SierraCol reports second quarter 2024 results

- 2Q24 SBR[1] production of 43.7 kboed, a 4% decrease q/q primarily due to planned maintenance across our main assets. For 6M24, SBR production averaged 44.7 kboed, up 3% y/y, driven by successful drilling and workover campaigns in the Caño Limón area and Central Llanos.
- Generated a solid Adjusted EBITDAX of $200.1 million during the quarter, with a Last-Twelve-Months ("LTM") figure standing at $ 723.5 million. Adjusted EBITDAX margin stood at 75% in 2Q24.
- Strong Adjusted operating netback of $62.6/boe, up from $58.4/boe last quarter, driven by better performance in Brent and Vasconia marker prices and increased shipping via the Caño Limón-Coveñas ("CLC") pipeline.
- Maintained an ample total liquidity of $237.2 million, with net leverage remaining low at 0.7x.
- For 6M24, we achieved a FCF of $73 million after $150 million in income tax payments, with no further payments pending.
- During the quarter, 94% of the Caño Limón area production was shipped via the CLC pipeline vs 72% in the first quarter.
- The Caño Limón area is now 100% powered with renewable energy from the national grid after the completion of the main energy transition project in that field.
- Fitch affirmed SierraCol's credit rating at B+ with a stable outlook.
- After quarter-end, following the completion of all regulatory approvals, SierraCol has now added a working interest in the Caracara and Llanos 22 contracts ("Acquired Assets") to its portfolio.
- Following the closing of the transaction of the Acquired Assets, 2024 average SBR production guidance has been revised up to 44 – 46 kboed, from 42 – 44 kboed to reflect the Acquired Assets coming into the portfolio at a rate of 5 kboed. This results in a FY24 annual average production of 2 kboed. Guidance on capital and exploration expenditures remains unchanged at $170 – $200 million.

London, UK, 21 August 2024, SierraCol Energy Limited (the "Company", "SierraCol", "SCE" or "we"), the direct parent of SierraCol Energy Andina, LLC, reports its operational and financial results for the second quarter 2024 ("2Q24"). A conference call and webcast for bondholders and analysts will be held on Thursday, 22 August 2024 at 11:00 a.m. Eastern Time.

This release should be read in conjunction with the consolidated financial statements for the period ended 30 June 2024 and the notes thereto, and related Management's Discussion and Analysis ("MD&A").

SierraCol's CEO, Bernardo Ortiz, said: "We are pleased to announce that, following the end of the quarter, we have initiated the integration of the Caracara and Llanos 22 assets into our Central Llanos hub. This achievement solidifies our position in the region and creates the opportunity to pursue important synergies. The newly acquired assets increase SierraCol's SBR production by more than 5,000 barrels per day and give us access to 6.8 million barrels of 2P net reserves.

Moreover, in our existing operations, we have delivered increased year-over-year production and remain on target with our operational guidance. Additionally, we are making significant progress towards our sustainability goals. With the installation of the fourth transformer, the Caño Limón area is now fully connected to a renewable energy source provided by the national grid."

[1] SBR: Share Before Royalties.

Key Figures

	2Q24	1Q24	2Q23	Δ q/q	Δ y/y	6M24	6M23	Δ y/y
Production & sales (kboed)								
Gross production	79.6	82.7	77.9	-4%	2%	81.1	80.5	1%
SBR production[(1)]	43.7	45.7	41.9	-4%	4%	44.7	43.3	3%
Net production	36.1	38.1	33.2	-5%	9%	37.1	34.1	9%
Net sales	36.2	35.7	31.3	1%	16%	35.9	32.7	10%
Operating netback per barrel of net sales ($/boe)								
Brent price	85.0	81.8	77.7	4%	9%	83.4	79.9	4%
Realised price	81.4	76.1	70.4	7%	16%	78.8	72.4	9%
Lifting cost	(17.7)	(16.9)	(18.9)	5%	-6%	(17.3)	(16.8)	3%
Transport cost	(1.1)	(0.8)	(0.6)	38%	83%	(0.9)	(0.7)	29%
Adjusted operating netback per boe[(1)]	62.6	58.4	50.9	7%	23%	60.6	54.9	10%
Administrative expenses	(3.7)	(2.6)	(3.0)	42%	23%	(3.1)	(3.2)	-3%
Realised loss on oil derivatives	(0.6)	(0.6)	(0.5)	–%	20%	(0.6)	(0.4)	50%
Other[(2)]	2.5	0.4	(1.3)	525%	nm	1.3	0.2	550%
Operating netback[(1)]	60.8	55.6	46.1	9%	32%	58.2	51.5	13%
Adjusted EBITDAX ($ million)								
Total revenue	267.9	247.2	200.5	8%	34%	515.2	427.8	20%
Lifting cost	(58.2)	(55.0)	(53.9)	6%	8%	(113.2)	(99.3)	14%
Transport cost	(3.5)	(2.7)	(1.6)	31%	116%	(6.1)	(3.8)	59%
Adjusted operating netback[(1)]	206.2	189.6	144.9	9%	42%	395.8	324.6	22%
Administrative expenses	(12.2)	(8.4)	(8.6)	44%	41%	(20.6)	(18.7)	10%
Realised loss on oil derivatives	(2.0)	(2.0)	(1.3)	2%	53%	(4.0)	(2.6)	57%
Other[(2)]	8.1	1.3	(3.6)	499%	nm	9.4	0.8	>1000%
Adjusted EBITDAX[(1)]	200.1	180.5	131.4	11%	52%	380.6	304.2	25%
Adjusted EBITDAX margin[(1)]	75%	73%	66%	2%	14%	74%	71%	4%
Key financial results ($ million)								
Net income	67.0	75.2	56.6	-11%	18%	142.2	132.4	7%
Capex and exploration expenditures[(1)]	42.3	36.7	44.5	15%	-5%	78.9	73.7	7%
Free Cash Flow[(1)]	64.0	9.3	9.2	587%	595%	73.3	72.0	2%
Cash & cash equivalents	120.2	110.8	173.2	9%	-31%	120.2	173.2	-31%
Net debt[(1)]	511.2	528.7	497.8	-3%	3%	511.2	497.8	3%

(1) See "Non-IFRS Measures" section in the MD&A document. | (2) Other includes prepaid expenses, other income/expenses (net) and realised foreign exchange gain (loss).

Operational update

- 2Q24 Share Before Royalties ("SBR") production was 43.7 kboed, down 4% q/q mainly as a result of planned maintenance across our main assets and stabilisation of recently drilled wells in the Caño Limón area.
- 6M24 SBR production of 44.7 kboed was up 3% y/y, mainly due to positive results of the drilling and workover campaigns in the Caño Limón and Central Llanos areas.
- During 6M24, 2 active rigs drilled and completed 22 development wells, while 17 workover jobs were carried out.
- Over the quarter, 94% of the Caño Limón area production was shipped via the Caño Limón-Coveñas ("CLC") pipeline, compared to 72% in 1Q24.
- Installation of the 4th transformer in the Caño Limón area was completed in 2Q24. As a result, we have successfully finalised the main energy transition project in that area, switching all power self-generation with crude oil to 100% renewable electricity from the national grid.

Financial update

- Brent price was $85.0/bbl in 2Q24 vs $81.8/bbl in 1Q24, with an average realised price of $81.4/boe.
- Revenue from oil sales increased by $20.7 million q/q, primarily due to an increase of $3.3/bbl in Brent price, resulting in an additional revenue of $14.2 million. Additionally, a reduction in the Vasconia differential of $1.0/bbl resulted in a positive impact of $3.4 million on earnings q/q, while increased sales volumes generated an additional revenue of $3.1 million.
- Lifting cost increased by $3.2 million, and the cost per barrel increased 6% q/q, mainly due to planned maintenance and social responsibility programme activities. Compared to 2Q23 and 6M23, lifting cost was 8% and 14% higher, respectively, due to Colombian peso revaluation and inflation impacts, partly offset by strong reductions linked to the Company's cost efficiency programme.
- Adjusted Operating netback was $62.6/boe, and Operating netback was $60.8/boe for 2Q24.
- Adjusted EBITDAX for 2Q24 was $200.1 million, an increase of $19.6 million q/q, primarily driven by an 8% increase in revenue, partially offset by a 6% increase in lifting cost.
- Adjusted EBITDAX margin increased from 73% to 75% q/q.
- Capex and exploration expenditures were $42.3 million for 2Q24, up 15% compared to 1Q24.
- Free Cash Flow was $64.0 million[2] for 2Q24, generated from Adjusted EBITDAX of $200.1 million which was mainly used to cover income tax payments, capital expenditures and working capital requirements during the period.

Ample liquidity and low net leverage

- Total available liquidity of $237.2 million (cash and cash equivalents of $120.2 million plus $117.0 million in undrawn amounts of committed credit lines).
- During 2Q24, the Company repaid $13.0 million of outstanding debt under the RCF, and its full capacity is available. The BTG short-term loan was increased by an additional $5.0 million. The total loan amount of $25.0 million is due in 4Q24.
- Net debt of $511.2 million, with cash and cash equivalents totalling $120.2 million, and net leverage ratio of 0.7x.
- The third and final contingent payment to Oxy was made for $25.0 million.

Credit ratings

- During the quarter, Fitch affirmed SierraCol's credit rating at B+ with a stable outlook.

[2] Free cash flow presented before $25.0 million contingent payment to Oxy.

Risk management

Brent hedging

- The Company's target is to hedge between 40% to 60% of its expected hedgeable production, six to twelve months ahead.
- The table below provides a summary of the current commodity hedging positions as of the date of this document:

Type of Instrument	Term	Benchmark	Volume (bbl)	Avg. long put strike price ($/bbl)
Put	Jul-24 to Aug-24	Brent	1,051,630	65.0
Put	Sep-24 to Dec-24	Brent	2,049,578	60.0
Put	Jan-25 to Feb-25	Brent	940,000	65.0

- As of the date of this document, we have hedged 51% of our hedgeable production until February 2025, with a weighted average long put strike price of $62/bbl.

Currency hedging programme

- We have currently open currency hedging positions to manage volatility in the foreign exchange rate of Colombian peso to US dollar, hedging approximately 27% of the Company's cash needs in Colombian peso.
- The table below provides a summary of the current currency hedging positions as of the date of this document:

Type of Instrument	Term	Benchmark	Volume ($ million)	Avg. Put / Call	Avg. Forward rate
Zero-cost collar	3Q24	COP / USD	$19.0	4,000 / 4,502	–
Zero-cost collar	4Q24	COP / USD	$45.0	4,000 / 4,533	–

Business acquisition

- Subsequent to quarter-end, SierraCol successfully completed the acquisition of a working interest in the Caracara and Llanos 22 contracts ("Acquired Assets")[3]. All regulatory approvals and conditions precedent have been met.
- Net reserves for these assets amount to 6.8 million barrels of oil on a 2P basis at the end of 2023.
- The $74.0 million loan from Grupo Bancolombia was fully drawn down after quarter-end in connection with this business acquisition.
- Proforma SBR production of SCE including the Acquired Assets is as follows:

	1Q24	2Q24	6M24
SBR production from SCE's legacy assets (kboed)	45.7	43.7	44.7
SBR production from Acquired Assets (kboed)	5.0	4.8	4.9
Total Company's SBR production (kboed)	50.7	48.5	49.6

[3] Acquired Assets refers to the acquisition, during August 2024, of Cepsa Colombia S.A (Cepsa)'s working interest in the Caracara and Llanos 22 contracts in Colombia

2024 Guidance

- The Company is increasing its FY24 SBR production guidance to reflect the integration of the Acquired Assets into the portfolio from August to December at a rate of 5 kboed. This results in a FY24 annual average production of 2 kboed, raising the full-year guidance to 44 – 46 kboed, from 42 – 44 kboed. The guidance on capital and exploration expenditures remains unchanged at $170 - $200 million.

	2024 original guidance	2024 revised guidance
SBR production from SCE's legacy assets (kboed)	42 – 44	42 – 44
SBR production from Acquired Assets (kboed)	-	2[4]
Total Company's SBR production (kboed)	42 - 44	44 - 46
Capital and exploration expenditures ($ million)[5]	$170 – $200	$170 – $200

Conference call and webcast

SierraCol will hold a conference call to present our 2Q24 financial and operational results on Thursday, 22 August 2024 at 11:00 a.m. Eastern Time.

Bondholders and analysts are invited to participate in the call or webcast using the following dial-in numbers or links:

Participant dial-in numbers	Toll Free (US/Canada): 1-877-407-9716 Toll/International: 1-201-493-6779 Call me™
Webcast link	https://viavid.webcasts.com/starthere.jsp?ei=1678896&tp_key=caea00c923

Add event to calendar: Outlook/iCal Google Calendar

This notice contains forward-looking statements, which involve significant risk factors, uncertainties and assumptions that could or could not materialize. The Company's actual results and performance could differ from those expressed in, or implied by, this notice and the forward-looking statements. These forward-looking statements are made as of the date of this document and the Company disclaims any intent or obligation to update them.

Certain amounts and percentages included in this document have been rounded for ease of presentation. Accordingly, figures shown as totals or percentage changes between periods may not be the arithmetic result of their inputs as presented in this document.

The best-in-class netback statement is based on our own calculations employing information from Company filings for peers. "Peers" are Latin American oil and gas companies that are focused on Colombia and are listed and/or rated by credit rating agencies.

For further information, please contact us: ir@sierracol.com

About SierraCol

SierraCol Energy is the largest independent E&P Company in Colombia based on gross operated and jointly operated production, with full life-cycle capabilities across exploration, development and production. The Company, headquartered in Bogotá, Colombia, manages a high-quality portfolio with resilient free cash flow generation and is advised by The Carlyle Group. Further background information is available on the corporate website: www.sierracolenergy.com

[4] Considering production from Acquired Assets from August onward.
[5] Guidance includes development, green and exploration capex plus exploration expenses.