SierraCol reports third quarter 2023 results

- Share Before Royalties ("SBR") production of 41.7 kboed during the quarter, slightly down by 0.2 kboed q/q mainly due to lower production in the Middle Magdalena area.
- SierraCol YTD SBR production currently standing at 43.2 kboed, within 2023 guidance of 42 – 44 kboed.
- Reported net income of $76.8 million, up 36% q/q.
- Generated an Adjusted EBITDAX of $172.4 million ($55.6/boe), up 31% q/q, and of $476.6 million in 9M23.
- Recorded Adjusted operating netback of $57.6/boe over a $85.9/bbl Brent price, and up 23% q/q.
- Net leverage remains low at 0.8x.
- Maintaining high available liquidity of $199.9 million at quarter-end.
- During the third quarter, 80% of the Caño Limón area production was shipped via the Caño Limón-Coveñas ("CLC") pipeline vs 45% in the second quarter.
- After quarter-end we published our inaugural Taskforce on Nature-related Financial Disclosures ("TNFD") report, leading the adoption of best-practices in environmental-related disclosures in Colombia.

London, UK, 8 November 2023, SierraCol Energy Limited (the "Company", "SierraCol" or "SCE"), the direct parent of SierraCol Energy Andina, LLC, reports its operational and financial results for the third quarter 2023 ("3Q23"). A conference call and webcast for bondholders and analysts will be held on Thursday, 9 November 2023 at 10:00 a.m. Eastern Time.

This release should be read in conjunction with the consolidated financial statements for the period ended 30 September 2023 and the notes thereto, and related Management's Discussion and Analysis ("MD&A").

Key Figures

	3Q23	2Q23	3Q22[1]	Δ q/q	Δ y/y	9M23	9M22[1]	Δ y/y
Production & sales (kboed)								
Gross production	77.1	77.9	80.1	-1%	-4%	79.4	81.4	-2%
SBR production[2]	41.7	41.9	43.5	-1%	-4%	42.7	44.3	-4%
Net production	33.4	33.2	32.0	1%	5%	33.9	32.8	3%
Net sales	33.7	31.3	30.3	8%	11%	33.0	32.1	3%
Operating netback per barrel of net sales ($/boe)								
Brent price	85.9	77.7	97.7	11%	-12%	81.9	102.5	-20%
Realised price	81.3	70.4	92.6	16%	-12%	75.5	95.5	-21%
Lifting cost	(22.8)	(18.9)	(16.8)	20%	36%	(18.9)	(14.4)	31%
Transport cost	(1.0)	(0.6)	(0.9)	77%	11%	(0.8)	(0.9)	-14%
Adjusted operating netback per boe[2]	57.6	50.9	74.9	13%	-23%	55.8	80.2	-30%
Administrative expenses	(2.8)	(3.0)	(1.9)	-9%	45%	(3.0)	(2.8)	8%
Realised loss on oil derivatives	(0.5)	(0.5)	(1.0)	1%	-53%	(0.4)	(5.6)	-92%
Other[3]	1.2	(1.3)	1.9	nm	-37%	0.5	1.8	-72%
Operating netback[2]	55.6	46.1	73.9	20%	-25%	52.9	73.6	-28%
Adjusted EBITDAX ($ million)								
Total revenue	252.5	200.5	258.2	26%	-2%	680.3	836.0	-19%
Lifting cost	(70.7)	(53.9)	(46.8)	31%	51%	(170.0)	(126.1)	35%
Transport cost	(3.1)	(1.6)	(2.5)	93%	25%	(6.9)	(7.8)	-10%
Adjusted operating netback[2]	178.7	144.9	208.9	23%	-14%	503.3	702.1	-28%
Administrative expenses	(8.5)	(8.6)	(5.3)	-1%	62%	(27.2)	(24.8)	10%
Realised loss on oil derivatives	(1.5)	(1.3)	(2.8)	11%	-48%	(4.0)	(48.6)	-92%
Other[3]	3.7	(3.6)	5.0	nm	-25%	4.5	14.9	-70%
Adjusted EBITDAX[2]	172.4	131.4	205.8	31%	-16%	476.6	643.6	-26%
Key financial results ($ million)								
Net income	75.8	45.6	86.6	66%	-13%	209.2	253.1	-17%
Capex and exploration expenditures[2]	50.8	44.5	55.3	14%	-8%	124.5	126.4	-2%
Free Cash Flow[2]	(34.2)	9.2	130.0	nm	nm	37.8	287.4	-87%
Cash & cash equivalents	107.3	173.2	302.5	-38%	-65%	107.3	302.5	-65%
Net debt[2]	539.5	497.8	300.7	8%	79%	539.5	300.7	79%

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

Operational update

- Share Before Royalties ("SBR") production was 41.7 kboed, slightly down 0.2 kboed q/q, mainly due to lower production in Middle Magdalena area.
- Middle Magdalena production was affected by surface equipment failures and maintenance in the water injection and production system. By quarter-end, these issues were resolved, and production levels increased.
- The Caño Limón area is back to normal operations following external events in the second quarter. Production recovery is on track and is expected to continue increasing during 4Q23.
- During the quarter, 2 active rigs drilled and completed 12 new wells: 1 in the Caño Limón area and 11 in Middle Magdalena. The workover campaign included 25 workovers in the Caño Limón area, 2 in Middle Magdalena, and 1 in Central Llanos.
- YTD SBR production averaged 43.2 kboed, within production guidance.
- The Company reiterates its 2023 production guidance as well as the capital and exploration expenditures guidance.
- During the quarter, 80% of the Caño Limón area production was shipped via the Caño Limón-Coveñas ("CLC") pipeline vs 45% in 2Q23. The remaining production was shipped via the alternative evacuation route, the Bicentenario ("OBC") pipeline.

Committed to ESG goals

- Following on from our voluntary Taskforce on Climate-related Financial Disclosures ("TCFD") report issued in 2Q23, after quarter-end, we published our first voluntary report in line with the Taskforce on Nature-related Financial Disclosures ("TNFD").
- SierraCol continues to make progress on the initiatives to reduce its carbon footprint.
- In connection with our goal to eliminate gas flaring by 2025, we implemented a gas-to-liquids project in the Caño Limón area.

Financial metrics

- Brent price increased $8.2/bbl q/q to $85.9/bbl, and Vasconia differential contracted by $1.9/bbl q/q to $3.6/bbl.
- Average realised price of $81.3/boe vs Brent of $85.9/bbl. Realised price increased more than Brent q/q (16% vs 11%) due to a lower Vasconia differential and increased shipping via the CLC pipeline.
- Net income of $76.8 million, up 36% q/q, mainly as a result of higher realisation.
- Adjusted EBITDAX of $172.4 million ($55.6/boe), up 31% q/q, driven mainly by higher realisation, partially offset by higher lifting cost.
- Lifting costs were higher $16.8 million q/q driven by $6.5 million from increased activity/scope, $5.0 million due to foreign exchange rate, $4.7 million linked to timing effects, and $0.6 million in other increases.
- Last twelve-months ("LTM") Adjusted EBITDAX of $647.0 million.
- Adjusted operating netback of $57.6/boe, up 13% q/q mainly as a result of higher Brent price partially offset by increased lifting cost per barrel.
- Capital and exploration expenditures of $50.8 million, up 14% q/q mainly driven by drilling activities in the Middle Magdalena and higher development and workover activities in the Caño Limón area. Capex for 9M23 stands at $ 124.5 million.
- Free Cash Flow of $(34.2) million, mainly due to tax payments of $117.3 million in the quarter.

Ample liquidity and low net leverage

- Total available liquidity of $199.9 million (cash and cash equivalents of $107.3 million plus $92.6 million in undrawn amounts of committed credit lines).
- During the quarter, the Company paid $25.0 million of the $45.0 million that were drawn from the Revolving Credit Facility (“RCF”). After quarter-end the remaining amount was fully repaid.

- Net debt of $539.5 million with cash and cash equivalents of $107.3 million, and net leverage of 0.8x.
- Considering available liquidity, low net leverage, and meeting business requirements, the Board may decide to distribute dividends to shareholders in December.

Risk management

Brent hedging

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

				Avg. strike prices ($/bbl)	
Type of Instrument	**Term**	**Benchmark**	**Volume (bbl)**	**Long Put**	**Short Put**
Put Spread	Oct-23	Brent	130,694	65.0	45.0
Put	Oct-23	Brent	130,694	65.0	
Put	Nov-23 to Feb-24	Brent	1,364,144	65.0	
Put	Mar-24	Brent	420,684	60.0	

- For the next six months, we have hedged 47% of our hedgeable production, with a weighted average long put strike price of $64.0/bbl.

Currency hedging programme

- We have currently open currency hedging positions to manage volatility in the foreign exchange rate of Colombian peso to US dollar, hedging approximately 50% of the Company's cash needs in Colombian peso.
- The table below provides a summary of the current currency hedging positions as of the date of this document:

Type of Instrument	Term	Benchmark	Volume ($ million)	Avg. Put / Call	Avg. Forward rate
Zero-cost collar	Oct-23 to Dec-23	COP / USD	$15.0	4,000 / 4,500	
Zero-cost collar	Jan-24 to Mar-24	COP / USD	$45.0	4,067 / 4,623	
Zero-cost collar	Apr-24 to Jun-24	COP / USD	$45.0	4,183 / 4,778	
	4Q23 - 2Q24	COP / USD	$105.0	4,118 / 4,690	
Forward	Feb-24	COP / USD	$16.2		4,306
Forward	Apr-24	COP / USD	$51.5		4,360
Forward	Jun-24	COP / USD	$51.0		4,410
	1Q24 - 2Q24	COP / USD	$118.7		4,374

Conference call and webcast

SierraCol will hold a conference call to present our 3Q23 financial and operational results on Thursday, 9 November 2023 at 10:00 a.m. Eastern Time.

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

Participant dial-in numbers	Toll Free (US/Canada): 1-877-407-9716 Toll/International: 1-201-493-6779 Call me™
Webcast link	https://viavid.webcasts.com/starthere.jsp?ei=1637731&tp_key=1432ca86c9

Add event to calendar: Outlook/iCal Google Calendar

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

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

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

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

About SierraCol

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