Management Discussion and Analysis

2Q24

This management discussion and analysis ("MD&A") of the financial condition and results of operations of SierraCol Energy Limited and its subsidiaries ("we", "our", "SierraCol", "SCE" or the "Company") should be read in conjunction with the interim condensed consolidated financial statements for the period ended 30 June 2024 and 2023 and the notes thereto. Please read the full cautionary statements at the end of the document.

2Q24 performance highlights

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 5% 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[1] 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.

Risk Management

- Under our Brent hedging programme, we have hedged 51% of our hedgeable production until February 2025, with a weighted average long put strike price of $62/bbl. We have no caps in our oil hedging programme.
- Under our currency hedging programme, we have hedged close to 27% of the Company's cash needs in Colombian pesos until 4Q24. We are employing zero-cost collars with a weighted average strike price of COP $4,000/$4,524.

Credit Ratings

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

Business acquisition

- Subsequent to quarter-end, SierraCol successfully completed the acquisition of a working interest in the Caracara and Llanos 22 contracts ("Acquired Assets")[2]. 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.

2024 guidance

- Increased FY24 SBR production guidance to 44 – 46 kboed, from 42 – 44 kboed, to reflect the Acquired Assets coming into the portfolio from August to December 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.

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

Financial and operational results

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. | [2] Other includes prepaid expenses, other income/expenses (net) and realised foreign exchange gain (loss).

Production and sales

kboed	2Q24	1Q24	2Q23	Δ q/q	Δ y/y	6M24	6M23	Δ y/y
Gross production	79.6	82.7	77.9	-4%	2%	81.1	80.5	1%
SBR production								
Caño Limón area	27.8	29.2	24.6	-5%	13%	28.5	26.2	9%
Middle Magdalena	12.6	13.0	13.8	-3%	-9%	12.8	13.9	-8%
Central Llanos	3.3	3.6	3.5	-8%	-7%	3.4	3.1	10%
SBR production	43.7	45.7	41.9	-4%	4%	44.7	43.3	3%
Light and medium oil	43.0	45.0	41.2	-4%	4%	44.0	42.5	3%
Heavy oil	0.4	0.5	0.4	-11%	-2%	0.5	0.4	7%
Gas	0.3	0.2	0.3	10%	–%	0.3	0.3	-9%
Royalties in kind	3.8	4.0	3.5	-6%	6%	3.9	3.6	7%
Price-related effects	3.9	3.7	5.1	6%	-24%	3.8	5.6	-32%
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%

SBR production for 2Q24 was 43.7 kboed, 4% lower than the previous quarter. This decrease is mainly explained by i) lower production in the Caño Limón area following a scheduled maintenance to complete the energy transition project and the stabilization of recently drilled wells, ii) decreased production in La Cira Infantas, primarily due to a slower production recovery after planned maintenance at the end of the quarter, and iii) decreased production in the Central Llanos area due to delays in activity execution during the quarter.

Compared to 2Q23, SBR production increased by 4%, mainly due to higher production in the Caño Limón area following the success of the REX-NE North exploratory well and positive results from the development drilling and workover campaigns. This was partly offset by i) lower production in La Cira Infantas due to the slower production recovery, and ii) lower production in the Central Llanos area due to less planned activity during the quarter.

SBR production for 6M24 was 44.7 kboed, 3% higher than the previous year. This increase is mainly explained by i) higher production in the Caño Limón area, driven by the success of the REX-NE North exploratory well and the positive outcome of the development drilling and workover campaigns, and ii) higher production in the Central Llanos area after the 2023 activity campaign. This was partly offset by lower production in La Cira Infantas, driven by the impact of last year's surface equipment issues and slower production recovery in 2Q24.

Crude oil inventory

kbo	2Q24	1Q24	2Q23	Δ q/q	Δ y/y	6M24	6M23	Δ y/y
Crude oil inventory - beginning of the period	488	172	188	183%	159%	172	14	>1000%
Oil production	3,262	3,446	3,005	-5%	9%	6,707	6,125	9%
Oil sales	(3,269)	(3,229)	(2,826)	1%	16%	(6,499)	(5,869)	11%
Crude oil in transit and other adjustments	(307)	99	126	nm	nm	(207)	222	nm
Crude oil inventory - end of the period	173	488	493	-64%	-65%	173	493	-65%
% of period production	5%	14%	16%			3%	8%	

The crude oil inventory decreased by 314 kbo q/q, primarily due to temporary adjustments. For the first half of 2024, the balance remained unchanged.

Completion of energy transition project in the Caño Limón area

During the quarter, the installation of the 4th transformer in the Caño Limón area was finalised. As a result, the main energy transition project is now complete, allowing the Caño Limón area to be powered with 100% renewable energy from the grid. After completing this key milestone, we remain on track to deliver a net scope 1 and 2 emissions reduction of 60% by the end of 2024 compared to the 2020 baseline.

Revenue

	2Q24	1Q24	2Q23	Δ q/q	Δ y/y	6M24	6M23	Δ y/y
Revenue ($ million)								
Oil sales	267.2	246.5	199.7	8%	34%	513.7	426.4	20%
Natural gas sales	0.6	0.5	0.6	7%	2%	1.1	1.1	-1%
Services	0.2	0.2	0.2	-19%	-13%	0.4	0.3	47%
Total revenue	267.9	247.2	200.5	8%	34%	515.2	427.8	20%
Net sales (million boe)								
Oil sales	3.3	3.2	2.8	1%	16%	6.5	5.9	11%
Natural gas sales	0.02	0.02	0.02	10%	1%	0.04	0.04	-4%
Net sales	3.3	3.2	2.8	1%	16%	6.5	5.9	11%
Prices								
Brent ($/bbl)	85.0	81.8	77.7	4%	9%	83.4	79.9	4%
Vasconia differential ($/bbl)	4.0	5.1	5.5	-21%	-28%	4.5	6.7	-33%
Average realised price ($/boe)	81.4	76.1	70.4	7%	16%	78.8	72.4	9%

Revenue from oil sales increased by $20.7 million q/q, primarily attributed to an increase of $3.3/bbl in Brent price, resulting in a benefit of $14.2 million. Additionally, a lower Vasconia differential of $1.0/bbl, had a positive impact of $3.4 million q/q, and higher sales volumes contributed an additional benefit of $3.1 million.

Average realised price increased $5.3/bbl q/q, mainly due to an increase in Brent price of $3.3/bbl. Additionally, a lower Vasconia differential had a positive impact of $1.0/bbl, and decreased shipping via the Bicentenario pipeline during the quarter (6% of Caño Limón production was shipped via OBC vs 28% in 1Q24) provided a benefit of $1.0/bbl.

Compared to 2Q23, revenue from oil sales increased by $67.5 million, mainly due to a higher average realised price driven by an increase in commodity prices ($31.2 million), higher sales volumes resulting in a benefit of $31.3 million, and a lower Vasconia differential of $1.5/bbl, leading to a positive impact of $5.0 million y/y.

Compared to 6M23, revenue from oil sales increased by 20%, totalling $87.3 million. This growth was largely driven by a 11% increase in sales volumes, resulting in a $45.8 million benefit, and an increase in Brent price of $3.5/bbl, resulting in a positive impact of $27.3 million. Additionally, a lower Vasconia differential of $2.2/bbl provided a benefit of $14.2 million.

Operating expenses

$ million (unless otherwise stated)	2Q24	1Q24	2Q23	Δ q/q	Δ y/y	6M24	6M23	Δ y/y
Lifting cost	58.2	55.0	53.9	6%	8%	113.2	99.3	14%
Transportation cost	3.5	2.7	1.6	31%	116%	6.1	3.8	59%
Operating expenses	61.7	57.6	55.5	7%	11%	119.3	103.2	16%
Per barrel of net sales ($/boe)	18.8	17.7	19.5	6%	-4%	18.3	17.5	5%

Lifting cost increased by 6% q/q mainly due to planned maintenance and social responsibility programme activities (e.g., road maintenance, house construction, among others).

Compared to 2Q23 and 6M23, lifting cost was 8% and 14% higher, respectively. This increase is mainly due to: i) the revaluation of the Colombian peso ($4,384 COP/USD in 2Q23 vs $3,927 COP/USD in 2Q24, $4,537 COP/USD in 6M23 vs $3,920 COP/USD in 6M24), and ii) the impact of inflation over services and materials, which was close to 13%.

However, these increases were partly offset by optimization actions implemented since the second half of 2023, relating mainly to energy and well work savings linked to the Company's cost efficiency programmes.

Transport cost increased by $0.8 million q/q and $1.9 million y/y due to higher volumes shipped through the CLC pipeline (94% vs 72% in 1Q24 and vs 45% in 2Q23). Compared to 6M23, transport cost increased by $2.3 million due to higher volumes shipped through the CLC pipeline (83% in 6M24 vs 67% in 6M23).

Adjusted operating netback per boe

$/boe of net sales	2Q24	1Q24	2Q23	Δ q/q	Δ y/y	6M24	6M23	Δ y/y
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%
Adj. operating netback per boe	62.6	58.4	50.9	7%	23%	60.6	54.9	10%

Adjusted operating netback per boe increased 7% q/q and 23% y/y driven mainly by a higher realisation price, partly offset by increased transport cost linked to higher volumes shipped through the CLC pipeline.

Compared to 6M23, Adjusted operating netback increased 10% primarily attributed to a higher realised price.

Administrative expenses

$ million	2Q24	1Q24	2Q23	Δ q/q	Δ y/y	6M24	6M23	Δ y/y
Administrative expenses	12.2	8.4	8.6	44%	41%	20.6	18.7	10%

Administrative expenses of $12.2 million for 2Q24 increased $3.7 million q/q, primarily due to: i) $2.0 million attributable to the seasonality of IT licences and insurance costs, ii) $1.0 million due to timing effects related to retroactive salary adjustments corresponding to the first quarter of the year, and iii) $0.7 million resulting from lower overhead recovery from partners.

Administrative expenses increased by $3.6 million y/y, primarily due to lower overhead recovery from partners and foreign exchange rate impact given the revaluation of the Colombian peso ($4,384 COP/USD in 2Q23 vs $3,927 COP/USD in 2Q24).

Capital expenditures

$ million	2Q24	1Q24	2Q23	Δ q/q	Δ y/y	6M24	6M23	Δ y/y
Caño Limón area	19.6	13.6	22.3	44%	-12%	33.2	31.7	5%
Middle Magdalena	17.1	13.2	6.0	29%	183%	30.3	12.7	138%
Central Llanos	3.4	0.2	14.5	>1000%	-77%	3.6	25.4	-86%
Development capex	40.1	27.0	42.8	48%	-7%	67.1	69.9	-4%
Exploratory drilling	1.4	8.9	0.8	-85%	62%	10.3	1.0	949%
Total capex	41.4	36.0	43.7	15%	-5%	77.4	70.9	9%
Exploration expenses[1]	0.8	0.7	0.8	16%	4%	1.6	2.9	-46%
Capex and exploration expenditures	42.3	36.7	44.5	15%	-5%	78.9	73.7	7%

[1] Exploratory expenses are presented net of dry hole costs and impairments.

Development capex increased by $13.0 million q/q, mainly due to higher drilling activity in the Caño Limón area and La Cira Infantas, partly offset by lower wellwork activity in the Caño Limón area. During the quarter, two active rigs drilled and completed two wells in the Caño Limón area and 20 wells in La Cira Infantas. The workover campaign included 13 jobs in the Caño Limón area, three jobs in the Central Llanos area, and one job in La Cira Infantas.

Compared to 2Q23 and 6M23, development capex decreased by 7% and 4%, respectively, mainly driven by lower facilities activity across all areas. The drilling activity shifted y/y from Central Llanos to the Middle Magdalena area, which requires less capital per well, resulting in a higher number of wells with slightly lower investment. In addition, well cost optimization in the Caño Limón area and La Cira Infantas has allowed for the drilling of additional wells during 2024. During 6M24, 40 development wells were drilled and completed, and 44 workover jobs were performed.

Exploratory drilling decreased by $7.6 million, or 85% q/q, as no exploration wells were drilled in 2Q24 compared to two wells in 1Q24.

Compared to 2Q23 and 6M23, exploratory drilling increased by $0.5 million and $9.3 million, respectively, due to higher drilling activity in the Caño Limón area in 2024, whereas no exploration wells were drilled in 6M23.

Capital and exploration expenditures totalled $78.9 million in 6M24.

Adjusted EBITDAX and Free Cash Flow

$ million	2Q24	1Q24	2Q23	Δ q/q	Δ y/y	6M24	6M23	Δ y/y
Total comprehensive income	67.0	75.2	56.6	-11%	18%	142.2	132.4	7%
Financial income and financial expenses	8.3	9.0	6.7	-8%	24%	17.3	15.5	12%
Depreciation, depletion and amortisation	33.6	34.0	31.7	-1%	6%	67.6	63.7	6%
Income tax expense	75.9	59.2	37.6	28%	102%	135.2	85.8	58%
Exploration expenses and dry hole cost	0.8	6.8	1.0	-88%	-20%	7.6	3.5	117%
Foreign exchange (income) / loss	3.2	(1.0)	(2.6)	nm	nm	2.1	4.4	-52%
Accretion of decommissioning liability	0.8	0.8	1.1	1%	-20%	1.7	2.1	-19%
Prepaid expenses and bond cost amortisation	3.5	1.3	2.1	171%	68%	4.8	5.3	-10%
Unrealised fair value gain on derivatives	(0.7)	3.8	(0.2)	nm	242%	3.1	(0.6)	nm
Inventory fluctuation	8.5	(8.6)	(2.8)	nm	nm	(0.1)	(8.0)	-99%
Other non-cash items	(0.9)	–	0.2	–%	nm	(0.9)	0.2	nm
Adjusted EBITDAX	200.1	180.5	131.4	11%	52%	380.6	304.2	25%
Exploration drilling[1]	(1.4)	(8.9)	(0.8)	-85%	62%	(10.3)	(1.0)	949%
Exploration and seismic expense[2]	(0.8)	(0.7)	(0.8)	16%	4%	(1.6)	(2.9)	-46%
Tax payments	(107.3)	(42.7)	(61.6)	151%	74%	(150.0)	(79.8)	88%
Capital expenditures[1]	(40.1)	(27.0)	(42.8)	48%	-7%	(67.1)	(69.8)	-4%
Inventory of capitalizable parts/ components	2.4	0.4	–	454%	–%	2.8	–	–%
Change in working capital[3]	(7.2)	(95.5)	(24.2)	-92%	-70%	(102.7)	(90.7)	13%
Realised FX rate gain (loss)	18.3	3.4	8.5	435%	115%	21.8	13.0	67%
Lease payments	(0.1)	(0.2)	(0.4)	-25%	-72%	(0.3)	(1.0)	-72%
Free Cash Flow	64.0	9.3	9.2	587%	595%	73.3	72.0	2%

(1) Figures including capital and exploration drilling accruals | (2) Exploratory expenses are presented net of dry hole costs and impairments | (3) Figures excluding capital and exploration drilling accruals.

Adjusted EBITDAX increased by 11% q/q, mainly driven by an 8% increase in revenue, partly offset by a 6% increase in lifting cost, and a 44% increase in administrative expenses.

In 2Q24, Free Cash Flow totalled $64.0 million. This amount originated from Adjusted EBITDAX of $200.1 million, which was mainly used to cover: i) income tax payments of $107.3 million, ii) capital expenditures of $40.1 million, and iii) working capital requirements of $7.2 million.

Working capital deficit increased from $95.5 million to $102.7 million mainly driven by higher supplier payments during 2Q24

Adjusted EBITDAX for 6M24 was $380.6 million, resulting in an Operating netback of $58.2/boe.

Cash flows

The table summarises the classification of our cash flows for 6M24 and 6M23:

$ million	6M24	6M23
Net cash flows from operating activities	136.6	126.8
Net cash flows used in investing activities	(82.4)	(92.6)
Net cash flows from financing activities	(17.2)	32.1
Increase in cash and cash equivalents during the period	37.1	66.3
Cash and cash equivalents at the beginning of the period	88.7	106.2
Effect of foreign exchange on cash and cash equivalents held in foreign currencies	(5.6)	0.7
Cash and cash equivalents at the end of the period	120.2	173.2

As presented in the interim condensed consolidated statement of cash flows within the Financial Statements.

Cash flows from operating activities for 6M24 of $136.6 million, presented net of income tax payments totalling $150.0 million, which encompasses the full year's income tax payment. Compared to 6M23, cash flows from operating activities increased by $9.9 million, mainly due to higher net income, partly offset by increased tax payments.

Cash flows used in investing activities include $53.3 million related to additions to property, plant and equipment ("PPE"), $9.8 million for exploration and evaluation assets, and $25.0 million for the third and last contingent consideration paid to Oxy, partly offset by financial income of $5.7 million.

Cash flows used in financing activities for 6M24 include $21.9 million related to the payment of interest and financial expenses, $13.0 million for the repayment of short-term debt, and a drawdown of new short-term debt of $18.0 million.

Cash and cash equivalents at the end of the quarter were $120.2 million.

Liquidity and capital resources

The following table shows our total liquidity for 6M24 and 6M23:

$ million (unless stated)	6M24	6M23
RCF	120.0	120.0
Short-term credit lines	25.0	20.0
Total committed credit lines	145.0	140.0
Drawn amount of the RCF	–	(45.0)
Drawn amount of short-term credit lines	(25.0)	(20.0)
Total drawn amounts of committed credit lines	(25.0)	(65.0)
Amount used towards letters of credit	–	(5.0)
COP devaluation effect[1]	(3.0)	(3.3)
Available amount of committed credit lines	117.0	66.7
Cash and cash equivalents	120.2	173.2
Total liquidity	237.2	239.9

[1] 25% of the current aggregate principal amount under the RCF is peso-denominated.

The following table shows total indebtedness, net debt and net leverage for 6M24 and 6M23:

$ million (unless stated)	6M24	6M23
2028 senior notes @ 6.00%	600.0	600.0
Drawdown of credit lines	25.0	65.0
Capital lease obligations	6.4	6.0
Total indebtedness	631.4	671.0
(-) Cash & cash equivalents	120.2	173.2
(=) Net debt	511.2	497.8
LTM Adjusted EBITDAX	723.5	680.4
Net leverage (x)	0.7x	0.7x

We ended 6M24 with ample liquidity, closing at $237.2 million, while maintaining a low net leverage ratio of 0.7x.

Grupo Bancolombia loan: subsequent quarter-end, Cedco fully drew down the $74.0 million loan. Key terms of the agreement include an unsecured bilateral loan maturing in June 2027 with a two-year grace period.

Revolving Credit Facility: by the end of the quarter, the Company repaid $13.0 million. Therefore, the available amount under the RCF is $117.0 million, after considering the COP devaluation effect.

BTG short-term loan: in the previous quarter, the loan was extended for an additional six months and increased by $5.0 million, which was drawn at the beginning of the 2Q24. The total amount now stands at $25.0 million, with the loan maturing in 4Q24.

Summary of quarterly results[1]

	2Q24	1Q24	4Q23	3Q23	2Q23	1Q23	4Q22	3Q22
Production & sales (kboed)								
Gross production	79.6	82.7	80.0	77.1	77.9	83.2	81.4	80.1
SBR production[2]	43.7	45.7	43.9	41.7	41.9	44.6	44.2	43.5
Net production	36.1	38.1	34.2	33.4	33.2	34.9	33.0	32.0
Net sales	36.2	35.7	33.3	33.7	31.3	34.0	32.1	30.3
Operating netback per barrel of net sales ($/boe)								
Brent price	85.0	81.8	82.9	85.9	77.7	82.1	88.6	97.7
Realised price	81.4	76.1	78.7	81.3	70.4	74.2	81.3	92.6
Lifting cost	(17.7)	(16.9)	(20.6)	(22.8)	(18.9)	(14.8)	(16.5)	(16.8)
Transport cost	(1.1)	(0.8)	(1.1)	(1.0)	(0.6)	(0.7)	(0.8)	(0.9)
Adjusted operating netback per boe[2]	62.6	58.4	57.0	57.5	50.9	58.7	64.0	74.9
Administrative expenses	(3.7)	(2.6)	(4.7)	(2.8)	(3.0)	(3.3)	(4.4)	(1.9)
Realised loss on oil derivatives	(0.6)	(0.6)	(0.4)	(0.5)	(0.5)	(0.4)	(0.3)	(1.0)
Other[3]	2.5	0.4	3.7	1.4	(1.3)	1.4	(1.6)	1.9
Operating netback[2]	60.8	55.6	55.6	55.6	46.1	56.4	57.7	73.9
Adjusted EBITDAX ($ million)								
Total revenue	267.9	247.2	241.2	252.5	200.5	227.3	240.2	258.2
Lifting cost	(58.2)	(55.0)	(63.2)	(70.7)	(53.9)	(45.4)	(48.7)	(46.8)
Transport cost	(3.5)	(2.7)	(3.5)	(3.1)	(1.6)	(2.2)	(2.5)	(2.5)
Adjusted operating netback[2]	206.2	189.6	174.5	178.7	144.9	179.7	189.0	208.9
Administrative expenses	(12.2)	(8.4)	(14.3)	(8.5)	(8.6)	(10.1)	(12.9)	(5.3)
Realised loss on oil derivatives	(2.0)	(2.0)	(1.3)	(1.5)	(1.3)	(1.2)	(1.0)	(2.8)
Other[3]	8.1	1.3	11.5	3.7	(3.6)	4.4	(4.7)	5.0
Adjusted EBITDAX[2]	200.1	180.5	170.4	172.4	131.4	172.8	170.5	205.8
Adjusted EBITDAX margin (%)[2]	75%	73%	71%	68%	66%	76%	71%	80%
Key financial results ($ million)								
Net income	67.0	75.2	88.4	76.8	56.6	75.8	45.6	80.9
Capex and exploration expenditures[2]	42.3	36.7	63.9	50.8	44.5	29.2	78.5	55.3
Free Cash Flow[2]	64.0	9.3	133.0	(34.2)	9.2	62.8	112.4	129.9
Cash & cash equivalents	120.2	110.8	88.7	107.3	173.2	115.2	106.2	302.5
Net debt[2]	511.2	528.7	538.0	539.5	497.8	490.8	494.8	300.7

[1] The Final Offering Memorandum for the Senior Notes defined that results from the Teca-Cocorna Collaboration Agreement ("Teca") would be removed from our presentation of Adjusted EBITDAX, as its operations were limited to care and maintenance. According to the updated perspective for the asset, from 1Q23 onwards we present the Teca result within Adjusted EBITDAX, Free Cash Flow, and capex and exploration expenditures. Prior quarters have been updated to reflect this view. | [2] See "Non-IFRS Measures" section. | [3] Other includes prepaid expenses, other income/expenses (net) and realised foreign exchange gain (loss); for 2Q24, it is mainly related to realised foreign exchange gain (loss).

Risk management contracts

Brent hedging

Our commodity hedging programme seeks to protect the oil price downside risk on a significant portion of our underlying cash flows, while avoiding speculative positions and leaving room for potential upside. 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.

We will continue to monitor the market and exercise our judgement to enter into new hedging positions when we consider appropriate.

Currency hedging

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	–

We will continue to actively monitor market conditions and we may continue to hedge local currency to manage volatility in the foreign exchange rate of the Colombian peso to US dollar.

Business acquisition

Subsequent to quarter-end, SierraCol successfully completed the acquisition of Cepsa's working interest in the Caracara and Llanos 22 contracts in Colombia ("Acquired Assets"), including its role as Operator. All regulatory approvals and conditions precedent have been met. This acquisition strengthens our Central Llanos' operational hub, and presents an opportunity for commercial synergies and operational efficiencies.

Net reserves for these assets amount to 6.8 million barrels of oil on a 2P basis at the end of 2023.

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

About new assets

The following provides a brief overview of the Acquired Assets, which will be rolled up as part of the Central Llanos area:

Caracara

Located in the Meta department, the Company acquired the 70% working interest in this licence and Ecopetrol holds the remaining 30%. The operator of the contract is Cedco (an affiliate of SCE). This licence covers approximately 472 km2, with 12 fields and 86 active oil producing wells. The API gravity of the Caracara oil is between [20° and 32°].

The Caracara Association Contract was signed on 8 February 2001, with an effective date of 9 April 2001. Production under the contract commenced in 2003 and the contract term ends on 9 April 2029. All oil production coming from the Caracara Association Contract is subject to an 8% royalty charge.

Llanos 22

Located in the Casanare department, the Company owns 55% working interest in this licence and Gran Tierra Energy Colombia GMBH holds the remaining 45%. The operator of the Contract is Cedco.

The Llanos 22 Exploration and Production Contract was signed on 5 February 2009, with an effective date of 6 February 2009. Production under the contract commenced in 2013, and the contract terms ends on 5 December 2038. All oil production coming from the Llanos 22 Exploration and Production Contract is subject to a 8% royalty charge and 1% X factor.

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[1]
Total Company's SBR production (kboed)	42 - 44	44 - 46
Capital and exploration expenditures ($ million)[2]	$170 – $200	$170 – $200

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

Non-IFRS Measures

This MD&A contains non-IFRS financial measures and ratios, including Adjusted EBITDAX and Free Cash Flow that are not required by, or presented in accordance with, IFRS. Management uses these measures to evaluate operating performance of the Company and as a basis for strategic planning and forecasting, as well as monitoring certain aspects of our cash flow and liquidity. We also believe they provide useful information to investors, securities analysts and other interested parties as supplemental measures of performance.

These non-IFRS measures and ratios 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.

Adjusted EBITDAX: calculated as comprehensive income or loss adjusted for financial income and financial expenses, depreciation, depletion and amortisation, impairment of property, plant and equipment and inventory, income tax expense, exploration and seismic expenses and dry hole cost, foreign exchange income or loss and other non-cash items excluding other comprehensive income and other adjustments relating to differences in the recognition of revenues and costs which are excluded in order to represent the earnings on a cash basis.

Adjusted EBITDAX margin: calculated as Adjusted EBITDAX divided by total revenue.

Adjusted operating netback: calculated as total revenue less lifting and transportation costs.

Adjusted operating netback per boe: calculated as average realised price less operating expenses per boe of net sales.

Capex and exploration expenditures: calculated as development capex plus exploratory drilling plus exploration expenses.

Net debt: calculated as total financial indebtedness less cash and cash equivalents. Total financial indebtedness includes the nominal value of the 2028 senior notes plus drawn amounts of credit lines plus capital lease obligations.

Net leverage: calculated as net debt divided by last twelve-months (''LTM'') Adjusted EBITDAX.

Free Cash Flow ("FCF"): consists of Adjusted EBITDAX further adjusted for exploration expenses and tax payments, capital expenditures, decommissioning funding, changes in working capital, realised foreign exchange income or loss, lease payments and non-recurring costs.

Operating netback per boe: calculated as Adjusted EBITDAX divided by net sales.

Share Before Royalties ("SBR") production: Company's working interest production before discounting royalties to government and high-price clause participation royalties (price-related effects).

Total available liquidity: calculated as the sum of cash and cash equivalents plus undrawn amounts of committed credit lines.

Vasconia differential: Vasconia FOB Colombia vs Latin America Brent Futures strip (close) reported by Platts, code AAXCB00.

Cautionary Statements

This management discussion and analysis ("MD&A") of the financial condition and results of operations of SierraCol Energy Limited and its subsidiaries ("we," "our", "SCE" or the "Company") should be read in conjunction with the audited consolidated financial statements for the period ended 30 June 2024 and the notes thereto. This MD&A includes statements regarding industry outlook, our expectations regarding the performance of our business and other forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to numerous risks and uncertainties, many of which are beyond our control. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

Sales volumes can differ from our net entitlement to production of saleable hydrocarbons due to over- or under-lifting of our production entitlement in any single accounting period. The quantities of over- and under-lifted production entitlement are not considered material to the overall production figures in any period. Where gross amounts are indicated, they are presented on a total basis—i.e., the actual interest of the relevant license holder in the relevant fields and licence areas without deduction for the economic interest of commercial partners, government production shares, taxes or royalty interests or other deductions. Our legal interest and effective working interest in the relevant fields and licence areas are disclosed separately. Unless otherwise indicated, our production, reserves and resources figures are presented on a basis including our ownership share of volumes of companies that we account for under the equity accounting method.

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.

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