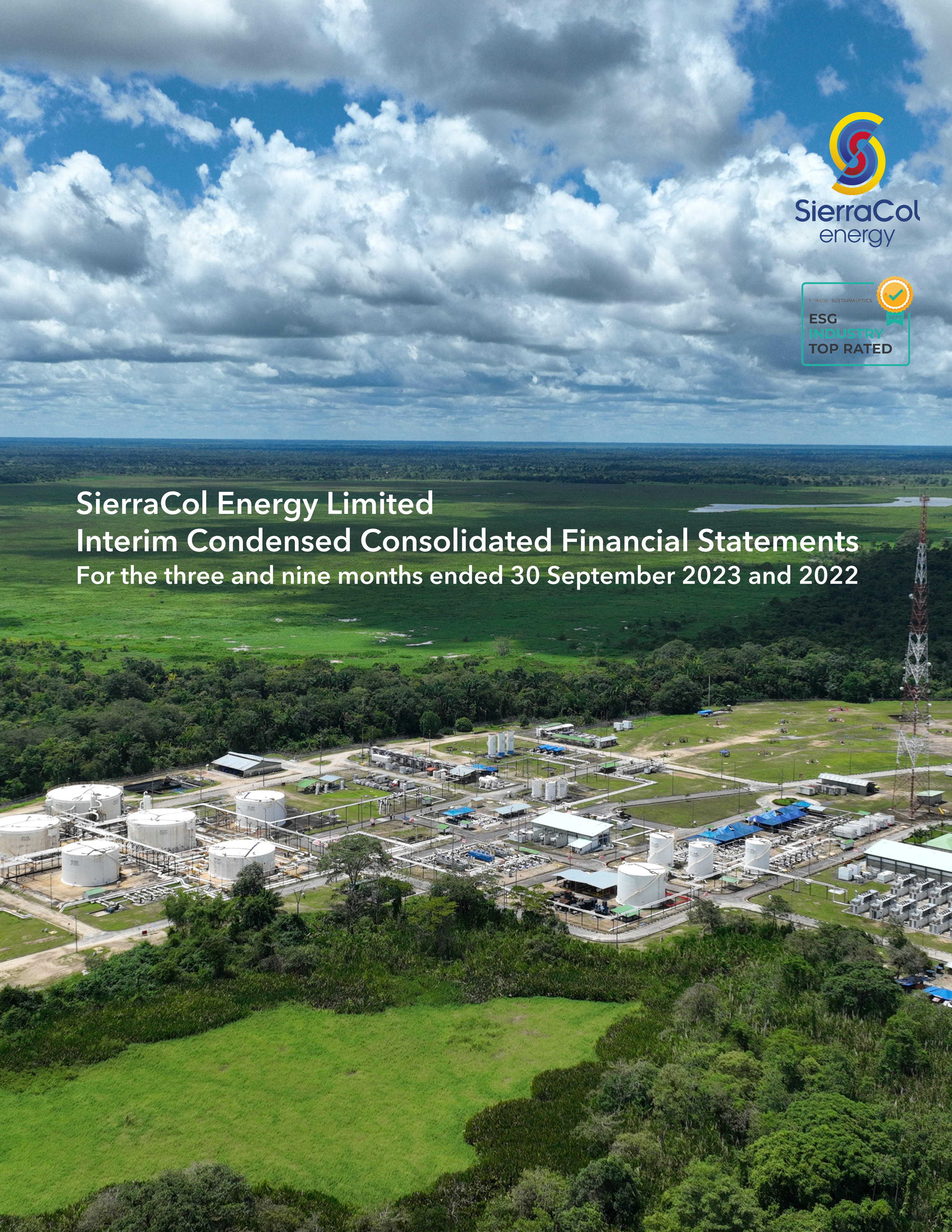

SierraCol Energy Limited
Interim Condensed Consolidated Financial Statements
For the three and nine months ended 30 September 2023 and 2022

Table of contents

Statement of Directors' responsibilities in respect of the financial statements

The Directors confirm that these interim condensed consolidated financial statements for the three and nine months ended 30 September 2023 and 2022, have been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

PricewaterhouseCoopers LLP (“**PwC**”) review report. To read it, please download and open the correspondent file in the "Financial statements (inclusive of independent review report)" section. Please note that that document needs to be downloaded and viewed in a pdf reader.

PricewaterhouseCoopers LLP (“**PwC**”) review report.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME (Reviewed, unaudited)

For the interim period ended 30 September 2023 and 2022

(Thousands of United States dollars)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2023	2022	2023	2022
Revenue					
Oil and natural gas sales		252,176	258,233	679,717	835,469
Service revenue		304	(27)	563	538
Total revenue and other income	3	**$ 252,480**	**258,206**	**$ 680,280**	**836,007**
Operational expenses					
Production and operating expenses	4	(115,037)	(72,877)	(273,846)	(217,301)
Exploration expenses	5	(592)	(31,128)	(4,118)	(59,025)
General and administrative expenses	6	(8,538)	(5,272)	(27,218)	(24,762)
Fair value remeasurement		–	–	–	(3,882)
Total operational expenses		**$ (124,167)**	**(109,277)**	**$ (305,182)**	**(304,970)**
Net income from operations		**$ 128,313**	**148,929**	**$ 375,098**	**531,037**
Finance cost	7	(19,535)	(6,437)	(52,176)	(79,424)
Finance income		4,837	10,446	11,468	12,316
Other (expenses) income		550	(857)	(2,665)	179
Gain on property, plant and equipment sales		68	–	665	–
Net income before tax		**$ 114,233**	**152,081**	**$ 332,390**	**464,108**
Income tax expense	8	(37,422)	(71,131)	(123,203)	(210,959)
Net income for the period		**$ 76,811**	**80,950**	**$ 209,187**	**253,149**
Total comprehensive income for the period		**$ 76,811**	**80,950**	**$ 209,187**	**253,149**
Attributable to:					
Shareholders of the Company		$ 65,713	66,483	$ 187,193	207,110
Non-controlling interest		$ 11,098	14,467	$ 21,994	46,039

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Reviewed, unaudited)

As of 30 September 2023 and 31 December 2022

(Thousands of United States dollars)

	Note	30 September 2023 (Reviewed, Unaudited)	31 December 2022 (Audited)
Assets			
Property, plant and equipment	9	952,926	920,597
Other-long term assets		4,654	4,654
Goodwill		2,650	2,650
Other receivables	10	1,236	1,535
Tax receivables	11	322	322
Investments	12	34,048	22,826
Non-current assets		**$ 995,836**	**$ 952,584**
Tax receivables	11	159,972	63,156
Trade and other receivables	10	101,609	73,882
Inventory	13	24,597	20,381
Investments	12	771	233
Cash and cash equivalents		107,330	106,194
Current assets		**$ 394,279**	**$ 263,846**
Total assets		**$ 1,390,115**	**$ 1,216,430**
Liabilities and shareholders' equity			
Long-term notes	14	585,892	584,022
Deferred tax liability	8	52,750	118,786
Decommissioning and environmental liabilities	15	93,607	95,623
Lease liabilities	16	6,270	41
Employee benefits		4,057	4,096
Pension liabilities	17	8,962	760
Long-term payables	18	3,570	27,473
Non-current liabilities		**$ 755,108**	**$ 830,801**
Decommissioning and environmental liabilities	15	4,268	4,374
Lease liabilities	16	552	919
Derivative financial instruments	22	2,290	1,575
Income tax payable	8	231,243	183,554
Pension liabilities		1,303	–
Employee benefits		9,516	6,718
Short-term debt	20	39,626	–
Interest payable	21	10,646	1,500
Accounts payable and accrued liabilities	19	148,054	194,917
Current liabilities		**$ 447,498**	**$ 393,557**
Total liabilities		**$ 1,202,606**	**$ 1,224,358**
Share capital	23	2,769	2,769
Accumulated gain (losses)		125,717	(61,476)
Equity attributable to the shareholders of the Company		**128,486**	**(58,707)**
Equity attributable to the non-controlling interest		**$ 59,023**	**50,779**
Total equity		**187,509**	**$ (7,928)**
Total liabilities and equity		**$ 1,390,115**	**$ 1,216,430**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

The interim condensed consolidated financial statements on pages 6 through 43 were approved by the Board of Directors on 08 November 2023 and signed on its behalf by:

Mr Parminder Singh (Signed)
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Reviewed, unaudited)

For the interim period ended 30 September 2023 and 2022

(Thousands of United States dollars)

	Share capital	Accumulated losses	Total equity shareholders of the Company	Non-controlling interest[1]	Total equity
31 December 2021	**$ 427**	**$ (38,009)**	**$ (37,582)**	**$ 61,091**	**$ 23,509**
Dividends paid to non-controlling interests	–	–	–	(35,000)	(35,000)
Other share capital contributions	2,342	–	2,342	–	2,342
Net income and comprehensive income	–	207,110	207,110	46,039	253,149
30 September 2022	**$ 2,769**	**$ 169,101**	**$ 171,870**	**$ 72,130**	**$ 244,000**
Dividends paid to equity holders	–	(268,000)	(268,000)	–	(268,000)
Dividends paid to non-controlling interests	–	–	–	(32,500)	(32,500)
Cash contribution from parent	–	3,011	3,011	–	3,011
Net income and comprehensive income	–	34,412	34,412	11,149	45,561
31 December 2022	**$ 2,769**	**$ (61,476)**	**$ (58,707)**	**$ 50,779**	**$ (7,928)**
Dividends paid to non-controlling interests	–	–	–	(13,750)	(13,750)
Net income and comprehensive income	–	187,193	187,193	21,994	209,187
30 September 2023	**$ 2,769**	**$ 125,717**	**$ 128,486**	**$ 59,023**	**$ 187,509**

[1] SierraCol Energy Arauca, LLC is 75% owned by SierraCol Energy Holder Ltd, ("Holder") and 25% owned by Repsol LUX E&P S.á.r.l. ("**Repsol**"). For consolidation purposes, Repsol's interest is included as a non-controlling interest (''**NCI**'') in accordance with IFRS 10 within the condensed consolidated statement of changes in equity.

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Reviewed, unaudited)
For the interim period ended 30 September 2023 and 2022
(Thousands of United States dollars)

	Note	Nine months ended 30 September 2023	2022*
Operating activities			
Net income before tax		332,390	464,108
Adjustments for non-cash items:			
Depreciation, depletion and amortisation	9	95,848	82,256
Inventory fluctuation	4	(1,352)	973
Inventory impairment	4	–	52
Property, plant and equipment impairment	4	2,381	144
Write-off of E&E assets	5	285	56,670
Unrealised fair value (gain) loss on derivatives	7	715	(6,748)
Unrealised foreign exchange gain	7	23,212	(1,757)
Financial income		(11,468)	(2,092)
Financial expenses	7	34,670	28,993
Loss in property, plant and equipment sales		88	–
Accretion of decommissioning liability	7	3,156	4,526
Prepaid expenses charged to income statement	10	7,432	7,915
Amortisation debt issuance costs	14/20	3,303	1,629
Fair value remeasurement contingent consideration		–	3,882
Adjustments for non-cash items		***$ 490,660***	***$ 640,551***
Changes in trade and other receivables		(34,422)	(5,220)
Changes in inventories		(2,864)	(2,642)
Changes in trade and other payables		(105,189)	(108,631)
Changes in assets and liabilities		***$ (142,475)***	***$ (116,493)***
Income tax payments		(197,141)	(132,142)
Net cash flows provided from operating activities		**$ 151,044**	**$ 391,916**
Investing activities			
Expenditures on property, plant and equipment	9	(110,784)	(69,871)
Expenditures on exploration and evaluation assets	9	(1,369)	(21,526)
Acquisition of PUT 36		–	(10,000)
Interest income		6,133	2,092
Contingent consideration	19	(45,000)	(56,700)
Assets held for sale		–	7,993
Net cash flows used in investing activities		**$ (151,020)**	**$ (148,012)**

* Contingent payments of $55.0 million have been reclassified from the line item 'Change in trade and other payables' in the 'Changes in assets and liabilities' section, as presented in the Q2 2022 interim financial statements, to 'Contingent consideration" line item within 'Net cash flows used in investing activities', to provide consistency with the presentation in the 2022 UK Annual Report. This reclass did not result in changes to Net income for the period; net increase in cash and cash equivalents nor the net balance sheet.

	Note	Nine months ended 30 September 2023	2022*
Financing activities			
Drawdown of short-term debt	20	65,000	–
Short-term debt payments	20	(25,000)	–
Short-term debt issuance costs	20	(1,807)	–
Dividends paid (to equity holders and non-controlling interest)		(13,750)	(35,000)
Interest and financial expenses paid	14/16	(23,240)	(19,794)
Lease payments	16	(1,102)	(3,162)
Proceeds from issuance of common shares		–	2,342
Net cash flows provided from (used in) financing activities		**$ 101**	**$ (55,614)**
Net increase in cash and cash equivalents		125	188,290
Cash and cash equivalents at the beginning of the period		106,194	119,306
Foreign exchange impact on cash and cash equivalents		1,011	(5,120)
Cash and cash equivalents at the end of the period		**$ 107,330**	**$ 302,476**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

1. Reporting entity

SierraCol Energy Limited ("**the Company**" or "**SCE**") is a private limited company, limited by shares, incorporated in the United Kingdom and registered in England on 28 July 2020 and is engaged, via several of its subsidiaries, in the exploration and the acquisition, development and production of hydrocarbons in Colombia. The Company is located at Suite Lg, 11 St. James's Place, London, England, SW1A 1NP. These interim condensed consolidated financial statements include the financial statements of the Company and its subsidiaries ("**the Group"** or "**Group**").

The Company through its subsidiaries aims to carry out exploration, production and sale of oil and gas, as described below:

- SierraCol Energy Arauca, LLC ("**Arauca**") is the operator partner for the Cravo Norte, Rondón, Chipirón and Cosecha association contracts signed with Ecopetrol S.A. ("**Ecopetrol**", "**ECP**"). The aforementioned contracts are located in the Llanos basin, and all are in the production stage.
- SierraCol Energy Andina, LLC ("**Andina**") is the capital investments executor for the La Cira Infantas ("**LCI**") and Teca-Cocorná ("**TECA**") collaboration agreements executed with Ecopetrol; both contracts are located in the Middle Magdalena basin and are in the exploitation phase. In addition, Andina is a non-operator partner in the Cravo Norte, Rondón and Chipirón association contracts which Arauca operates, and, is a non-operator partner in the exploration and production contracts ("**E&P**") executed with Amerisur Exploration Colombia Limitada ("**Amerisur**") located in the Putumayo basin (Mecaya, Tacacho, Terecay, Put-9 and Put-8) . The Amerisur contracts in the Putumayo area are in the exploration phase.
- SierraCol Energy PUT-36, LLC ("**PUT-36**") entered into an E&P contract with Amerisur located in the Putumayo area ("**Put-36**") as a non-operator partner. This contract is in the exploration phase.
- SierraCol Energy Condor LLC ("**Condor**") is the operator partner in the Llanos 52 and Llanos 39 E&P contracts executed with the National Hydrocarbons Agency ("**ANH**"). Currently, both contracts are in the exploration phase.
- Colombia Energy Development Co. ("**Cedco**") is the operator of Río Verde, Los Hatos and Llanos 23 E&P contracts, executed with the ANH, and the Alcaraván association contract, executed with Ecopetrol, all are in the production stage. On 29 September 2023, Lagosur Petroleum Colombia Inc. ("**Lagosur**") assigned to Cedco its working interest and its status as operator in the Bolívar association contract, executed with Ecopetrol, which is in production stage.
- Lagosur operated the Bolívar association contract until 29 September 2023.
- Cinco Ranch Petroleum Colombia Inc. ("**Cinco Ranch**") was the operator of the Bocachico association contract, terminated on 6 March 2022. Some abandonment activities are still ongoing.

As of 30 September 2023, the Group had the following interests in oil and gas assets:

Basin	Contract	Group´s interest[1]		Operator	Partners	Stage
		Capital Investments	Production and expenditures			
Middle Mag.	La Cira Infantas	52%	48%[2]	Ecopetrol	Andina, ECP	Production
Middle Mag.	Teca - Cocorná	60%	40%	Ecopetrol	Andina, ECP	Production
Middle Mag.	Bolívar	100%	100%	Cedco	Cedco, ECP	Production
Middle Mag.	Bocachico	100%	100%	Cinco Ranch	Cinco Ranch, ECP	Relinquishment in progress
Llanos (Northern)	Cravo Norte	50%	45%[2]	Arauca	Arauca, Andina, ECP	Production
Llanos (Northern)	Rondón	35%	35%	Arauca	Arauca, Andina, ECP	Production
Llanos (Northern)	Chipirón	70%	70%[3]	Arauca	Arauca, Andina, ECP	Production
Llanos (Northern)	Cosecha	70%	70%	Arauca	Arauca, ECP	Production
Llanos (Northern)	LLA39	50%	50%	Condor	Condor, ECP	Exploration
Llanos (Northern)	LLA52	48%	48%	Condor	Condor, ECP	Exploration
Llanos (Northern)	Villanueva	50%	50%	Perenco	Andina, ANH	Relinquishment in progress
Llanos (Central)	Rio Verde	100%	100%	Cedco	Cedco	Production
Llanos (Central)	Alcaraván	100%	100%	Cedco	Cedco	Production
Llanos (Central)	Los Hatos	100%	100%	Cedco	Cedco	Production
Llanos (Central)	LLA23	100%	100%	Cedco	Cedco	Production
Putumayo	Mecaya	50%	50%	Amerisur	Andina, Amerisur	Exploration
Putumayo	Tacacho	50%	50%	Amerisur	Andina, Amerisur	Exploration
Putumayo	Terecay	50%	50%	Amerisur	Andina, Amerisur	Exploration
Putumayo	Putumayo-8	50%	50%	Amerisur	Andina, Amerisur	Exploration
Putumayo	Putumayo-9	50%	50%	Amerisur	Andina, Amerisur	Exploration
Putumayo	Putumayo-36	50%	50%	Amerisur	Put-36, Amerisur	Exploration

[1] Group's working interest for (i) capital investments and (ii) production and expenditures are defined per the association contract.
[2] Group's share is affected by crude oil benchmark in accordance with the Price Premium Adjustments (''**PPA**'') adjustment clause.
[3] Group's share is affected by cumulative production and operational expenses related to certain formations in accordance with the R Factor clause.

2. Basis of preparation and significant accounting policies

Basis of preparation

This interim condensed consolidated financial report for the three and nine months ended 30 September 2023 has been prepared in accordance with the UK-adopted International Accounting Standard 34.

The interim report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2022, which has been prepared in accordance with UK-adopted international accounting standards and the requirements of the Companies Act 2006.

These interim condensed consolidated financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2022 were approved by the board of directors on 16 March 2023 and delivered to the UK Registrar of Companies. The report of the auditors on those accounts was unqualified.

These interim condensed consolidated financial statements have been reviewed, not audited.

Basis of measurement and going concern

These interim statements have been prepared on a historical cost basis, except for certain financial assets and liabilities, which are measured at fair value with changes in fair value recorded in profit or loss ("**FVTPL**").

The interim statements have been prepared under a going concern basis and the expectation that the Group will realize its assets and discharge its liabilities in the normal course of business.

In the preparation of these interim financial statements, the Directors have made an assessment of the Group's ability to continue as a going concern. As of 30 September 2023, the Group had net current liabilities of $53.2 million, cash and cash equivalents balances of $107.3 million, long-term liabilities of $755.1 million, including $600.0 million in respect of long-term notes; furthermore, the Group has an aggregate principal commitment of $120.0 million under the Revolving Credit Facility ("RCF"), of which $20.0 million is currently drawn. The cash flow forecasts model different scenarios including, but not limited to, changes in commodity prices and production rates. The going concern assessment included consideration of a severe but plausible downside scenario that modelled a reduction in future production rates and a severe shock to global oil prices followed by a period of sustained lower prices. The cash flow forecasts extend beyond a period of 12 months from the date of signing these interim financial statements and the Group forecasts liquidity headroom in both the base case and downside case models. The Directors are satisfied that the Group's forecasts and projections show that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of the interim financial statements and that it is appropriate to adopt the going concern basis.

Principles of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern an entity's financial and operating policies to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are considered. The results of subsidiaries acquired or disposed of during the period are included in the interim statements from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Company.

These interim statements include the financial statements of SCE and its controlled subsidiaries. Intercompany balances, transactions, revenues, and expenses are eliminated on consolidation.

The purchase method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS 3. The cost of an acquisition is measured at fair value. The fair value of the consideration paid is allocated to the acquired identifiable assets and liabilities on the basis of their fair values; any excess is allocated to goodwill and recognises any excess of acquired assets and liabilities over the consideration paid ("a bargain purchase") in profit or loss immediately. Acquisition-related costs, other than share issue costs, are expensed as period costs.

The Company also uses the predecessor accounting method when acquiring a company or group of companies under common control. The cost of the acquired assets and liabilities are stated at predecessor carrying values, and fair value measurement is not required. No new goodwill arises in this method of accounting. Any difference between the consideration given and the aggregate carrying value of the assets and liabilities of the acquired entity at the date of the transaction is included in equity in retained earnings or a separate reserve.

Joint operations

Oil and gas operations are usually conducted by the Group as co-licensees in unincorporated joint operations with other companies.

Under IFRS 11, a joint operation is an arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The Group recognises its proportionate share of assets, liabilities, revenues and expenses in the joint operation.

Foreign currency translation

The United States dollar is the functional currency of the Company and all its subsidiaries.

The Group converts monetary assets and liabilities denominated in a currency other than the functional currency at the exchange rate in effect at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the condensed consolidated statement of comprehensive income. Non-monetary assets and liabilities denominated in a currency other than the functional currency are converted at the exchange rate prevailing on the transaction date. Revenues and expenses are converted at transaction date exchange rates. All differences are recognised in the interim consolidated statement of comprehensive income in foreign exchange as appropriate.

Fair value measurements

When measuring the fair value of an asset or a liability, the Group uses observable market data as much as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (e.g. prices) or indirectly (e.g. derived from prices).
- **Level 3**: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Assuming that the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between the fair value hierarchy levels at the end of the reporting period during which the change has occurred.

Revenue recognition

Revenues from the sale of crude oil and gas are recognised when the title, risk and control over the oil and gas has been transferred to the buyer. Payments for the sale of the oil and gas are received at the end of the following month or in advance, in accordance with the conditions of each contract. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for oil and gas products in the normal course of business, net of discounts, customs duties, sales, taxes, and royalties. Revenue measurement is based on the considerations established in the contracts with customers.

The Group applies the practical expedient described in paragraph 121 of IFRS 15 and does not disclose information on pending performance obligations since it recognizes revenue from continuing operations by the amount that corresponds to the value of the performance obligation with the customer that the Group has completed to date (the oil and gas delivered, and the services rendered).

Service revenues correspond to ad hoc services billed monthly for equipment usage, with payments made after invoicing.

Transportation costs

Transportation costs include trucking and pipeline tariffs to transport crude oil from the wellhead to offloading stations and from the wellhead to the point of control and title transfer, respectively. Transportation costs are recognised simultaneously with revenue and are presented either within production or operating expenses in the statements of income.

Exploration and Evaluation ("E&E") assets

The E&E assets represent expenditures in connection with the exploration and evaluation phase that are recognised as assets according to the accounting policies of the Group.

Costs directly associated with an exploration well are initially capitalised as work in progress asset until the well is completed, and the results have been evaluated. These costs include employee remuneration, materials, rig costs and payments made to contractors. If potential commercial quantities of hydrocarbons are not found, the exploration well costs are written off. If hydrocarbons are found and, subject to further appraisal activity, are likely to be capable of commercial development, the costs are capitalised. Upon internal approval for development and recognition of proved or sanctioned probable reserves, the relevant expenditure is transferred to Property, Plant and Equipment. If development is not approved and no further activity is expected to occur, then the costs are expensed. The determination of whether potentially economic oil and natural gas reserves have been discovered is usually made within one year of well completion, but can take longer, depending on the complexity of the geological structure.

Geological and geophysical exploration costs are recognised as an expense as incurred.

Property, plant and equipment ("PP&E")

PP&E owned by the Group is stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of any decommissioning obligation, if applicable and, for assets that necessarily take a substantial period of time to get ready for their intended use, directly attributable general or specific finance costs.

The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Oil and gas assets, excluding construction in progress, are depleted using a unit-of-production method. The cost of producing wells and the related facilities and future decommissioning costs are amortised over proved and probable reserves on a unit of production basis. The unit-of-production rate for the depletion of facilities takes into account expenditures incurred to date, together with estimated future capital expenditure expected to be incurred relating to undeveloped reserves. Information on the carrying amounts of the Group's oil and gas assets, together with the amounts recognised in the income statement as depreciation, depletion and amortisation is contained in Note 9.

The impact of changes in estimated proved reserves is dealt with by amortising the remaining carrying value of the asset over the expected future production. Other PP&E is depreciated on a straight-line basis over its expected useful life.

The Group utilises the successful efforts method where it recognises an asset when its commercial viability and technical feasibility have been determined.

Recognition and measurement

The Group recognises PP&E if it is probable that it generates future economic benefits associated with the asset and the cost of the item can be reliably measured. The items of PP&E are measured at cost less the accumulated depreciation and accumulated impairment losses.

The initial cost of an asset includes expenses that are directly attributable to the acquisition of the asset to make it suitable for its use as well as the costs of dismantling, removing the items and restoring the site on which they are located. The capitalised value of right-of-use assets (lease contracts) is also included in PP&E.

The cost of the additions or upgrades to existing assets shall be capitalised if its useful life increases by more than a year or its original specifications such as capacity, efficiency, or economical operation. The works of wells services activities are capitalised only if the proven reserves are increased.

The costs incurred in repair and maintenance of the existing assets are recorded as expenses of the period. The costs incurred in major maintenance are capitalised.

Amortisation

Oil and gas assets are depleted using the units of production method ("**UOP**"). Land is not depleted. Other PP&E is depreciated using the straight-line method, according to the estimated useful life of each asset, as follows:

Asset class	Useful life in years
Buildings	15-33
Administrative assets	5-15

The depreciation and residual values methods are reconsidered in each fiscal year and adjusted if necessary. As of 30 September 2023 and 31 December 2022 no residual values have been estimated.

Cash-generating units ("CGU") and Impairment

The Group assesses assets or groups of assets, called cash-generating units ("**CGUs**"), for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or CGU may not be recoverable; changes in the Group's business plans, plans to dispose rather than retain assets, changes in the Group's assumptions about commodity prices, evidence of physical damage and significant downward revisions of estimated reserves are taken into account. If any such indication of impairment exists, the Group makes an estimate of the assets or CGU's recoverable amount. Individual assets are grouped into CGUs for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. A CGU's recoverable amount is the higher of its fair value less costs of disposal and its value in use. Where the carrying amount of a CGU exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount. Various assumptions regarding market conditions, such as oil prices, natural gas prices and cost inflation rates are used by the Group. Future cash flows also include an estimate of the costs associated with the Group's planned reduction in carbon emissions. Cash flow analyses are based on current legislation in the jurisdictions in which the Group operates and do not model any change in legislation with respect to climate change or carbon emissions. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group that are not reflected in the discount rate and are discounted to their present value. Where discounted cash flow analyses are used to calculate fair value less costs of disposal, estimates are made about the assumptions that a market participant would use when pricing the asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to the lower of its recoverable amount and the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Impairment reversals are recognised in profit or loss. After a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate the recoverable amount of the group of CGUs to which the goodwill relates should be assessed. In assessing whether goodwill has been impaired, the carrying amount of the group of CGUs to which goodwill has been allocated is compared with its recoverable amount. Where the recoverable amount of the group of CGUs is less than the carrying amount (including goodwill), an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period. Determination as to whether and by how much, an asset, CGU, or group of CGUs containing goodwill is impaired involves management estimates on highly uncertain matters such as the effects of inflation and deflation on operating expenses, discount rates, capital expenditure, production profiles, reserves and resources and future commodity prices.

Leases

The Group leases various offices, facilities, machinery and equipment. Lease contracts are typically entered into for fixed periods of one to five years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date on which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance expenses. Both are recognised at the commencement date based on the present value of lease payments over the lease term. The finance expense is charged to the consolidated statement of comprehensive income over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is subsequently depreciated using the straight-line method from the initial date until the end of the lease term, unless the lease transfers the ownership of the underlying asset to the Group at the end of the lease term or the cost of the right-of-use asset reflects that the Group is going to exercise a purchase option. In such case, the right-of-use asset shall be depreciated throughout the useful life of the underlying asset, which is determined on the same basis as those in PP&E.

Additionally, the right-of-use asset is periodically reduced by impairment losses, if applicable and it is adjusted for certain new measurements of the lease liability.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee is going to exercise that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The Group does not recognise right-of-use assets and lease liabilities for short-term leases and low value assets. The Group recognises lease payments associated with such leases as a current expenditure during the term of the lease. Low-value assets include IT equipment, tools and small office furniture items.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are ready convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Inventory

Inventories are assets that are:

a) held to be sold under normal operational conditions;
b) in the production process aimed to be sold; and
c) in the form of materials or supplies, to be consumed in the production process, or the provision of services.

The Group handles the following inventories:

a) crude oil inventory; and
b) materials and supplies stock

Crude oil inventory is measured based on the cost per barrel of production, determined by the sum of operational costs and depreciation, depletion and amortisation divided by the total number of produced barrels. Cost per barrel is then used to value the crude inventory volumes.

The cost of materials and supply stock is measured based on the weighted average valuation method and includes the expenditures for the acquisition of inventories and other costs incurred in the transportation and distribution to final location.

Inventories are measured at the lower of cost and net realisable value. Underlifts and overlifts are valued at market value and are included in accrued income and prepayments and accrued liabilities, respectively. Changes in crude oil inventories, underlifts and overlifts are adjusted through cost of sales. Allowance is made for obsolete and slow moving materials and supplies stock items based upon actual usage and projected future usage (including consideration of the Group's activity programs).

Assets held for sale

Assets held for sale are classified as held for sale if carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is met when the sale is highly probable, and the asset is available for immediate sale in its present condition. For the sale to be highly probable management must have implemented a plan to sell the asset. The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value and the sale should be expected to be completed within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell, with impairments recognised in the condensed consolidated statement of comprehensive income/(loss) in the period measured. Non-current assets held for sale are presented in current assets and liabilities within the balance sheet. Assets held for sale are not depleted, depreciated or amortised. Income and expenses related to discontinued operations are classified as income/(loss) from discontinued operations within the condensed consolidated statement of comprehensive income/(loss) and the condensed consolidated statement of cash flows.

Financing income and cost

Interest income and cost are recognised in the Company's statement of comprehensive income as they accrue using the effective interest method. The effective interest method is applied to ensure that interest revenue and expenses are allocated over the relevant periods to reflect a constant periodic interest rate on the carrying amount of the financial assets or liabilities.

Interest income from bank deposits is recognised when it is earned and becomes due, based on the applicable interest rates.

Interest expenses on loans and borrowings are recognized over the relevant period and included in the statement of comprehensive income, reflecting the effective interest rate on the carrying amount of the loans and borrowings.

Financial instruments

a) Classification and measurement

Financial assets

It is the Group's policy to initially recognise financial assets at fair value plus transaction costs, except in the case of financial assets recorded at FVTPL which are expensed in the statement of comprehensive income and trade receivables, which do not exhibit a significant financing component, at the transaction price.

Classification and subsequent measurement are dependent on the Group's business model for managing the asset and the cash flow characteristics of the asset. On this basis, the Group may classify its financial instruments at amortised cost, fair value through the statement of comprehensive income and fair value through other comprehensive income ("**FVTOCI**").

The Group's financial assets include cash and cash equivalents, deposits, long-term investments, accounts receivable and if any, derivative financial instruments (risk management contracts). They are included in current assets, except for maturities greater than 12 months after the reporting date. Interest income from these assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the statement of comprehensive income and presented in finance income/costs.

Financial liabilities

The Group derecognises a financial liability when it is extinguished (i.e. when the obligation specified in the contract is discharged or cancelled or expires). When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised immediately in the statement of comprehensive income.

b) Modification

When the contractual cash flows of a financial instrument are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial instrument, the Group recalculates the gross carrying amount of the financial instrument and recognises a modification gain or loss immediately within finance income/costs – net at the date of the modification. The gross carrying amount of the financial instrument is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial instrument's original effective interest rate.

c) Offsetting of financial assets and financial liabilities

Offsetting can be applied when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right is not contingent on future events and is enforceable in the normal course of business, and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

d) Derivatives

The Group may use derivative financial instruments to manage economic exposure to market risk relating to commodity prices, foreign exchange rates and interest rates. However, such contracts are not accounted for as designated hedges. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value at the end of each reporting period. Any gains or losses arising from changes in the fair value of derivatives are recognised within finance income/costs for the period.

e) Fair value of financial instruments

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using valuation techniques. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, and discounted cash flow analysis. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

Inputs to valuation techniques reasonably represent market expectations and measure the risk-return factors inherent in the financial instrument. The Group calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognised for future operating losses.

Employee benefits and post-employment benefits

Employee benefits including wages, salaries, bonuses, social security contributions and sick leave are accrued in the period in which the associated services are rendered by employees of the Group. Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or employment termination.

Benefits to employees in the short term and long term, and post-employment, which are recognised in accordance with IAS 19, are as follows:

Defined contribution plans: The defined contribution plans' values are undiscounted and recognised when the employee has rendered his services during the accounting period, as liability, after deducting any already satisfied value.

Other long-term employee benefits: The Group recognises the long-term benefits for its obligations with each of its workers as a consequence of their acquired right, according to the current law and the existing employment agreements, in the liability against the profit or loss of the period.

Defined benefit plans: The Group recognises as defined benefit plans its obligations with each one of its workers as a consequence of their acquired right, in accordance with the current law and the existing employment agreements.

Remeasurements of the defined benefit liability and asset, comprising actuarial gains and losses, and the return on plan assets are recognised within other comprehensive income in the period in which they occur and are not subsequently reclassified to profit and loss. The defined benefit pension plan surplus or deficit recognised on the balance sheet for each plan comprises the difference between the present value of the defined benefit obligation (using a discount rate) and the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and, in the case of quoted securities, is the published bid price. Defined benefit pension plan surpluses are only recognised to the extent they are recoverable, either by way of a refund from the plan or reductions in future contributions to the plan. Contributions to defined contribution plans are recognised in the income statement in the period in which they become payable.

Termination benefits: The Group recognises the benefits for the termination of the labour contract as a liability and expense in the period in which they are incurred.

Decommissioning and environmental liabilities

The Group recognises the estimated fair value of decommissioning liabilities associated with E&E and oil and gas assets in the period in which they are incurred, normally when the asset is purchased or developed. The fair value is capitalised and amortised over the same period as the underlying asset. The Group estimates the liability based on the estimated costs to abandon and reclaim the wells and well sites that are required to be abandoned under the terms of the exploration and development contracts. Wells and well sites that the Group has acquired, constructed, drilled, completed workovers on, or performed enhancements to are included in the estimate. This estimate is evaluated on a yearly basis and any adjustment to the estimate is applied prospectively. The liability is estimated by discounting expected future cash flows required to settle the liability using a risk-free rate. The liability accretes for the effect of time value of money until it is expected to settle and is recognised within finance expenses. Actual decommissioning liabilities settled during the period reduce the decommissioning liability.

Environmental liabilities are recognised when the Group has a present legal or constructive obligation as a result of past events and the amount can be reliably estimated. These liabilities are in addition to the decommissioning liabilities due to government regulations that require the Group to perform additional mitigation of environmental issues attributed to water usage and deforestation from oil and gas activities. In addition, the timing of the expected settlement of the environmental liabilities differs from the timing of the expected settlement of the decommissioning liabilities. These are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a financial expense.

Income taxes

Income tax expense comprises current and deferred income taxes. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the primary financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred income tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realised simultaneously.

Critical accounting estimates and judgements

The preparation of the financial statements in accordance with IFRS, as described in the basis of preparation paragraph, requires management to make judgements, estimates and assumptions that impact the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the reporting date as well as the reported amounts of revenue and expenses during the periods presented. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements and actual results could differ materially from estimated amounts.

i. Oil and gas accounting – reserves determination

The process of estimating reserves is complex and requires significant estimates based on available geological, geophysical, engineering, and economic data. To estimate the economically recoverable crude oil and natural gas reserves and related future net cash flows, the Group incorporates many factors and assumptions including the expected reservoir characteristics, future commodity prices and costs and assumed effects of regulation by governmental agencies. Reserves are used to calculate the depletion of the capitalised oil and gas costs and for fair value purposes. Estimates of reserves are reviewed at least annually and are subject to review by third party experts.

ii. Determination of CGUs

The determination of CGUs requires judgement in defining a group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type and similar exposure to market risks. The determination of asset allocations into CGUs requires significant judgement with respect to the integration between assets, existence of active markets, similar exposure to market risks, shared infrastructure and the way management monitors operations.

iii. Asset fair value calculations

In assessing the fair value of oil and gas properties, each CGU's carrying amount is compared to its recoverable amount, defined as the greater of its fair value less cost of disposal and value in use. Due to the nature of the Group's assets, fair value less cost of disposal is the basis for the recoverable amount. In assessing fair values, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value amount is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves.

In addition to estimates of oil and gas reserves as discussed above, key input estimates used in the determination of future cash flows for assessing asset fair value include the following:

a) *Petroleum and natural gas prices* – forward price estimates of the petroleum and natural gas prices are used in the cash flow model. Commodity prices have fluctuated in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, exchange rates, weather, and economic and geopolitical factors.

b) *Discount rate* – the discount rate used to calculate the net present value of cash flows is based on estimates of an approximate industry peer group weighted average cost of capital. Changes in the general economic environment and/or rates of return expected by market participants could result in significant changes to this estimate.

iv. Exploration and evaluation assets

The application of the Group's accounting policy for E&E expenditures requires judgement in determining the likelihood of a future economic benefit existing when activities have not reached a stage at which technical feasibility and commercial viability can be reasonably determined. Factors such as drilling results, future capital programmes, future operating expenses, and estimated reserves and resources are considered. In addition, management uses judgement to determine when E&E assets are reclassified to oil and gas assets. In making this determination, various factors are considered, including the existence of reserves, and whether appropriate approvals have been received from regulatory bodies and the Group's internal approval process.

v. Decommissioning and environmental liabilities

The ultimate decommissioning and restoration costs are estimates; cost can vary in response to many factors including changes to legal, contractual and regulatory requirements. The expected timing and amount of expenditure can also change in response to changes in reserves, production curves, commitments, laws and regulations, timing and likelihood of the settlement of the obligation, discount rates, and future interest rates. Additionally, the impact of climate change and the energy transition could bring forward the date of decommissioning of the Group’s producing oil and gas assets, thereby increasing the net present value of the associated provision. As a result, significant adjustments to the estimates could affect future financial results. The Group´s abandonment cash flows are denominated in both Colombian pesos and US dollars, the Group translates peso cash flows using a forward rate. The Group uses a US denominated risk-free rate to discount the estimated future cash flows.

Environmental liabilities are an addition to the decommissioning liabilities; some regulations require the Group to perform additional mitigation against the environmental issues related to water usage and deforestation from oil and gas activities performed. Timing of expected settlement of the environmental liabilities differs from the timing of expected settlement of the decommissioning liabilities.

vi. Deferred tax

The Group follows the liability method of accounting for income taxes. Using this method, tax assets and liabilities are recognised based on the differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years when those temporary differences and carryforwards are expected to be recovered or settled. Judgment is required in determining Group´s effective tax rate and in evaluating tax positions because rates are also affected by legislative changes.

Changes in accounting policies

New standards, interpretations and amendments adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

i) Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

Amendments to IAS 12 - Income Taxes, effective from periods beginning 1 January 2023, require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. For SCE, this will typically apply to transactions such as leases and decommissioning obligations.

IAS 12 did not previously address how to account for the tax effects of such balances and various approaches were considered acceptable. Some entities, including SCE, already accounted for such transactions consistent with the new requirements. As Such, the amendment has no material impact to SCE.

ii) Economic Cooperation and Development (**OECD**) Pillar two model

The Group is within the scope of the OECD Pillar two model rules. Pillar two legislation (which includes tax law that implements qualified domestic minimum top-up taxes) was recently substantively enacted in some of the territories in which the Group operates and will come into effect in these territories from 1 January 2024. At the interim reporting date, none of the Pillar two legislation is effective and so the Group has no related current tax exposure.

On 23 May 2023, the IASB issued narrow-scope amendments to IAS 12. The amendments provide a temporary exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar two model rules published by the OECD.

In light of IAS 12 recent amendments (still subject to UK endorsement) which clarify that Pillar two related balances are not within the scope of IAS12 for deferred tax purposes and provide an exception on this basis, the Group has developed an accounting policy where no deferred taxes arising from the implementation of the Pillar two model rules are provided. The Group has commenced their Pillar two impact analysis but is, as yet, not in a position to provide quantified analysis of the potential future impact.

3. Revenue and other income

The following table provides the disaggregation of revenue from contracts with customers:

$ thousands	Three months ended 30 September		Nine months ended 30 September	
	2023	2022	2023	2022
Sale of oil	251,701	257,952	678,149	834,485
Sale of natural gas	475	281	1,568	984
Service revenue	304	(27)	563	538
Total revenues and other income	**$ 252,480**	**258,206**	**$ 680,280**	**836,007**

The Group has only one operating segment (all operations are in Colombia), which is also the single reporting segment. All operations are classified as continuing operations. The Board of Directors monitors the operating results of its operating segment for the purpose of making decisions and performance assessments. The Board of Directors acts as the "chief operating decision maker" ("**CODM**").

Details of the oil revenue per customer are as follows:

$ thousands	Three months ended 30 September		Nine months ended 30 September	
	2023	2022	2023	2022
Ecopetrol	223,280	240,234	600,956	779,370
Goam 1 CI SAS[1]	28,421	18,057	77,193	55,753
Total sales of oil[2]	**$ 251,701**	**258,291**	**$ 678,149**	**835,123**

[1] Before overriding royalty interest ("**ORRI**") payment.
[2] Revenue for three months ended 30 September 2023 corresponds to 3,085,357 barrels of oil sold with an average realised price of $81.58/bbl, and for the three months ended 30 September 2022 to 2,776,631 barrels of oil sold with an average realised price of $93.02/bbl. For the nine months period ended 30 September 2023 and 2022, corresponds to 8,954,340 barrels of oil sold with an average realised price of $75.73/bbl, and 8,714,219 barrels of oil sold with an average realised price of $95.83/bbl, respectively

4. Production and operating expenses

For the interim period, production and operating expenses are detailed below:

$ thousands	Three months ended 30 September			Nine months ended 30 September		
		2023	2022		2023	2022
Well services[1]		22,158	11,568		50,829	30,613
Energy costs		13,764	11,652		39,927	33,910
Maintenance costs[2]		12,471	6,786		27,089	19,898
Support costs		12,398	11,972		34,187	33,668
Production costs[3]		9,900	4,825		17,988	8,030
Total lifting cost	$	***70,691***	***46,803***	$	***170,020***	***126,119***
Pipeline tariff		2,272	2,049		5,226	6,524
Trucking		831	443		1,723	1,233
Lifting and transportation costs	$	***73,794***	***49,295***	$	***176,969***	***133,876***
Depreciation, depletion and amortisation		32,173	22,875		95,848	82,256
Impairment of PP&E[4]		2,381	200		2,381	144
Impairment of materials		–	1		–	52
Inventory fluctuation[5]		6,689	506		(1,352)	973
Total Production and Operating Expenses	$	**115,037**	**72,877**	$	**273,846**	**217,301**

(1) Well services include inspection services, materials, chemicals, and others related to the well services included in the annual development plan.
(2) This costs includes jobs performed on equipment, tanks and building maintenance.
(3) Higher production costs in the Cosecha association are attributed to the fact that one-third of the oil production is being processed in the Cravo Norte facilities, which have a higher processing rate, rather than in the Rondón facilities.
(4) The impairment of PP&E during Q3'23 is attributed to the additions made to construction in progress and fixed assets under the TECA association contract from 2021 to 2023, as it was determined to be commercially unviable.
(5) The variance in inventory fluctuation in the quarter is attributed to the behaviour of the crude oil inventory, as explained in note 13.

5. Exploration expenses

For the interim period, exploration expenses are summarised below:

$ thousands	Three months ended 30 September			Nine months ended 30 September		
		2023	2022		2023	2022
Overhead		904	574		2,083	1,707
Seismic[1]		61	4,285		1,750	4,704
Dry hole cost[2]		(373)	7,169		285	33,514
Exploration Cost[3]		–	19,100		–	19,100
Total	$	**592**	**31,128**	$	**4,118**	**59,025**

(1) The nine-month period ending on 30 September 2023, includes $1.0 million related to Infantas Oriente ("**INOR**") 3D seismic.
(2) In the comparative period, costs included the write off of the Caño Caranal DT/ST and Batea exploratory wells.
(3) The activity for the nine months ended on 30 September 2022 includes an impaired cost of $19.1 million related to the acquisition of the PUT-8 block.

6. General and administrative expenses

For the interim period, administrative expenses are summarised below:

$ thousands	Three months ended 30 September		Nine months ended 30 September	
	2023	2022	2023	2022
Personnel expenses	8,791	6,596	24,721	23,544
Services	2,386	1,972	7,096	7,906
Professional fees	1,766	1,813	9,223	9,501
Financial transaction tax and others	1,058	121	2,552	661
Bank fees[1]	–	671	–	1,521
Recovered costs from partners[2]	(5,463)	(5,901)	(16,374)	(18,371)
Total	**$ 8,538**	**5,272**	**$ 27,218**	**24,762**

(1) The bank fees were recognised as general and administrative expenses up to 1Q23. From that date onwards, they are recognized as financial expenses.
(2) Corresponds to recovered costs from partners in the Llanos (Northern) association and LCI collaboration contracts.

7. Finance costs

Finance costs are summarised below:

$ thousands	Three months ended 30 September		Nine months ended 30 September	
	2023	2022	2023	2022
Financial expenses[1]	12,558	10,339	34,670	28,993
Amortisation debt issuance costs	1,863	614	3,303	1,629
Realised fair value loss on derivatives[2]	1,469	2,839	4,030	48,612
Unrealised fair value (gain) loss on derivatives[2]	1,345	(11,534)	715	(6,748)
Foreign exchange loss [3]	1,219	2,412	6,302	2,412
Accretion of decommissioning liability	1,081	1,767	3,156	4,526
Total	**$ 19,535**	**6,437**	**$ 52,176**	**79,424**

(1) Includes accrued and paid interest for long-term notes and short-term debt ($2.5 million), it also includes letters of credit fees and bank fees.
(2) 2022 results were negatively impacted by out-of-the-money collar structures.
(3) As of 30 September 2023 includes: realised foreign exchange gain of $13.5 million related to currency hedging positions and unrealised foreign exchange loss of $19.8million primarily associated with income tax. For the nine-month period ending on 30 September 2023, the Colombian peso ("COP") appreciated by approximately 19%, whereas during the same period in 2022, the Colombian peso presented a depreciation of approximately 12%.

8. Income tax expense

UK holding entities are subject to UK tax law obligations including Company tax returns submissions. All branches located in Colombia, are subject to Colombian tax law. The Company does not expect to pay any UK taxes.

The standard Colombian Income Tax rate for 2023 is 35%, starting in 2023, in connection with the 2022 tax reform, a permanent variable tax surcharge is applicable to the oil and gas exploitation industry, of between 0% to 15% depending on the international Brent average prices for the year. The Company expects the applicable tax surcharge to be 15% for the current year. The surcharge will be ultimately decided by the ANH which has been authorised by the Colombian Tax Authority ("**DIAN**"), through resolution in 2024 based on 2023's actual Brent prices.

The standard Corporate Income Tax ("**CIT**") UK rate until 31 March 2023 was 19%, increased from 1 April 2023 to 25%. UK and Colombia operate under a tax treaty where taxable profits are not subject to additional taxes than the source of operations. Tax expense for the 30 September 2023 and 2022 is as follows:

$ thousands	30 September 2023	30 September 2022
Current income tax	189,239	195,540
Deferred Income tax	(66,036)	15,419
Total tax expense	**$ 123,203**	**$ 210,959**

The movement in income tax payable during the reported period is as follows:

$ thousands	Income tax	Dividend tax	Total
Balance at 31 December 2021	**$ 119,977**	**$ 3,106**	**$ 123,083**
Additions (tax accruals)	241,217	–	241,217
Withholdings and others utilised	(44,684)	–	(44,684)
Prior year dividend tax	–	13,655	13,655
Provision reversal[1]	–	(1,993)	(1,993)
Payments	(117,374)	(14,768)	(132,142)
Exchange rate effect	(15,582)	–	(15,582)
Balance at 31 December 2022	**$ 183,554**	**$ –**	**$ 183,554**
Income tax adjustment FY22 in Colombia[2]	(19,845)	–	(19,845)
Prior year tax adjustment	528	–	528
Additions (tax accruals)	208,556	–	208,556
Withholdings and others utilised	(58,259)	–	(58,259)
Payments	(197,141)	–	(197,141)
Net effect of current income tax[3]	72,086	–	72,086
Exchange rate effect and others	41,764	–	41,764
Balance at 30 September 2023	**$ 231,243**	**$ –**	**$ 231,243**

[1] Dividend tax provision reversal initially booked under the assumption that Andina was obligated to withhold the dividend tax. The reversal was booked once the tax migration from the US to the UK was fully accepted which due to the double taxation treaty between Colombia and UK requires no payment.
[2] Top up corresponds to Expenses Attributions Effect, from Head quarters to Branches, as a less value of Income Tax Expense.
[3] Corresponds to advance utilised in the current period and the advance for the next year.

Income tax expense reconciliation is as follows:

$ thousands	30 September 2023	30 September 2022
Income before taxes	332,390	464,108
Tax at the UK tax rate of[1]	22.76 %	19 %
Income tax expense	**$ 75,652**	**$ 88,181**
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Difference in overseas tax rates	90,543	74,257
Non-deductible local and overseas expense	17,639	20,461
Temporary differences	53,952	14,925
Foreign exchange impact on tax pools denominated in foreign currency	(18,567)	(2,216)
Deferred tax	(66,036)	15,419
Previous year attributions adjustments	(19,845)	–
Tax attributions	(9,506)	–
Others	(1,158)	(68)
Prior year tax adjustment[2]	528	–
Total income tax expense	**$ 123,202**	**$ 210,959**

[1] The tax rate was determined proportionally by considering net income before tax up to 1Q-23 at the rate of 19% and from 2Q-23 onwards at the rate of 25%. Therefore, the tax rate is the result of the sum of the income tax for each quarter divided by the cumulative net income before tax.
[2] Corresponds to previous year adjustment in relation to attributions not included in the initial estimation.

The deferred tax liability recognises the temporary differences using the balance sheet method, including PP&E of previous years and additions of the nine month ended 30 September 2023 and for the year ended 31 December 2022, along with the effect of foreign exchange and decommissioning liability accretion as follows:

$ thousands	30 September 2023	31 December 2022
Decommissioning and environmental liability	15,545	40,215
Trade and other receivables	(5,424)	3,330
Inventories	14,729	7,972
Employee benefits	(2,941)	990
Total deferred tax assets	**$ 21,909**	**$ 52,507**
PP&E	(74,100)	(157,066)
Others	(559)	(14,227)
Total deferred tax liability	**$ (74,659)**	**$ (171,293)**
Net deferred tax liability	**$ (52,750)**	**$ (118,786)**
Deferred tax expense		
Decommissioning and environmental liability	24,670	(165)
Trade and others receivables	8,754	1,255
Inventories	(6,757)	(3,144)
Employee benefits	3,931	(12)
Decrease/(Increase) in deferred tax assets	**$ 30,598**	**$ (2,066)**
PP&E	(82,966)	32,288
Other	(13,668)	11,607
Deferred tax liability	**$ (96,634)**	**$ 43,895**
Deferred income tax expense	**$ (66,036)**	**$ 41,829**

Movement in deferred tax balances are as follows:

$ thousands	PP&E	Trade and other receivables	Inventories	Decommissioning and environmental liability	Employee benefits	Other	Total
Balance at 31 December 2021	**$ 124,778**	**(4,585)**	**(4,828)**	**(40,050)**	**(978)**	**2,620**	**76,957**
Activity	32,288	1,255	(3,144)	(165)	(12)	11,607	41,829
Balance at 31 December 2022	**$ 157,066**	**(3,330)**	**(7,972)**	**(40,215)**	**(990)**	**14,227**	**$ 118,786**
Activity	(82,966)	8,754	(6,757)	24,670	3,931	(13,668)	(66,036)
Balance at 30 September 2023	**$ 74,100**	**$ 5,424**	**$ (14,729)**	**$ (15,545)**	**$ 2,941**	**$ 559**	**$ 52,750**

The deferred tax asset generated by Lagosur, Cinco Ranch and Condor is not recognised, given that there is reasonable uncertainty of future profits.

Loss - carry forwards

The Condor, Cedco, Lagosur and Cinco Ranch Colombian branches, due to the fiscal losses, have no impact in current income tax and/or the alternative calculation of presumptive income tax, as a result there is no income tax expense.

The following table provides a summary of the value of tax losses as of 30 September 2023 and 2022:

$ thousands	30 September 2023	30 September 2022
Cinco Ranch	2,054	838
Condor	1,518	364
Lagosur	1,072	2,115
Global	–	1,826
Total	**$ 4,644**	**$ 5,143**

The benefit consists of the possible use of these tax losses against the profits that each of these branches may generate in the future.

9. Property, plant and equipment

Management completed a review of potential indicators of impairment at the reporting date and identified no matterial indicators of impairment. The detailed PP&E movement summarised below:

$ thousands	Lands	Buildings	Administrative assets[1]	Exploration assets	Oil and gas assets[2]	Right-of- use assets	Total
Cost							
Balance at 31 December 2021	**$ 224**	**$ 3,929**	**$ 40,447**	**$ 25,608**	**$ 1,003,185**	**$ 13,314**	**$ 1,086,707**
PUT-36 Acquisition	–	–	–	10,000	–	–	10,000
Additions	–	236	1,461	25,962	96,217	–	123,876
Inventory of capitalizable parts/components	–	–	–	–	5,797	–	5,797
Transfers	–	–	–	18,842	(18,842)	–	–
Impairment	–	–	–	–	(144)	–	(144)
Exploration expenditure writte-off (Note 5)	–	–	–	(56,525)	–	–	(56,525)
Retirements and Right-of-use cancellations	–	–	(145)	–	–	(1,311)	(1,456)
Balance at 30 September 2022	**$ 224**	**$ 4,165**	**$ 41,763**	**$ 23,887**	**$ 1,086,213**	**$ 12,003**	**$ 1,168,255**
Additions	–	879	(701)	5,151	71,442	–	76,771
ARO change in estimate	–	–	–	–	(21,907)	–	(21,907)
Inventory of capitalizable parts/components	–	–	–	–	(2,863)	–	(2,863)
Transfers	–	–	–	(12,925)	12,925	–	–
Impairment	–	–	–	–	1,314	–	1,314
Exploration expenditure writte-off (Note 5)	–	–	–	(5,100)	–	–	(5,100)
Retirements and right-of-use cancellations	–	–	(417)	–	(158)	(1,562)	(2,137)
Balance at 31 December 2022	**$ 224**	**$ 5,044**	**$ 40,645**	**$ 11,013**	**$ 1,146,966**	**$ 10,441**	**$ 1,214,333**
Additions	–	3,755	1,468	1,428	113,982	6,964	127,597
Inventory of capitalizable parts/components	–	–	–	–	3,334	–	3,334
Transfers	–	–	16	(964)	948	–	–
Impairment	–	–	–	–	(2,381)	–	(2,381)
Exploration expenditure writte-off (Note 5)	–	–	–	(285)	–	–	(285)
Retirements and right-of-use cancellations[3]	–	–	(6,964)	–	(87)	–	(7,051)
Balance at 30 September 2023	**$ 224**	**$ 8,799**	**$ 35,165**	**$ 11,192**	**$ 1,262,762**	**$ 17,405**	**$ 1,335,547**

$ thousands	Lands	Buildings	Administrative assets[1]	Exploration assets	Oil and gas assets[2]	Right-of- use assets	Total
Accumulated Depreciation							
Balance at 31 December 2021	**$ –**	**$ (766)**	**$ (4,924)**	**$ (827)**	**$ (167,516)**	**$ (6,008)**	**$ (180,041)**
Depreciation	–	(290)	(4,922)	–	–	(2,797)	(8,009)
Depletion and Amortisation	–	–	–	–	(74,247)	–	(74,247)
Transfers	–	–	–	827	(827)	–	–
Retirements	–	–	143	–	–	–	143
Balance at 30 September 2022	**$ –**	**$ (1,056)**	**$ (9,703)**	**$ –**	**$ (242,590)**	**$ (8,805)**	**$ (262,154)**
Depreciation	–	(103)	(580)	–	–	(735)	(1,418)
Depletion and Amortisation	–	–	–	–	(30,741)	–	(30,741)
Retirements	–	–	419	–	158	–	577
Balance at 31 December 2022	**$ –**	**$ (1,159)**	**$ (9,864)**	**$ –**	**$ (273,173)**	**$ (9,540)**	**$ (293,736)**
Depreciation	–	(764)	(4,651)	–	–	(1,245)	(6,660)
Depletion and Amortisation	–	–	–	–	(89,188)	–	(89,188)
Transfers	–	–	(3)	–	3	–	–
Retirements[3]	–	–	6,963	–	–	–	6,963
Balance at 30 September 2023	**$ –**	**$ (1,923)**	**$ (7,555)**	**$ –**	**$ (362,358)**	**$ (10,785)**	**$ (382,621)**
Net book value at 31 December 2022	**$ 224**	**$ 3,885**	**$ 30,781**	**$ 11,013**	**$ 873,793**	**$ 901**	**$ 920,597**
Net book value at 30 September 2023	**$ 224**	**$ 6,876**	**$ 27,610**	**$ 11,192**	**$ 900,404**	**$ 6,620**	**$ 952,926**

(1) Includes computer and communication equipment, office equipment, vehicles, and other equipment.
(2) Additions mainly include capital expenditures associated to development wells, workovers and production facilities.
(3) Retirements mainly include disposal of computer and communication equipment.

10. Trade and other receivables

Trade and other receivables include receivables that consist primarily of receivables related to the Group's oil sales and joint operations receivables associated with oil licences. Other receivables consist of loans to employees, advances to suppliers and services to third parties:

$ thousands	30 September 2023	31 December 2022
Trade receivables[1]	94,111	63,533
Joint operations	1,542	5,693
Prepaid expenses[2]	2,471	318
Others	3,470	4,120
Loans to employees	15	218
Short-term total	**$ 101,609**	**$ 73,882**
Loans to employees, Directors, and officers	1,236	1,535
Long-term total	**$ 1,236**	**$ 1,535**

(1) Trade receivables balance as of 30 September 2023, increased to $94.1 million (including VAT). This increase is mainly related to a rise in volumes sold pending collection, totalling 924 thousands barrels of crude oil ("**MBO**") in September 2023, compared to 757 MBO in December 2022. This, in combination with a sales price increase from $72.11/bbl to $87.55/bbl, contributed to the higher balance.
(2) Amortisation of prepaid expenses during the nine months ended 30 September 2023 and 30 September 2022 of $7.4 million and $7.9 million, respectively were included in the condensed consolidated statement of income and comprehensive income

11. Tax receivables

The following table provides a detail of the short term taxes receivables as of 30 September 2023 and 31 December 2022:

$ thousands	Withholding and Income tax receivable[1]	Value added taxes (VAT)[2]	Total
Balance at 31 December 2021	**$ 49,782**	**$ 3,168**	**$ 52,950**
Additions	42,011	1,996	44,007
Utilised	(44,684)	(2,118)	(46,802)
Exchange rate effect	(3,077)	(4)	(3,081)
Balance at 30 September 2022	**$ 44,032**	**$ 3,042**	**$ 47,074**
Additions	17,168	1,132	18,300
Exchange rate effect	(1,733)	(163)	(1,896)
Balance at 31 December 2022	**$ 59,467**	**$ 4,011**	**$ 63,478**
Additions	130,085	7,658	137,743
Utilised	(58,259)	(70)	(58,329)
Exchange rate effect	15,343	2,059	17,402
Balance at 30 September 2023	**$ 146,636**	**$ 13,658**	**$ 160,294**
Short-term total	**$ 146,314**	**$ 13,658**	**$ 159,972**
Long-term total	**$ 322**	**$ –**	**$ 322**

(1) This balance is composed of withholdings and income tax advancements which will be offset against the Colombian 2023 CIT return when submitted in April 2024.
(2) Value added taxes, corresponds to recoverable amounts via refunds which are in process with the Colombian tax authority and are expected to be received during the last quarter of 2023.

12. Investments

The following table provides details of the short and long-term investments as of 30 September 2023 and 31 December 2022:

$ thousands	30 September 2023	31 December 2022
Works for taxes trust[1]	771	233
Short-term investments	**$ 771**	**$ 233**
Cravo Norte abandonment trust portfolio	15,551	11,607
LCI abandonment trust portfolio	12,730	9,560
Works for taxes trust[1]	3,582	–
Llanos (Central) Abandonment trust funds	2,185	1,659
Long-term investments	**$ 34,048**	**$ 22,826**

[1] This investment is restricted and signifies the amount transferred from Arauca to Fiduprevisora. This transfer was made as the company chose to participate in the 'works for taxes' program. This program enables the partial utilization of income tax payable resources for funding approved activities, including the execution of programs that benefit neighboring communities, as approved by the Colombian Government.

As stated, the Group is only required to hold a portion of the future liability in trust and only for certain contracts. As such, the amounts held in trust can be significantly less than the value of the decommissioning liability (Note 15).

The trust portfolio funds are managed by a qualified third party and are invested in portfolio alternatives (including bonds of the manufacturing sector, bonds of entities supervised by the Superintendency of Financial Entities in Colombia, term deposit certificates and TES (Colombian Treasury Bonds)). Trust fund valuation is completed at market value.

13. Inventory

The following table provides a detail of inventory as of 30 September 2023, and 31 December 2022:

$ thousands	30 September 2023	31 December 2022
Crude oil inventory[1]	5,397	4,620
Materials and supplies stock[2]	19,200	15,761
Total	**$ 24,597**	**$ 20,381**

[1] Crude oil inventory corresponds to 198 mbo of crude oil in field tanks and in transit as of the balance sheet date. It is valued at the lower of cost and selling price, using the weighted average cost method, and net realisable value.
[2] Increase in materials and supplies stock is related to the 2023 development and maintenance plan.

14. Long-term notes

On 22 June 2021, the Company, through its Andina subsidiary, issued $600 million of Senior Notes with a 6.00% coupon (“**the Notes”**). The interest is payable semi-annually in arrears on 15 June and 15 December each year and the Notes will mature on 15 June 2028, unless redeemed or repurchased earlier. The Notes were initially rated by Fitch as B+ and by Moody’s as B1; both Fitch and Moody’s affirmed the rating on 25 May 2023 and 19 July 2023 respectively.

The Group may from time to time seek to repurchase or retire the Notes through cash purchases and/or exchanges for debt or equity securities, in open market purchases, privately negotiated transactions, tender offers or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, SCE's liquidity, contractual restrictions and other factors. The amounts involved may be material.

The Notes rank equal in right of payment with all the Group’s existing and future senior debt and are guaranteed by the Company’s principal subsidiaries other than Arauca.

The table below summarises the movement in the period:

$ thousands		
Balance at 31 December 2021	**$**	**583,778**
Accrued interest		9,000
Amortisation of the costs		1,629
Reclass to short-term		(11,000)
Balance at 30 September 2022	**$**	**583,407**
Amortisation of the costs		615
Balance at 31 December 2022	**$**	**584,022**
Amortisation of the costs		1,870
Balance at 30 September 2023	**$**	**585,892**

15. Decommissioning and environmental liabilities

As of 30 September 2023, the estimated future discounted decommissioning liability is summarised below:

$ thousands		**Decommissioning**		**Environmental**		**Total**
Balance at 31 December 2021	**$**	**108,481**	**$**	**7,405**	**$**	**115,886**
Accretion expense		4,196		330		4,526
Payments		(2,003)		(67)		(2,070)
Exchange rate effect		681		(866)		(185)
Balance at 30 September 2022		**111,355**		**6,802**		**118,157**
Change in estimate		(23,678)		1,771		(21,907)
Accretion expense		(510)		74		(436)
Payments		(1,560)		(92)		(1,652)
Additions of the period		5,317		333		5,650
Exchange rate effect		(681)		866		185
Balance at 31 December 2022		**90,243**		**9,754**		**99,997**
Accretion expense		2,847		309		3,156
Payments		(2,688)		–		(2,688)
Exchange rate effect		(2,614)		24		(2,590)
Balance at 30 September 2023		**87,788**		**10,087**		**97,875**
Short-term	**$**	**2,688**	**$**	**1,580**	**$**	**4,268**
Long-term	**$**	**85,100**	**$**	**8,507**	**$**	**93,607**

Decommissioning and environmental liability represent the present value of the Asset Retirement Obligation ("**ARO**"), forest compensation and 1% obligation costs related to oil and gas properties, expected to be incurred between 2023 and 2063 in Colombia.

The total undiscounted and uninflated amount of cash flows required to settle the Group's decommissioning and environmental liability is $202 million as of reporting period. The Group translates the Colombian peso cash flows to USD using a market forward rate, and discount using a US risk-free rate.

A 1% increase in the risk-free rate would decrease the liability by $15 million, and a 1% decrease in the risk-free rate would increase the liability by $20 million.

16. Lease liabilities

In the normal course of business, the Group has entered into arrangements and incurred obligations that will impact the Group's future operations and liquidity. These commitments include mainly leases for office spaces.

The following table provides detail of lease liabilities as of 30 September 2023 and 31 December 2022:

$ thousands	**30 September 2023**	**31 December 2022**
Short term lease liability	$ 552	$ 919
Long term lease liability	$ 6,270	$ 41
Total Lease liabilities	**$ 6,822**	**$ 960**

During 1Q 2023, the Group has recognized a finance lease of $6 million for the rent of the Once93 building. This finance lease has a contractual life of 10 years. In 3Q 23 the Group added The Power Generation System as a lease of $1 million with contractual life of 4 years.

The payment of principal for these leases during the period ended 30 September 2023 is $1.1 million and interest payment of $0.6 million.

As of 30 September 2023 and 31 December 2022, the remaining lease maturities are as follows:

$ thousands	**30 September 2023**	**31 December 2022**
Within 1 year	552	41
Between 1 and 2 years	525	919
Between 2 and 3 years	629	–
Between 3 and 4 years	754	–
Between 4 and 5 years	530	–
Later than 5 years	3,832	–
Total Lease liabilities	**$ 6,822**	**$ 960**

17. Pension liabilities

The liability presented below corresponds to the net value of the pension benefit obligation calculated annually by an independent actuary (Mercer) using the projected unit credit method and updated quarterly with the results of the pension funds and the fair value of the assets intended to cover such obligations. Pension assets and liabilities are denominated in Colombian pesos.

$ thousands	**30 September 2023**	**31 December 2022**
Short-term pension liability	7,783	6,561
Long-term pension liability	11,111	9,333
Pension liabilities(1)	**$ 18,894**	**$ 15,894**
Pension funds(2)	**$ (8,629)**	**$ (15,134)**
Short and long-term pension liabilities	**$ 10,265**	**$ 760**

(1) This benefit applies to eligible employees who met the conditions established in the Colombian legislation before Law 100/93. The Group pays the contributions according to its share of each association contract for which the 59 employees who have obtained a pension worked. The benefit plan provides for the payment of between 13 and 14 pension instalments (depending on the legal regime) per year, as well as pre-paid healthcare, educational aid and contributions to the employees fund (FODESI). Some of the pensioners also get an additional benefit related to the mandatory health care plan which is covered by the Group.

[2] The Group presents an increased net pension liability at 3Q23, after liquidating funds held in a particular and voluntary pension trust fund. The Group's ongoing working capital management will facilitate the Group meeting annual pension payments.

18. Long-term payables

The following table provides details of the long-term payables as of 30 September 2023 and 31 December 2022:

$ thousands	30 September 2023	31 December 2022
Holdbacks[(1)]	2,595	1,621
Accrued liabilities long-term	975	852
Contingent consideration[(2)]	–	25,000
Long – Term Total	**$ 3,570**	**$ 27,473**

(1) The increase in holdbacks is related to reclassifications between short term and long term carried out on a quarterly basis and new contracts executed in the period.
(2) The contingent consideration balance as of 31 December 2022 related to the estimated third payment to OPC. This was reclassified to short term payables as of 31 March 2023 (Note 19).

19. Short-term accounts payable and accrued liabilities

Accounts payable primarily consists of capital, operating and administrative expenses incurred but not yet settled. All accounts payable and accrued liabilities are expected to be settled within one year.

The following table provides details of the short-term accounts payable and accrued liabilities as of 30 September 2023 and 31 December 2022:

$ thousands	30 September 2023	31 December 2022
Suppliers and goods and services received	90,628	100,981
Contingent consideration[(1)]	25,000	45,000
Accounts payable related to withholding tax	21,831	28,212
Holdbacks	9,556	11,201
Advance from customers	427	4,730
Joint operations	612	4,218
Overlifting	–	575
Short–Term Total	**$ 148,054**	**$ 194,917**

(1) Customary closing adjustments connected with the agreement between OPC and SierraCol, resulted in a cash payment of $532.4 million on the completion date (18 December 2021) and further amounts payable subject to a gross production base target and average realised prices across three contingent payment periods. As of 31 December 2022, the balance corresponds to the second payment of the contingent consideration to OPC, this amount was paid on 1 March 2023. As of 30 September 2023 the balance corresponds to the third and final payment of the estimated contingent consideration reclassified from long-term liabilities, according to the agreement, the amount will be made on March 2024.

20. Short-term debt

On 3 April 2023, the Company, through its Andina subsidiary, withdrew $20.0 million from the short-term credit line with Bank BTG Pactual S.A. - Cayman Branch to support working capital requirements. The credit facility bears interest based on the secured overnight financing rate posted by the Federal Reserve Bank of New York plus the applicable margin, payable monthly. The facility is due for repayment in January 2024.

As of 30 September 2023, the aggregate principal amount of commitments provided under the Revolving Credit Facility ("**RCF**") was $120.0 million, of which $45.0 million was withdrawn on 1 June 2023, mainly with the purpose of settling working capital obligations. On 29 September 2023, Tranche A and Tranche B were each partially repaid by $12.5 million. The outstanding amount drawn from the facility is $20.0 million as of 30 September 2023.

Details of the previous facilities are summarised below:

	Remaining Balance	Maturity[1]	Rate[2]
BTG Credit line	20,000	9 Months	1-month SOFR + 4.4%
RCF (Tranche A)	9,627	6 Months	3-month SOFR + 4.6%
RCF (Tranche B)	10,373	6 Months	3-month SOFR + 5.1%
Short-term debt principal	**40,000**		

[1]RCF maturity is defined by the period in which the Group forecasts that the outstanding amounts will be repaid. The Group forecasts that the amounts drawn under the RCF will be repaid within the next 6 months and so presents these amounts as current. The amounts are not contractually repayable under the date of the facility (2026).
[2]SOFR: Secured Overnight Financing Rate

$ thousands	
Balance at 31 December 2022	**–**
Short-term debt principal	65,000
Capitalised cost	(1,793)
Amortised cost	226
Balance at 30 June 2023	**63,433**
Capitalised cost	(14)
Amortized cost[1]	1,207
Repayment RCF (Tranche A)	(12,500)
Repayment RCF (Tranche B)	(12,500)
Balance at 30 September 2023	**39,626**

[1] Due to the repayment of Tranches A and B, the amortization of the capitalised cost accelerated by $0.4 million during the third quarter of 2023.

21. Interest payable

The table below summarizes the movement of short-term interest, related to the long-term notes and short-term debt since issuance:

$ thousands	
Balance at 31 December 2021	**–**
Notes accrued interest	28,500
Interest paid	(18,000)
Balance at 30 September 2022	**10,500**
Notes accrued interest	9,000
Interest paid	(18,000)
Balance at 31 December 2022	**1,500**
Notes accrued interest	27,000
Interest paid	(18,000)
RCF accrued interest	1,539
RCF Interest paid	(1,534)
BTG facility accrued interest	951
BTG Interest paid	(810)
Balance at 30 September 2023	**10,646**

22. Financial risk management contracts

The Company, through its subsidiary in Switzerland, has entered into certain financial derivative contracts to manage its exposure to market risks associated with fluctuations in the crude oil price. The Group has not applied hedge accounting for these financial derivative contracts. As a result, all derivative contracts are classified at fair value through profit or loss and are recorded in the condensed consolidated statement of financial position at fair value.

The following is a summary of the risk management contracts in place as of 30 September 2023:

	Volume		$/bbl			
Tenor	(Bpm)[1]	Average (Bpd)[2]	Sold Put	Purchased Put	Purchased Call	Sold Call
1M23 - October	130,694	4,216	–	65.0	–	–
1M23 - October	130,694	4,356	45.0	–	–	–
1M23 - November	130,694	4,356	–	65.0	–	–
1M23 - November	130,694	4,356	–	65.0	–	–
1M23 - December	130,694	4,216	–	65.0	–	–
1M23 - December	130,694	4,216	–	65.0	–	–
1Q 2024	420,684	6,941	–	60.0	–	–
1M24 - January	420,684	13,570	60.0	–	–	–
1M24 - January	420,684	13,570	–	65.0	–	–
1M24 - February	420,684	14,506	60.0	–	–	–
1M24 - February	420,684	14,506	–	65.0	–	–

(1) Bpm: Barrels per month
(2) Bpd: Barrels per day

The following is a summary of the risk management contracts in place as of 30 September 2022:

	Volume		$/bbl			
Tenor	(Bpm)	Average (Bpd)	Sold Put	Purchased Put	Purchased Call	Sold Call
2022 Put spread	480,000	1,316	41.0	56.0	–	–
2H 2022 Put spread	858,000	4,664	50.0	65.0	–	–
1M 2022 Put	100,738	3,250	–	70.0	–	–
1M 2022 Put	100,738	3,358	–	70.0	–	–
1H 2023 Put spread	1,054,500	5,834	50.0	60.0	–	–

The market value of derivative financial instruments as of 30 September 2023 is $2.3 million and 30 September 2022 is $2.3 million.

The Group through its subsidiaries has entered into certain financial derivative contracts to manage its exposure to market risks associated with fluctuations in the exchange rate. The Group has not designated these financial derivative contracts as effective accounting hedges, and thus has not applied hedge accounting. As a result, all exchange rate derivative contracts are classified at fair value through profit or loss and are recorded in the consolidated statements of financial position at fair value.

The following is a summary of the foreign currency risk management contracts in place as of 30 September 2023:

Term	Benchmark	Strike			Amount (USD)
		Put	Call	Avg. Forward rate	
November 2023	COP/USD	4,000	4,500		5,000,000
December 2023	COP/USD	4,000	4,500		5,000,000
January 2024	COP/USD	4,000	4,500		5,000,000
February 2024	COP/USD	4,000	4,500		5,000,000
March 2024	COP/USD	4,000	4,500		5,000,000
April 2024	COP/USD			4,300	13,000,000
June 2024	COP/USD			4,345	10,000,000

The market value of derivative financial instruments as of 30 September 2023 is $0.1 million.

23. Share capital

Flamingo Midco Limited ("**Midco**") owns 100% of SCE shares.

Common shares	Number	Amount *($ thousands)*
Balance at 31 December 2021	**427,482,928**	**427**
Proceeds from issuance of common shares	2,341,125,920	2,342
Balance at 31 December 2022 and 30 September 2023	**2,768,608,848**	**$ 2,769**

24. SCE subsidiaries

The condensed consolidated financial statements include the financial statements of SCE and its subsidiaries as of 30 September 2023. The following is a list of SCE's direct and indirect subsidiaries:

Subsidiary	Direct or Indirect	Country of Incorporation	Principal Activities	Ownership	Address
Flamingo Swissco AG	Direct	Switzerland	Financial and consulting services	100%	C/O Transforma AG, Gartenstrase 4, 6400 Zug
SierraCol Energy Holder Ltd	Direct	Bermuda	Holding	100%	Citco (Bermuda) Limited, O'Hara House, 3 Bermudiana Road, Hamilton, HM08, Bermuda
SierraCol Energy Arauca LLC	Indirect	Delaware, United States	Oil and gas	75%	C/O The Company Trust, Company Trust Center, 1209 Orange Street, Wilmington, Delaware 19801
SierraCol Energy Crude Sales	Indirect	Delaware, United States	Oil and gas	75%	C/O The Company Trust, Company Trust Center, 1209 Orange Street, Wilmington, Delaware 19801
SierraCol Energy Condor LLC	Indirect	Delaware, United States	Oil and gas	100%	C/O The Company Trust, Company Trust Center, 1209 Orange Street, Wilmington, Delaware 19801
SierraCol Energy Andina, LLC	Direct	Delaware, United States	Oil and gas	100%	C/O The Company Trust, Company Trust Center, 1209 Orange Street, Wilmington, Delaware 19801
SierraCol Energy PUT-36, LLC	Indirect	Delaware, United States	Oil and gas	100%	C/O The Company Trust, Company Trust Center, 1209 Orange Street, Wilmington, Delaware 19801
COG Energy Limited	Direct	Cayman Islands	Holding	100%	C/O Maples Corporate Services Limited, Ugland House, 121 South Church Street, PO BOX 309, Cayman Islands
Colombia Energy Development Co.	Indirect	Cayman Islands	Oil and gas	100%	C/O Maples Corporate Services Limited, Ugland House, 121 South Church Street, PO BOX 309, Cayman Islands
Lagosur Petroleum Colombia Inc.	Indirect	Panamá	Oil and gas	100%	PH Arifa, Boulevard Oeste, Santa Maria Business District
Cinco Ranch Petroleum Colombia Inc.	Indirect	Panamá	Oil and gas	100%	PH Arifa, Boulevard Oeste, Santa Maria Business District

25. Related party disclosures

Related parties' transactions

The following transactions were carried out with related parties:

$ thousands	**30 September 2023**	**30 September 2022**
Management services expense[(1)]	$ 1,500	$ 2,000
Loans to related parties[(2)]	$ 1,160	$ 1,508

(1) Fees for management services received from The Carlyle Group.
(2) This amount corresponds to loan receivables from members of Executive Management. The amount is included within long-term trade and other receivables (Note 10).

26. Financial instruments and financial risk management

The carrying amounts and respective fair values of financial assets and liabilities as of 30 September 2023 are summarised as follows:

$ thousands		Carrying Amount 30 September 2023		Fair Value 30 September 2023
Financial assets at amortised cost				
Cash and cash equivalents	$	107,330	$	107,330
Trade and other receivables		102,845		102,845
Investments		34,048		34,048
Financial liabilities at amortised cost				
Accounts payable	$	76,468	$	76,468
Accrued liabilities		71,586		71,586
Derivative financial instruments		2,290		2,290
Lease liabilities		6,822		6,822
Short-term debt		39,626		39,626
Long-term notes		585,892		585,892
Interest payable		10,646		10,646

The carrying amounts and respective fair values of financial assets and liabilities as of 31 December 2022 are summarised as follows:

$ thousands		Carrying Amount 31 December 2022		Fair Value 31 December 2022
Financial assets at amortised cost				
Cash and cash equivalents	$	106,194	$	106,194
Trade and other receivables		75,417		75,417
Investments		23,059		23,059
Financial liabilities at amortised cost				
Accounts payable	$	92,552	$	92,552
Accrued liabilities		102,365		102,365
Derivative financial instruments		1,575		1,575
Lease liabilities		960		960
Long-term notes		584,022		584,022
Interest payable		1,500		1,500

The Group's financial instruments have been assessed in accordance with the fair value hierarchy described above. Long-term investments are classified as Level 2. There has been no reclassification of financial instruments into or out of each fair value hierarchy during the period ended 30 September 2023, and 31 December 2022. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy level.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's financial risk management framework and monitors risk management activities. Management identifies and analyses the risks facing the Group and may make use of financial instruments to mitigate risks identified.

The Group has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, foreign currency risk, commodity price risk and interest rate risk. Information about the Group's exposure to each of the above risks, and the Group's objectives, policies and processes for measuring and managing risk is presented below.

Credit risk

Credit risk is the risk that the Group will not be able to collect amounts owed to it as they fall due. The Group has credit risk on cash and cash equivalents, short and long-term investments and trade and other receivables. The

Group manages the credit exposure related to short and long-term investments by selecting counterparties based on credit ratings and monitors all investments.

Crude oil production is sold using market-based prices adjusted for quality differentials and for transportation costs when sold at the wellhead. The Group currently has contracts in place with two main counterparties. Management does not anticipate non-performance by any of the counterparties and therefore any expected credit loss is immaterial and not booked.

The Group’s largest customer accounted for approximately 89% of net sales. The highest amount of trade receivables outstanding is with the same customer which has investment grade credit rating. There is no other significant concentration of customer credit risk.

The Group's policy to mitigate credit risk associated with the above-mentioned areas of risk is to establish marketing relationships with large purchasers and negotiate short term payments on oil delivery. Historically, the Group has not experienced any collection issues with its crude oil customers. As of 30 September 2023, and 31 December 2022, none of the crude oil receivables are impaired or past due.

Impairment of financial assets

The Group has two types of financial assets that are subject to the expected credit loss model:

- cash and cash equivalents; and
- accounts receivable.

Cash and cash equivalents

$ thousands	30 September 2023	31 December 2022
Cash and bank balances[(1)]	$ 100,585	$ 89,414
Cash equivalents[(2)]	6,745	$ 16,780

[(1)] All of the Group's cash is held with financial institutions with Fitch credit global ratings A, AA-, BBB-, BB+, BB- and Fitch credit ratings Fitch credit local ratings of AAA and AA+.
[(2)] This balance includes trust portfolios and tax certificates with maturities of three months or less.

Trade and other receivables

The Group applies IFRS 9’s simplified approach, which uses a lifetime expected loss allowance for all trade receivables, to measure the expected credit losses. All other receivables are short term, and therefore expected credit losses are measured over the remaining life of term.

To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due.

Account receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of over 90 days.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, within reasonable means, sufficient liquidity to meet its liabilities when due, under both normal and unusual conditions.

The Group prepares annual capital expenditure budgets, which are monitored regularly and updated as necessary. Crude oil production is monitored daily to provide current cash flow estimates and the Group utilises authorisations for expenditures on projects to manage capital expenditures.

The following table provides a maturity analysis for the Group's current and non-current liabilities as of 30 September 2023 and 31 December 2022:

$ thousands	30 September 2023	31 December 2022
Less than 1 year	447,498	393,557
1–2 years	3,570	27,473
Greater than 1–2 years	751,538	803,328
Total	**$ 1,202,606**	**$ 1,224,358**

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates. The Group is exposed to foreign currency fluctuations as certain expenditures and income are denominated in Colombian pesos. As of 30 September 2023 the Group has foreign exchange derivative contracts in place (details in Note 22).

Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in commodity prices. Commodity prices for crude oil are impacted by world economic events that dictate the levels of supply and demand. From time to time the Group attempts to mitigate commodity price risk using financial derivatives (Note 22).

The table below summarises the premiums paid on the commodity risk management contracts that were in place during the interim period ended 30 September 2023:

$ thousands	30 September 2023	31 December 2022
Premium paid	4,030	4,974
Losses	–	44,601
Total	**$ 4,030**	**49,575**

Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Group is exposed to interest rate cash flow risk on its investments.

The Group's exposure to interest rate risk is considered low because the Group main debt is the 2028 Senior Notes described in Note 14. The rate on the bonds is fixed at 6%. Other short-term debt has higher variable rate as described in Note 20, which is intended to be settled within the year, short-term debt corresponds to a low proportion of the total Group debt.

27. Commitments and contingencies

Exploratory commitments

The Group has net “Exploratory Commitments” for the contracts listed below, which are not included in the financial statements as liabilities:

Contract		Status	Concept	$ million	Estimated due date
Putumayo-8	*	Active	Phases 1 and 2) 3D Seismic acquisition 45.77km2 pending of the 207km2 and three exploratory wells	10.6	The due date has been extended to 14 June 2024, with the possibility of a further time extension pending a response.
Putumayo-9	*	Suspended	(Phase 1) 3D Seismic acquisition 127 km² and two exploratory wells	10.6	Block under suspension due to Force Majeure. Once FM ceases, the operation has 36 months to execute commitments
			Phase 2) Two exploratory wells		
Putumayo-36	*	Suspended	This license, which we will acquire from Oxy pending ANH approval, is currently in the preliminary phase of the exploration period whereby applicable prior consultation process with the local communities must first be completed. The license has outstanding investment commitments to acquire 105.6 km² of 3D seismic and to drill two wells,	9.5	Block under suspension due to Force Majeure. Once FM ceases, the operation has 36 months to execute commitments
Mecaya	*	Suspended	Phase 1 & 2) 3D Seismic acquisition 52 km² The exploration program is currently suspended while the required consultations with communities in the area are carried out	2.0	Block under suspension due to Force Majeure. Once FM ceases, the operation has 36 months to execute commitments
			Phase 3) 3D Seismic acquisition 31.25 km²	0.5	
			Phase 4) One Exploratory well	2.0	
Terecay	*	Suspended	Phase 1) 2D Seismic acquisition 476 km² The exploration program is currently suspended due to force majeure	4.0	Block under suspension due to Force Majeure. Request to return block filed to ANH
			Phase 2) Two exploratory wells	5.5	
			Phase 3) Two exploratory wells	5.5	
Tacacho	*	Suspended	Phase 1) 2D Seismic acquisition 476 km² The exploration program is currently suspended due to force majeure.	4.0	Block under suspension due to Force Majeure. Request to return block filed to ANH
			Phase 2) Two exploratory wells	5.5	
			Phase 3) Two exploratory wells	5.5	
Llanos 39	*	Suspended	Phase 1) 3D Seismic acquisition 379 km² and two exploratory wells	7.4	Block under suspension due to Force Majeure. Once FM has ceases, the operation has 954 days to execute commitments
			Phase 2) Two exploratory wells or one exploratory well and the withdrawal of 50% of the remaining area	3.0	
Llanos 52	*	Suspended	Phase 1) 3D Seismic acquisition 292 kms2 and two exploratory wells	5.6	Block under suspension due to Force Majeure. Once FM has ceases, the operation has 630 days to execute commitments
			Phase 2) Two exploratory wells	2.9	
			Phase 1) 200ft. Coring	0.9	
Llanos 23	*	Active	Phase 1 and 2 Unified) 3D Seismic acquisition 138 km2	6.0	Exploratory phase under suspension due to Force Majeure. Once FM has ceases, operation has 292 days to execute commitments
Cosecha		Active	Phase 2) Two exploratory wells (one of which "new play"), 2024 to 2027	–	No financial commitment, just activity. As soon as prospects are identified, a budget will be determined
Bolivar	(1)	Active	1) The acquisition and interpretation of seventy-eight square kilometers (78km2) of 3D seismic 2) The drilling of one (1) exploratory well (A3)	8.0	Commitments are due on 7 August 2025
Rondón	(2)	Active	One (1) near field exploration well	8.0	Committed to execute in 2023, however no prospect defined as of date of reporting. Possible deferral to be required
Total exploratory commitments				107.0	

* After the end of the current phase the Group can decide to continue with the next phase. Letters of credit ("**LC**") are issued to support current phase commitments, and amounts are set as required by each exploration contract.

[1] Bolivar contract extension commitments includes also the drilling of one development well and seismic acquisition and reprocessing.
[2] Rondón contract extension commitments also include the drilling of two development wells by approximately $22 million.

Other commitments

The Group is involved in various claims and litigation arising in the normal course of business. Since the outcome of these matters is uncertain, there can be no assurance that such matters will be resolved in the Group's favour. The Group does not currently believe that the outcome of adverse decisions in any pending or threatened proceedings related to these and other matters or any amount which it may be required to pay by reason thereof would have a material impact on its financial position, results of operations, or cash flows.

28. Post balance sheet events

Management has evaluated subsequent events for disclosure through 8 November 2023 the date the financial statements were approved by the Directors and determined there were no other subsequent events outside of the normal course of business requiring adjustment to or disclosure in the financial statements.

29. Ultimate controlling party

SCE is controlled by its immediate parent entity, Midco. The ultimate parent company of Midco is Carlyle, which holds the majority ownership, with the rest owned by SCE´s management.

SierraCol energy