513	(14,430)	3,389
Cost under terminated pipeline contracts	118,679	99,058	—
Reclassification of currency translation adjustments	23,956	—	—
Shared-based compensation	3,960	1,181	(124)
Restructuring, severance and other cost	21,097	7,340	2,994
Share of income from associates	(43,545)	(13,422)	(24,398)
Foreign exchange loss (gain)	7,742	(27,840)	8,812
Unrealized loss (gain) on risk management contracts	6,481	(741)	10,333
Other loss	47,328	3,043	6,680
Non-controlling interests	15,494	12,820	(1,531)
Operating EBITDA	172,342	35,639	137,052

Netbacks

Management believes that Netback is a useful measure to assess the net profit after all the costs associated with bringing one barrel of oil to the market. It is also commonly used by the oil and gas industry to analyze financial and operating performance expressed as profit per barrel. Operating Netback represents realized price per barrel plus realized gain or loss on financial derivatives, less production costs, transportation costs, royalties, and diluent costs, and shows how efficient the Company is at extracting and selling its product. For netback purposes, the Company removes the effects of trading activities and Midstream segment from its per barrel metrics. Refer to the "Operating Netback" section on page 7 of the MD&A.

Net Sales

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

Consolidated Total Indebtedness and Net Debt

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

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

Oil and Gas Information Advisories

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

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

Definitions:

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

FOR FURTHER INFORMATION:

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