

SierraCol Energy Andina, LLC

CURRENT REPORT

October 12, 2021

Other Information

The Company is providing this report to clarify the following items about Adjusted EBITDAX, Free Cash Flow and Net Revenue Interest:

1) Adjusted EBITDAX and Free Cash Flow

The Company is providing this report to clarify that the \$123.1 million of Free Cash Flow shown in the previously provided MD&A for the six months ended June 30, 2021, incorrectly included \$19.7 million of cash flows from financing activities in the working capital line item. In order to provide greater comparability and consistency with the definition of Free Cash Flow presented in the Offering Memorandum ("OM") which excludes cash flows from financing activities, the Company is providing a corrected Free Cash Flow number of \$103.4 million excluding the \$19.7 million of cash flows from financing activities. In addition, the Company is also correcting Adjusted EBITDAX to \$271.1 million from \$272.1 million previously as the previous figure incorrectly reflected the adjustment for Teca.

The table below shows the previously provided Adjusted EBITDAX to Free Cash Flow bridge and the amended version. In addition to removing \$19.7 million of financing cash flows from working capital, the table also provides further disclosure on working capital and other line-items that build up to Free Cash Flow, adding exploration expenses with exploration drilling in a single line and non-recurring costs excluded from Adjusted EBITDAX have been reincluded within Free Cash Flow. The \$19.7 million differs from the net cash flows provided by financing activities of \$16.9 million because of the \$2.8 million of lease payments.

The Adjusted EBITDAX for the six months ended June 30, 2021 is corrected to \$271.1 million and the Increase in Cash and Cash Equivalents for the same period is unchanged at \$123.1 million.

EBITDAX and Free Cash Flow reconciliation - \$ millions (unless otherwise stated)	Published Six months ended 30 June 2021	Amended Six months ended 30 June 2021
Net income for the period (Consolidated Financial Statements)	55.0	55.0
Financial income and financial expenses	7.2	7.2
Depreciation, depletion and amortization	88.3	88.3
Income tax expense	97.9	97.9
Exploration and seismic expenses and dry hole cost	6.0	6.0
Foreign exchange income	(8.8)	(8.8)
Accretion of decommissioning liability	3.6	3.6
Non-recurring costs	8.5	8.5
Unrealized fair value gain on derivatives	13.9	13.9
Teca	0.5	(0.5)
Adjusted EBITDAX	272.1	271.1
Exploration	(0.7)	(6.7)
Tax payments	(75.0)	(75.0)
Cash capital expenditures	(53.2)	(53.2)
Decommissioning funding	0.0	0.0
Change in working capital	(20.0)	(25.5)
Non-recurring costs	0.0	(8.5)
Realized foreign exchange income	0.0	4.0
Principal element of lease payments	0.0	(2.8)
Free Cash Flow (*)	123.1	103.4
<i>Financing activities (excluding lease payments)</i>	-	19.7
<i>Net change in cash</i>	<i>123.1</i>	<i>123.1</i>

(*) In accordance with the definition included in the OM, Free Cash Flow consists of Adjusted EBITDAX further adjusted for exploration and tax payments, cash capital expenditures, decommissioning funding, and changes in working capital. We are adding new lines to disclose the lease payments incurred and the realized foreign exchange during the period.

As explained in the Offering Memorandum, Teca has been excluded as its operations are currently limited to care and maintenance and are not expected to be part of our future growth strategy. This explains the difference between the \$123.1 million above and the increase in cash and cash equivalents of \$123.6 million presented in the Financial Statements.

In addition, the Company is updating the previously provided cash flow statement for the six months ended June 30, 2021. The amended cash flow statement removes the non-cash impact of the COG acquisition, which was previously incorrectly included in the cash flow statement, and implements other corrections and reclassifications, the net effect of which is zero on net change in cash. These other corrections and reclassifications primarily relate to non-cash items added back to net income, working capital items included incorrectly in cash flows provided by financing, investing and operating activities and dividends paid to minority interests. The Company believes this presentation more accurately reflects the cash flow of the business. The amended cash flow statement ties to the \$19.7 million of cash flows from financing activities noted above.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

For the interim period ended June 30, 2021.

(Thousands of United States dollars)

	Published For the six-month period ended June 2021	Amended For the six-month period ended June 2021	Change	
Cash and cash equivalents provided by:				
Operating Activities				
Net income before tax	\$ 152,894	\$ 152,894	\$ -	
<i>Adjustments for non-cash items:</i>				
Accretion of decommissioning liability	3,632	3,632	-	
Depreciation, depletion, and amortization	88,296	88,296	-	
Unrealized foreign exchange gain	(4,824)	(4,824)	-	
Unrealized fair value loss on derivatives	-	13,948	13,948	[b]
Financial income	-	(194)	(194)	[c]
Financial expense	-	7,359	7,359	[c]
<i>Changes in assets and liabilities:</i>				
Changes in inventories	3,969	3,969	-	
Changes in trade and other receivables	(24,206)	(19,162)	5,044	[b,d]
Changes in trade and other payables	(406)	(10,296)	(9,890)	[b,d]
<i>Cash generated from operating activities</i>	<u>\$ 219,355</u>	<u>\$ 235,622</u>	<u>\$ 16,267</u>	
Income and other taxes paid	(75,049)	(75,049)	-	
Net cash flows provided by operating activities	\$ 144,306	\$ 160,573	\$ 16,267	
Investing activities				
Acquisitions of property, plant, and equipment	\$ (148,460)	\$ (53,209)	\$ 95,251	[a]
Acquisitions of Goodwill	(2,650)	-	2,650	[a]
Dividend from Holder and Andina acquisition	25,493	-	(25,493)	[b]
Proceeds from short-term investments	(155)	-	155	[b]
Sale of long-term investments	3,860	-	(3,860)	[b]
Acquisitions of exploration and evaluation assets	-	(748)	(748)	[a]
Net cash flows used in investing activities	\$ (121,912)	\$ (53,957)	\$ 67,955	
Financing activities				
Change in other finance liabilities	(192,542)	(195,474)	(2,932)	[b]
Long term notes	583,137	600,000	16,863	[c]
Bond issuance costs	-	(16,863)	(16,863)	[c]
Proceeds from issuance of common shares	56,363	-	(56,363)	[a]
Proceeds from issuance of common shares	4,400	4,400	-	
Dividends	(350,200)	(365,200)	(15,000)	[b]
Financial expense	-	(7,359)	(7,359)	[c]
Financial income	-	194	194	[c]
Lease payments	-	(2,762)	(2,762)	[b]
Net cash flows provided by financing activities	\$ 101,158	\$ 16,936	\$ (84,222)	
Increase in cash and cash equivalents during the period	\$ 123,552	\$ 123,552	\$ -	
Cash and cash equivalents, beginning of the period	109,485	109,485	-	
Cash and cash equivalents, end of the period	\$ 233,037	\$ 233,037	\$ -	

- [a] We have excluded the net effect of the COG acquisition from investing and financing transactions because it is a non-cash transaction
- [b] We have added or removed certain line items within operating, investing, and financing activities in order to correct the disclosure
- [c] We have reclassified certain line items within operating and financing activities in order to correct the disclosure
- [d] We have removed an erroneous \$2 million entry that was used to reconcile the previous cash flow statement

As stated above, there is no impact to cash and cash equivalents resulting from this revised presentation.

Non-IFRS Financial Measures

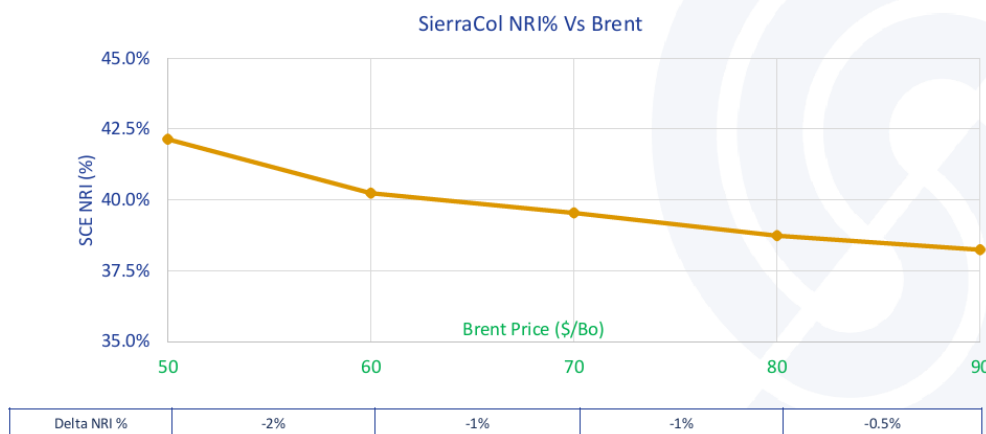
This report contains non-IFRS financial measures, including Adjusted EBITDAX and Free Cash Flow, that are not required by, or presented in accordance with, IFRS. Management uses these measures to calculate operating performance in presentations to the Company's board of directors and as a basis for strategic planning and forecasting, as well as monitoring certain aspects of our cash flow and liquidity. Also, we present non-IFRS measures because we believe that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance. These non-IFRS measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. Non-IFRS measures and ratios are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to operating profit or profit from continuing operations or any other performance measures derived in accordance with IFRS or as alternatives to cash flow from operating, investing or financing activities.

2) Net Revenue Interest (NRI)

The Company is providing further detail about how the positive evolution of crude price impacts its net revenue interest. These price clauses apply to the La Cira Infantas Collaboration Contract and Cravo Norte Association Contracts which represent, respectively, 34% and 21% of the Company's net production in 2021. The below chart shows the sensitivity of 100% of SierraCol's net revenue interest to higher crude prices for 2021:



SierraCol Net Revenue Interest Sensitivity vs. Brent



- Net Revenue Interest after royalties.
- Variation based on Full Year 2021 Production numbers.
- Price Premium clause applies to 55% of SierraCol Net Production (La Cira Infantas 34% and Cravo Norte 21%)
- Delta NRI applies to Gross Production
- WTI Differential of -4 \$/bbl vs Brent is used for the calculation of Cravo Norte impact on net share

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