# Annual report

# 2023

Registered number: 12773957

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## A message from our Executive Chairman and CEO

*Tony Hayward – Executive Chairman*

It has been a year of significant milestones and notable progress, marking our third anniversary since transitioning into an independent Company. We are proud to share the highlights of our journey with you and are delighted to present SierraCol's Annual Report for 2023.

First and foremost, let us remember our main achievements. Throughout 2023, SierraCol demonstrated resilience and excellence across various fronts. Our Share Before Royalties production stood at 43.0 kboed, in line with our production guidance. We achieved a solid 113% 2P Reserves Replacement Ratio and maintained the life of our reserves, underscoring the strength of our asset portfolio.

Additionally, our commitment to ESG excellence was recognised with a low-risk rating from Sustainalytics, solidifying SierraCol's position as an ESG leader in the global oil and gas sector.

We achieved a significant 47% reduction in net $CO_2e$ emissions compared to our 2020 baseline, a milestone that demonstrates our dedication to sustainability. This accomplishment sets us on track to achieve a 60% reduction in net $CO_2e$ emissions by the end of 2024, vs our 2020 baseline.

Moreover, our financial performance in 2023 was robust. We achieved an adjusted EBITDAX of $647 million and generated $171 million in Free Cash Flow. With low net leverage ratio of 0.8x and total liquidity of $203 million, we are well-positioned to pursue our strategic objectives and drive a sustainable operation.

Operational excellence remains at the heart of SierraCol's strategy. We continue to prioritise health, safety, and environmental stewardship across all our operations. In 2023, our Caño Limón area operations obtained ISO 45001 and 14001 certifications, reaffirming our commitment to creating a safe and sustainable workplace for our employees and contractors.

While we celebrate our achievements, we acknowledge the challenges we faced in 2023, which presented significant obstacles, especially in the first half of the year, requiring enhanced collaboration with local and national authorities. Despite these challenges, our team's response was exemplary, and we ended the year strongly positioned for future success.

Looking ahead, SierraCol remains committed to delivering value to our stakeholders. We will continue to focus on maintaining stable production, replenishing reserves, and advancing our decarbonisation efforts. Our strategic priorities include upholding our commitment to ESG excellence, expanding our Women Leadership Program (ALMA), and prioritising health and safety across all our operations.

As we embark on the next phase of our journey, we extend our gratitude to our employees and partners for their continued support and dedication. Together, we will navigate the opportunities and challenges ahead, driving sustainable growth and creating long-term value for all stakeholders.

Thank you for your confidence in SierraCol.

*Bernardo Ortiz – CEO*

Tony Hayward

Executive Chairman

Bernardo Ortiz

CEO

# SierraCol at a glance

We own interests in some of the most iconic fields in the Colombian E&P sector, including the Caño Limón area and La Cira Infantas, which are structurally advantaged due to scale, high-quality oil and low transportation costs.

SierraCol Energy Limited ("the Company", "SCE", "SierraCol" or "we") is a leading independent oil and gas company operating in Colombia. We are a full-cycle oil and gas exploration and production company with operations in conventional onshore oil assets in the Llanos, Middle Magdalena and Putumayo basins. Our assets are located near strategic processing, storage, and transportation infrastructure.

SierraCol began operations as an independent company in December 2020 through the acquisition of Occidental's Colombian oil and gas onshore assets. In May 2021, we expanded our portfolio by incorporating the assets of COG Energy Ltd., consolidating our operational hub in Central Llanos.

Our assets have demonstrated a long track record of stable production and cash generation, which we expect to maintain by commercialising our significant reserves and resources and continuing to grow our reserve life.

Our high-margin barrels, efficient reinvestment rates and capital discipline allow us to generate significant amounts of free cash flow through the cycle.

### Caño Limón area

- World-class reservoir. Cumulative production of over 1.5 bn bbls.
- We operate the Cravo Norte, Rondón, Chipirón and Cosecha contracts.
- Partners with Ecopetrol in the exploration blocks Llanos 39 and Llanos 52.

### Middle Magdalena

- La Cira Infantas, jointly operated with Ecopetrol, is the oldest field in Colombia, in production since 1918.
- Total cumulative production of over 930 million bbls.
- Largest waterflooding implementation in Colombia.

### Central Llanos

- 100% WI in LLA-23, Rio Verde, Los Hatos and Alcaraván blocks.
- Operating hub with additional near-term drillable upside opportunities.

### Putumayo

- Exploration activities in 6 blocks in association with GeoPark.
- Similar to the most prolific fields discovered across the border in Ecuador.
- Relatively easy access to existing production facilities and evacuation routes.

# Key metrics 2023

B+ **Fitch**

B1 **Moody's**

Stable outlook

19 Blocks

11 producing
8 exploratory

94% High-quality oil

25° – 35° API
Low sulfur

118 Million boe

2P reserves
2022: 116 million

43.0 kboed

SBR production
2022: 44.3 kboed

56.1 $/boe

Adj. operating netback
2022: 76.1 kboed

647 $million

Adj. EBITDAX
2022: $814 million

0.8x

Net leverage
2022: 0.6x

19.9 Low risk

Sustainalytics ESG rating
2022: 27.3

0.55

TRIR
2022: 0.61

18.8 kg $CO_2$e/boe

Emission intensity
2022: 21.1 kg $CO_2$e/boe

# Our business model and strategy

SierraCol's strategy is to maintain our assets' demonstrated track record of stable production and cash generation, while sustainably growing free cash flow over time by efficiently developing our significant base of reserves and resources. We leverage on our structurally advantaged assets due to scale, high-quality oil and low transportation costs.

## Our value proposition

- Largest independent oil producer in Colombia, based on the latest gross operated and co-operated production information, with a high-quality portfolio of well-understood assets, low sub-surface risk and a successful track record of stable operation.
- Our assets are structurally advantaged due to scale, high-quality oil and low transport costs, supporting industry-leading profitability.
- Robust cash flow generation underpinned by stable production base, low and flexible capital requirements, and structurally higher netbacks than peers.
- Robust capital structure and active risk management through hedging and insurance, providing enhanced cash flow stability.
- Committed to ESG excellence and continued focus on health and safety for our workers.

## Delivering our strategy in 2023

| Strategy and original value proposition | 2023 performance |
|---|---|
| Stable production | SBR production of 43 kboed, within 2023 guidance of 42-44 kboed , and stable over the last 4 years. |
| 2P Reserve replacement >100% | 113%, achieving a replacement above 100% for the last 7 years. |
| Healthy R/P | Maintaining flat our reserves life with an R/P ratio of 9.9 years (2022: 10.1) |
| Strong cash flow generation | EBITDAX of $647 million, FCF of $171 million, and cash balance of $89 million |
| Ample liquidity | $203 million including $114 million of unused RCF |
| Leverage ratio <1.5x | 0.8x |
| 40%-60% volume hedging | 52% of our expected production hedged until December 2024 |
| Emissions – 50% reduction by year-end 2023 | Net emissions reduced by 47% versus 2020 baseline. $CO_2e$ net intensity factor down 11% y/y, from 21.1 to 18.8 kg $CO_2e$/boe<br>**2024:** on track to deliver a 60% reduction vs the 2020 baseline |
| Transparent ESG reporting | 2022 reports on sustainability, TCFD, and our inaugural TNFD, emphasise our commitment to improve our ESG performance and disclosure |
| Obtain a Sustainalytics ESG rating by 2023 | Achieved top-tier worldwide ESG rating by Sustainalytics for the second consecutive year |

# Our 2023 results

## Key operating and financial metrics

| | FY23 | FY22 | Δ y/y |
|---|---|---|---|
| Production & sales (kboed) | | | |
| Gross production | 79.5 | 81.4 | -2% |
| SBR production[1] | 43.0 | 44.3 | -3% |
| Net production | 33.9 | 32.9 | 3% |
| Net sales | 33.1 | 32.1 | 3% |
| Operating netback per barrel of net sales ($/boe) | | | |
| Brent price | 82.2 | 99.0 | -17% |
| Realised price | 76.3 | 91.9 | -17% |
| Lifting cost | (19.3) | (14.9) | 30% |
| Transport cost | (0.9) | (0.9) | -4% |
| **Adjusted operating netback[1]** | **56.1** | **76.1** | -26% |
| Administrative expenses | (3.4) | (3.2) | 7% |
| Realised loss on derivatives | (0.4) | (4.2) | -89% |
| Other[2] | 1.3 | 0.8 | 63% |
| **Operating netback[1]** | **53.6** | **69.5** | -23% |
| Adjusted EBITDAX ($ million) | | | |
| Total revenue | 921.5 | 1,076.2 | -14% |
| Lifting cost | (233.2) | (174.8) | 33% |
| Transport cost | (10.4) | (10.3) | 2% |
| **Adjusted operating netback[1]** | **677.9** | **891.1** | -24% |
| Administrative expenses | (41.5) | (37.6) | 10% |
| Realised loss on derivatives | (5.3) | (49.6) | -89% |
| Other[2] | 16.0 | 10.2 | 56% |
| **Adjusted EBITDAX[1]** | **647.0** | **814.1** | -21% |
| Key financial results ($ million) | | | |
| Net income | 300.7 | 295.9 | 2% |
| Capex and exploration | 188.4 | 204.9 | -8% |
| Free Cash Flow | 170.8 | 401.2 | -57% |
| Cash & cash equivalents | 88.7 | 106.2 | -16% |
| Net debt | 538.0 | 494.8 | 9% |

## 2023 operating and financial results highlights

- FY23 Share Before Royalties ("**SBR**") production of 43.0 kboed, at the midpoint of the SBR production guidance of 42 – 44 kboed.
- Reached a 113% 2P Reserves Replacement Ratio ("**RRR**"), achieving a replacement above 100% for the last 7 years. Delivered a solid 110% 1P RRR.
- 2P reserves of 118 million boe, and 1P reserves of 84 million boe, maintaining essentially flat our reserves life with a Reserves-to-Production ("**R/P**") ratio of 9.9 and 7.1 years, respectively.
- Environmental, social and governance ("**ESG**") low-risk rating from Sustainalytics of 19.9, upgraded from medium risk, ranks SierraCol in the 5th position out of 315 global O&G companies.
- 47% reduction in net $CO_2e$ emissions by year-end 2023, vs 2020 baseline. We are on track to deliver a 60% reduction vs the 2020 baseline in net $CO_2e$ emissions by year-end 2024.
- Adjusted operating netback of $53.6/boe.
- Adjusted EBITDAX of $647.0 million and $170.8 million[3] in Free Cash Flow generation.
- Lifting costs rose 33% y/y due to inflation, higher share in operational expenses, one-off costs, increased well work activity, and forex rate impacts. In late 2023, costs started to reduce due to actions implemented during the second half of the year.
- Low net leverage at 0.8x with $88.7 million of cash and cash equivalents. Total liquidity of $203.0 million.

For more information on our 2023 performance, please see our Management and Discussion Analysis available on our website *sierracolenergy.com/investors*

[1] See "Non-IFRS Measures" section. | [2] Other includes prepaid expenses, other income/expenses (net), realised foreign exchange gain (loss), fair value remeasurements and non-recurring costs. | [3] Free cash flow for FY23 presented before $45.0 million contingent payment to Oxy in 2Q23.

*Certain amounts and percentages included in this table 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 the table.*

For FY23, SierraCol achieved an RRR of 113%, the highest since 2020, and an R/P ratio of 9.9 years, maintaining a healthy reserves life.

Reserves are presented as the Company's working interest after royalties.

2023 certified 2P reserves of 118 million boe, 99% oil, with an R/P ratio of 9.9 years, essentially maintaining the reserve life index vs 2022 (10.1 years), and an RRR of 113%. Certified 1P reserves stand at 84.3 million boe, with an R/P ratio of 7.1 years and an RRR of 110%.

| | Proven developed producing | Proven developed | Proven reserves | Proven plus probable | Proven plus probable plus possible |
|---|---|---|---|---|---|
| | PDP | PD | 1P | 2P | 3P |
| million boe | 60.7 | 72.5 | 84.3 | 118.0 | 145.9 |
| R/P ratio (years) | 5.1 | 6.1 | 7.1 | 9.9 | 12.2 |

The following table provides a reconciliation of SCE's 1P and 2P reserves:

| million boe | 1P | 2P |
|---|---|---|
| 31 December 2022 | 83.1 | 116.3 |
| Production | -11.9 | -11.9 |
| Net additions | 13.1 | 13.5 |
| 31 December 2023 | 84.3 | 118.0 |
| | | |
| R/P (years) | 7.1 | 9.9 |
| RRR (%) | 110% | 113% |

The following table provides an overview of SCE's 1P and 2P reserves as of 31 December 2023 by area:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| million boe | 1P | 2P | 1P | 2P |
| Caño Limón area | 24.9 | 33.9 | 26.8 | 33.9 |
| Middle Magdalena | 52.1 | 67.5 | 49.1 | 65.9 |
| Central Llanos | 7.3 | 16.6 | 7.3 | 16.6 |
| SCE | 84.3 | 118.0 | 83.1 | 116.4 |

The following table shows the net present value discounted at 10% ("NPV10") after tax for 1P and 2P reserves:

| As of 31 December 2023 | 1P | 2P |
|---|---|---|
| Reserves (million boe) | 84.3 | 118.0 |
| NPV10 after tax ($ million) | 1,344 | 1,707 |

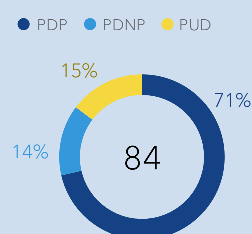
The following table shows the Brent forecast used to estimate the reserves and NPV10 under PRMS:

| | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Brent ($/bbl) | 87.8 | 83.0 | 80.5 | 81.6 |

For 2028 forward prices were escalated 2% per year, as well as the costs.

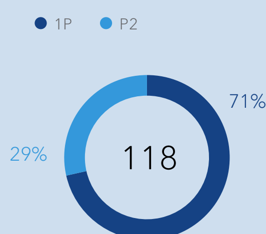
## Low capital required to progress 1P reserves to production

1P reserves 2023 (million boe)



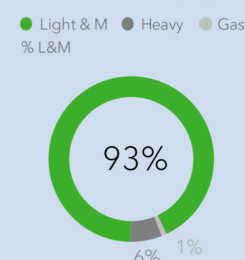

**85%** of SCE 1P reserves are Proved Developed (PD) reserves.

2P reserves 2023 (million boe)




**71%** of SCE 2P reserves are proved reserves.

2P reserves 2023 by type




**93%** of SCE 2P reserves are light & medium crude oil.

## Our mission, vision and values

### Our mission

**SCE responsibly develops energy resources to create value for its stakeholders.**

The main stakeholders of the Company are investors, partners, employees, communities and the government. We will seek to maximise the economic, social and environmental value of the Company, with responsibility and operational excellence.

### Our vision

**SCE will continue to be a premier independent energy company in Colombia.**

Our vision is underpinned by:

- the application of rigorous metrics of safety, environmental protection, production, reserves and finance;
- the strategic management of our assets and leadership in technology;
- being an operational and investment partner of choice and a premier employer, attracting the best talent;
- supporting diversity, equality and inclusion across the Company; and
- our ambitious emissions reduction programme and robustness of SCE's ESG strategy.

### Our values

#### People

People are our most valuable asset; we value a diverse workforce; everyone has an equal opportunity to learn and succeed.

#### Sustainability

We provide a safe and healthy workplace; we are committed to protecting the environment and promoting the wellbeing of our communities.

#### Results-oriented

We seek excellence in our results; we strive to exceed expectations; we leverage our strong technical capabilities and apply new technologies.

#### Collaboration

We achieve more as a team than as individuals. Working together we are successful; we support our colleagues and proactively communicate with them.

#### Simplicity

We work efficiently, focused on what is important; we adapt quickly to change; we aim to do things right the first time.

#### Integrity

We always do the right thing; we are transparent, honest, and ethical.

## Our assets

We operate / jointly-operate two of Colombia's most prolific assets

### The Caño Limón area

World-class reservoir that gained Colombia its status as a net oil exporter following its discovery in 1983.

2023 key metrics:

>2.3 billion barrels

Original Oil in Place (OOIP)

34 million barrels

2P reserves
73% 1P

~47 kbod

Gross production

~1 $/bbl

Transport cost

### La Cira Infantas

Colombia's oldest and one of the largest oil fields, having been in production for over 100 years and with significant reserves still to be produced and developed with cumulative production of over 930 million boe.

2023 key metrics:

>6.0 billion barrels

Original Oil in Place (OOIP)

67 million barrels

2P reserves
77% 1P

~27 kboed

Gross production

~0.1 $/bbl

Transport cost

## Our assets

Our diversified asset base includes approximately 9,500 km² in the Middle Magdalena, Llanos (Northern & Central) and Putumayo basins. Our asset base is held through a total of 19 onshore licences in Colombia, eleven of which are in the production phase and eight are in the exploration phase.

See *"Note 1 – Reporting Entity"* of the Consolidated Financial Statements for a table summarizing our working interests in our portfolio assets.

### Producing assets

#### Summary of production by area:

| kboed | FY23 | FY22 |
|---|---|---|
| SBR production | | |
| Caño Limón area | 26.0 | 28.0 |
| Middle Magdalena | 13.6 | 13.7 |
| Central Llanos | 3.4 | 2.5 |
| SBR production | 43.0 | 44.3 |
| Light & medium oil | 42.3 | 43.7 |
| Heavy oil | 0.4 | 0.4 |
| Gas | 0.3 | 0.2 |

SBR production for 2023 of 43.0 kboed was at the midpoint of the production guidance of 42 – 44 kboed. SBR production was down 1.3 kboed compared to FY22 mainly due to lower production in the Caño Limón area as a result of delays in execution of activity during the first half of the year. This was partially offset by increased production in the Central Llanos due to successful development activities in 2023. Production in the Middle Magdalena remained stable.

### Caño Limón area

The Caño Limón area was discovered in 1983, and its world-class oil reservoir allowed Colombia to regain its global status as net oil exporter in the mid-1980s.

The Caño Limón area is in the Llanos basin, east of the Eastern Cordillera of the Andes and covers approximately 1,070 km², which makes it one of the largest clusters in Colombia by acreage.

We are the sole operator of the Caño Limón licences.

The Caño Limón area includes four licences:

#### Cravo Norte

We have a 45% working interest in this licence.

Ecopetrol is the owner of the remaining 55%. This licence covers approximately 40 km², with seven fields and 326 active oil producing wells. The exploration and production agreement was entered into in June 1980 and expires at the end of the economic life of the project. The API gravity of the Cravo Norte oil is between 29° and 31°.

Cravo Norte Association Contract: it was signed on 11 June 1980, with an effective date of 1 July 1980.

Production under the contract commenced in October 1983. Through an amendment agreement entered into on 23 April 2004, the term of the contract was extended until the Cravo Norte field ceases to be economically viable.

All oil production coming from the Cravo Norte Association Contract is subject to a 20% royalty charge, except for incremental production coming from incremental production projects approved by the ANH, which will be subject to a scaling royalty regime (the "Royalty Regime" – see *"Colombia royalty framework"*).

#### Chipirón

We have a 70% working interest in this licence. Ecopetrol is the owner of the remaining 30%. This licence covers approximately 227 km², with nine fields and 32 active oil producing wells. The Chipirón exploration and production agreement was entered into in February 2003 and expires in February 2028. The API gravity of the Chipirón oil is between 29° and 33°.

<u>Chipirón Association Contract</u>: it was signed with Ecopetrol on 13 February 2003, effective on such date. The contract is in the production and exploitation phase. The term of contract is 25 years and therefore it is scheduled to expire in February 2028.

Production coming from the Chipirón Association Contract is subject to the scaling Royalty Regime.

### Rondón

We have a 35% working interest in this licence. Ecopetrol is the owner of the remaining 65%. This licence covers approximately 101 km², with two fields and 30 active oil producing wells. Rondón's exploration and production agreement was entered into in June 1980 and expires in January 2038. The API gravity of the Rondón oil is between 31° and 38°.

<u>Rondón Association Contract</u>: it was signed on 11 June 1980, with an effective date of 1 July 1980. The initial term of the contract was 28 years from the effective date, so it would have expired in July 2008, however, following a declaration of force majeure, accepted by Ecopetrol on 25 April 1990, the obligations under the contract were suspended. The state of force majeure was subsequently lifted on 30 September 2004 and the termination date of the contract was 8 January 2023. Through an amendment entered into in August 2022, the term of the contract was extended until 7 January 2038.

On 3 October 2005, a declaration of commerciality was made under the Rondón Association Contract in connection with the Caricare field.

All oil production coming from the Rondón Association Contract is subject to the scaling Royalty Regime.

### Cosecha

We have a 70% working interest in this licence. Ecopetrol is the owner of the remaining 30%. This licence covers approximately 698 km², with nine fields and 35 active oil producing wells. Cosecha's exploration and production agreement was entered into in October 2002 and expires in December 2030. The API gravity of the Cosecha oil is between 29° and 39°.

<u>Cosecha Association Contract</u>: it was signed on 31 October 2002, with an effective date of 30 December 2002. The term of the contract is 28 years from the effective date, with a current expiry date of December 2030.

Production coming from the Cosecha Association Contract is subject to the scaling Royalty Regime.

<u>Offtake agreement for Caño Limón area</u>

The oil produced in the Caño Limón area is sold to Ecopetrol through an offtake agreement that expires in June 2026.

Production from the Caño Limón area is evacuated via the Caño Limón – Coveñas ("CLC") pipeline, which is operated by Ecopetrol's subsidiary CENIT, where we have a reserved transportation capacity of 60 kbopd at a tariff of ~$1/bbl. We have the right to use the CLC pipeline regardless of the offtaker as the pipeline was originally built under the Cravo Norte association contract and subsequently sold to CENIT.

In addition to the CLC pipeline, we also have access to the Bicentenario pipeline as an alternative evacuation route. The agreement to use the Bicentenario pipeline expires in June 2026.

We also have built strategic storage capacity, which provides us with operational flexibility to support continuity of our commercial operation.

## Middle Magdalena area

### La Cira Infantas

The La Cira Infantas licence is the oldest and among the best understood clusters of fields in Colombia. It has been in production since 1918.

Current cumulative oil production and 2P remaining reserves exceed 930 million barrels and 67 million barrels,

respectively. Important resources remain to be developed as the C Sands waterflood matures, the B Sands waterflood expands, and appraising of Infantas Oriente continues.

La Cira Infantas fields have an approximate extension of 190 km$^2$. SierraCol has a 48% working interest in La Cira Infantas, while Ecopetrol, our partner in this licence since 2005, owns the remaining 52%. Ecopetrol is responsible for operating expenses decisions and SierraCol has responsibility over capital expenditure decisions. In 2005, the Company started the implementation of what is now the largest waterflood (C Sands) in Colombia, increasing oil production from around 5 kboed to a peak of 45 kboed in 2018. The success of this Improved Oil Recovery ("IOR") project is a clear example of our technical and operational prowess, and of our ability to deliver results.

The La Cira Infantas licence comprises two types of sands:

LCI A&B Sands:

There are currently more than 30 inverted waterflood patterns with over 110 active producer and injector wells. The LCI A&B Sands exploration and production agreement was entered into in September 2015 and expires at the end of the economic life of the project. The API gravity of the oil produced there is between 19° and 25°.

LCI C Sands:

There are currently more than 530 inverted waterflood patterns with over 1500 active producer and injector wells. The LCI C Sands exploration and production agreement expires with the economic life of the project. The API gravity of the oil produced there is between 25° and 26°.

La Cira Infantas Collaboration Contract:

Ecopetrol and our predecessor company entered into the La Cira Infantas Collaboration Contract on 6 September 2005, effective as of 22 September 2005, to govern their relationship in connection with such area, with Ecopetrol undertaking the role of operator.

All oil production coming from La Cira Infantas is subject to a 20% royalty charge, except for incremental production coming from Incremental Production Projects approved by the ANH, which will be subject to a scaling Royalty Regime.

Offtake agreement for La Cira Infantas

La Cira Infantas is approximately 30 km from the Barrancabermeja refinery which is located on the shore of the Magdalena River. The Barrancabermeja refinery, the largest in Colombia, was designed to operate with a crude oil diet based on quality similar to La Cira Infantas' production, making our crude a first choice to its refining operation. Our oil is sold to Ecopetrol through an offtake agreement that currently is in place until September 2024.

Our oil is delivered to Ecopetrol at the El Centro pipeline station and then transported to the Barrancabermeja refinery. As a result of our offtake agreement with Ecopetrol and our proximity to the Barrancabermeja refinery, we enjoy very low transportation costs for La Cira Infantas of $0.1/bbl.

### Bolívar

The Bolívar licences cover approximately 20,300 acres. We hold a 100% working interest in, and are the operator of, this licence. No wells are currently active. No reserves are booked and the asset is fully impaired.

### Teca Cocorná

The Teca licence covers approximately 50 km$^2$, with one field and 64 active oil producing wells. We hold a 40% working interest in Teca, in partnership with Ecopetrol, which owns the remaining 60%. Teca's exploration and production agreement was entered into in June 2015, and expires in January 2040. The API gravity of the oil is between 9° and 12°.

Teca – Cocorná Collaboration Contract:

Ecopetrol and SierraCol entered into the Teca – Cocorna Collaboration Contract on 24 June 2014, effective 16 June 2015, to govern their relationship in connection with such area,

with Ecopetrol undertaking the role of operator.

All oil production coming from Teca-Cocorná is subject to a 20% royalty charge, except for incremental production coming from Incremental Production Projects approved by the ANH, which will be subject to a scaling Royalty Regime.

Operations at Teca are currently limited to care and maintenance and are not expected to be part of our future growth strategy.

Offtake agreement for Teca - Cocorná

Teca's oil is sold to Ecopetrol through an offtake agreement that currently is in place until September 2024.

### Central Llanos

#### Río Verde, Alcaraván, Los Hatos and Llanos 23

These licences cover approximately 587 km² in total. We have a 100% working interest in, and are the operator of these licences.

The API gravity of the oil produced in these licences is between 13° and 38°.

Offtake agreement for Central Llanos

We have an agreement to sell Central Llanos' oil to GOAM (BP's international crude oil trader) selling at wellhead, for export, that expires in June 2024.

## Exploration assets

### Llanos

We own interest in two exploration licences in the Llanos basin: Llanos 39 and Llanos 52.

#### Llanos 39

We are the operator of the Llanos 39 licence, with a 50% working interest. Ecopetrol is the owner of the remaining 50% working interest. Currently our licence is in the first phase of the exploration period, with remaining commitments to acquire 370 km² of 3D seismic and drill two wells, for a total net cost of $10.4 million. The exploration program is currently suspended due to force majeure.

Llanos 39 E&P Contract: SierraCol acquired a working interest and operatorship in the E&P contract for Llanos 39 from Ecopetrol under a Farm Out Agreement, dated 29 May 2018. The Llanos 39 E&P Contract has an effective date of 15 June 2012.

Production coming from the Llanos 39 E&P Contract is subject to the scaling Royalty Regime.

#### Llanos 52

We are the operator of the Llanos 52 licence, with a 48% working interest. Ecopetrol is the owner of the remaining 52% working interest. Currently, this licence is in the first phase one of the exploration period, with remaining commitments to acquire 292 km² of 3D seismic and drill two wells, for a total net cost of $9.4 million. The exploration program is currently suspended due to force majeure.

Llanos 52 E&P Contract: SierraCol acquired a working interest and operatorship in the E&P contract for Llanos 52 from Ecopetrol under a Farm Out Agreement, dated 29 May 2018. The Llanos 52 E&P Contract has an effective date of 30 September 2011.

Production coming from the Llanos 52 E&P Contract is subject to the scaling Royalty Regime.

### Putumayo

Our portfolio in the Putumayo basin consists of six exploration licences: Putumayo-8, Putumayo-9, Putumayo-36, Mecaya, Terecay and Tacacho. These licences are in the south of Colombia, near the Ecuador border, and cover approximately 6,600 km².

We own a 50% working interest in each of these licences. GeoPark owns the remaining 50% and is the operator.

#### Putumayo-8

This licence is currently in both phases one and two of the exploration period, with remaining commitments to acquire 45.8 km² of 3D seismic and to drill three wells, for a total net cost of $10.6 million. The exploration program is ongoing.

In April 2021 we completed the acquisition of the seismic data. In early 2024, the environmental licence for the first exploration well was approved by the environmental authority ANLA

(as per its acronym in Spanish).

### Putumayo-9

This licence is currently in the first phase of the exploration period, with remaining commitments to acquire 127 km² 3D seismic and to drill two wells, for a total net cost of $10.6 million. The exploration program is currently suspended due to force majeure.

### Putumayo-36

This licence is currently in the preliminary phase of the exploration period whereby applicable prior consultation process with the local communities must first be completed. As part of the first phase of the exploration period, the licence has outstanding investment commitments to acquire 106 km² of 3D seismic and to drill two wells, for a total net cost of $9.5 million. The exploration program is currently suspended due to force majeure. The acquisition cost has been impaired.

### Mecaya

This licence is currently in both phases one and two of the exploration period, with remaining commitments to acquire 52 km² of 3D seismic, for a total net cost of $2.0 million. The exploration program is currently suspended while the required consultations with communities in the area are being carried out.

### Terecay

This licence is currently in the first phase of the exploration period, with remaining commitments to acquire 476 km of 2D seismic, for a total net cost of $4.0 million. The exploration program is currently suspended due to force majeure.

### Tacacho

This licence is currently in the first phase of the exploration period, with remaining commitments to acquire 480 km of 2D seismic, for a total net cost of $4.0 million. The exploration program is currently suspended due to force majeure.

Putumayo-9, Mecaya, Terecay and Tacacho E&P Contracts: SierraCol acquired a working interest in these E&P contracts from Amerisur Exploración Colombia Limitada ("Amerisur" – later acquired by GeoPark) under a Farm Out Agreement, dated 21 November 2018.

Putumayo-8 E&P Contract: SierraCol acquired a working interest in this E&P contract from Amerisur under a Sale and Purchase agreement, dated 18 March 2019.

Putumayo-36 E&P Contract: SierraCol acquired a working interest in this E&P contract from Amerisur.

Production coming from these six E&P Contracts is subject to the scaling Royalty Regime.

## Colombia royalty framework

According to article 16 of Law 141 of 1994, as amended by Law 756 of 2002 and regulated by Decree 4923 of 2011, among others, the production of crude oil is subject to royalties to be calculated on a field-by-field basis using a sliding scale, as follows:

| kbod (x) | Royalty (%) |
|---|---|
| x ≤ 5 | 8% |
| 5 < x ≤ 125 | 8% + ((x - 5)*(0.1)) |
| 125 < x ≤ 400 | 20% |
| 400 < x ≤ 600 | 20% + ((x - 400)*(0.025)) |
| x > 600 | 25% |

The sliding scale ("Royalty Regime") applies to all new discoveries and incremental production coming from incremental production projects approved by the ANH.

For new discoveries of heavy oil, classified as those with an API equal to or less than 15°, the royalties will be 75% of the royalty rates presented above for light and medium oils.

In the case of natural gas, the royalties will be 80% of the royalty rates presented above for production on onshore fields and on offshore fields at depths less than or equal to 1,000 feet; and 60% for production of offshore fields at depths exceeding 1,000 feet.

# Environmental, social and governance

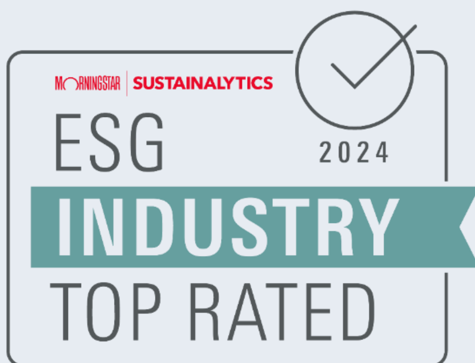
## Our ESG strategy

SCE is committed to the highest ESG performance, creating value for all our stakeholders. Sustainability for SCE means operating responsibly and generating economic, social and environmental value in a consistent manner.

Our ESG strategy encompasses five pillars: Climate Action, Action for the Planet, Communities and Society, Solid Governance and Operational Excellence.

*For more details on our performance against our goals, please refer to our Sustainability Report 2023.*

### SierraCol was recognized as a top-rated ESG company by Sustainalytics for the second consecutive year




SierraCol has achieved a low-risk ESG rating and was ranked 5th out of 315 global O&G companies.

SCE has received an upgraded ESG rating from Sustainalytics, placing us in the low-risk range with a score of 19.9. This positions us as the fifth-best out of 315 companies in the global O&G industry and the sole E&P company with a low ESG rating at the time of issuance of the assessment[1].

Furthermore, we have secured the top rank globally among E&P operators in the low-risk category. The report underscores our commitment to transparency in ESG disclosure and acknowledges our effective management of material ESG issues.

Sustainalytics is a global leader provider of high-quality, analytical ESG research, ratings and data to institutional investors and companies. With over 30 years of experience, Sustainalytics helps institutional investors to identify, understand, and manage ESG-driven risks and opportunities. It covers more than 20,000 companies in 172 countries.

[1] ESG rating awarded by Sustainalytics on 26 January 2024

## Our environmental approach

SCE protects the environment and promotes sustainable use of natural resources in its business operations through six Environmental Management programmes, established as a basis for developing procedures and strategies to contribute to sustainability and environmental responsibility.

### 1. Climate Action

SCE made substantial progress towards the goal of reducing emissions of $CO_2e$ by 50% by the end of 2023 reporting period. We have successfully reduced scope 1 and scope 2 $CO_2e$ emissions by 47% against the 2020 baseline, placing us close to our ambitious goal established in our climate strategy. The Company's emissions intensity factor improved 11% y/y, from 21.1 in 2022 to 18.8 kg $CO_2e$/boe in 2023.

We remain committed to reducing our carbon footprint. We are on track to deliver a 60% reduction of $CO_2e$ emissions by the end of 2024 vs the 2020 baseline. This will be achieved by implementing mitigation projects in four areas: energy transition, energy efficiency, gas flaring elimination, and methane measurement and mitigation:

#### Energy transition

SCE successfully replaced 41 MW of crude-based power generation with electricity from the national grid in the Caño Limón area vs the 2020 baseline. Additionally, in 2023, all energy purchased from the national grid in the Caño Limón area is accompanied by I-REC certificates, validating its origin from clean hydro power generation. Furthermore, in December, two main fields in the Cosecha license in the Caño Limón area were also electrified with energy from the national grid to replace diesel-based generation.

#### Energy efficiency

SCE has implemented energy-efficient alternatives, including a water production control strategy to optimize energy consumption through seals installed in reservoirs with high water cut. In 2023, the energy efficiency program continued with the commissioning of permanent magnet motors in Artificial Lift Systems ("**ALS**"). These motors exhibit efficiency 15-18% higher than conventional alternating current ("**AC**") motors used in ALS. This set of alternatives has resulted in a reduction of emissions by approximately 33 kt$CO_2e$ in preceding periods.

### Gas flaring elimination

SCE has set a goal to eliminate gas flaring by the end of 2025, supported by a comprehensive plan defined by the Company.

In 2023, the Company completed equipment installation in the Caño Limón area to commission gas-based generation and gas flaring liquid extraction projects.

We target medium-quality gas flaring for energy generation, increasing the power capacity of our existing gas-based cogeneration programme.

We also target low-quality gas flaring in two stages: i) convert natural gas into fully stabilised liquid hydrocarbons, reducing emissions and allowing us to capitalise on the sale of liquid volume; ii) harness the remaining gas for power generation in the coming periods.

We have also evaluated and implemented alternatives for gas-based power generation in Central Llanos to utilise this resource.

### Methane measurement and mitigation

SCE started a pioneer project in Colombia for fugitive emissions measurement and baseline creation using Optical Gas Imaging ("OGI") technology to comply with recently adopted Colombian regulation requirements. In 2022, SCE conducted methane measurements across the Caño Limón area operations through a cloud-based data management system employing cloud technologies for storing, tracking, and visualizing collected information to support the leak repair program. The company conducted repair and corrective actions in identified source emissions, achieving an approximately 5 kt$CO_2$e emissions reduction in 2023. Additionally, in 2023, the baseline emissions were completed by conducting measurements across Central Llanos operations. SCE implements routine OGI measurements to identify and address methane leaks, contributing to our ongoing emissions reduction efforts.

These four initiatives have contributed to advancing our established emissions reduction goal. As the previous short-term timeframe concluded, SCE has evaluated the impacts of mitigation projects to define new goals as part of the climate change strategy, which include the following targets:

| Short-term | Medium-term |
|---|---|
| Reduction of 50% of $CO_2$e emissions by 2023 against 2020 baseline. On track to deliver a 60% reduction by 2024 | Gas flaring elimination by 2025 |

Besides these two targets, we aspire to be carbon neutral by 2030. To reach our carbon neutral aspirations we will continue to evaluate new technologies including carbon capture and consider potential compensation mechanisms.

## Streamlined Energy and Carbon Reporting ("SECR")[2]

| Greenhouse gas emissions and energy performance | 2023 | 2022[(1)] | 2021[(1)(2)] |
|---|---|---|---|
| Gross direct GHG emissions (scope 1) (t$CO_2$e) | 301,283 | 317,394 | 464,217 |
| Gross indirect GHG emissions (scope 2) (t$CO_2$e) | 52,360 | 92,053 | 118,266 |
| Gross scope 1 and 2 emissions (t$CO_2$e) | 353,643 | 409,447 | 582,483 |
| Net scope 1 and 2 emissions (t$CO_2$e) [(2)] | 353,643 | 409,447 | 512,185 |
| Net carbon intensity (kg $CO_2$/boe) [(2)] | 18.8 | 21.1 | 27.1 |
| Energy consumption (MWh) | 1,002,262 | 999,109 | 1,001,387 |

(1) GHG emissions were updated with the fugitive emission baseline measurement using OGI technology to reveal the total impact of emissions reduction progress.

(2) Net emissions and net carbon intensity include La Cira Infantas carbon credits transfers (total credits=70,298 t$CO_2$e) for 2021.

In compliance with the Companies Act 2006 Regulations 2018, we report the greenhouse gas ("**GHG**") emissions and energy performance of the Company. The methodologies used to obtain the data are the Greenhouse Gas Protocol Corporate Standard (2005), GHG Protocol Scope 2 Guidance (2015), and American Petroleum Institute ("**API**") Compendium of GHG Emissions Estimation Methodologies for the Oil and Natural Gas Industry (2021).

The table above shows the GHG emissions and energy performance for 2023 and the comparative periods.

As part of our commitment to transparency, we have updated the 2020 $CO_2$e emissions baseline, incorporating fugitive emissions baseline data obtained using OGI technology and accounting for emissions from new operated assets in Central Llanos to provide a complete and accurate representation of total emissions associated with our ongoing operations. This comprehensive update resulted in a 2020 baseline corresponding to 662,718 t$CO_2$e. I-REC certificates obtained from electrical power supplier of the national grid, which certify our energy is acquired from clean energy provided by hydraulic sources, encompass our efforts to reduce emissions as shown in the previous table in the Gross indirect GHG emissions (scope 2) row.

As part of the Company's climate change commitment, SCE conducted a climate risk and opportunities analysis incorporating the Task Force on Climate-related Financial Disclosures ("**TCFD**") guidelines in our operated assets.

This analysis is included in this Annual Report, articulating the climate strategy, governance, identification and assessment of climate-related risks and opportunities, performance, metrics, and climate scenarios (See *Climate-related financial disclosures*). Available information represents SierraCol's ongoing work to communicate to the stakeholders the Company's goals and progress in implementing climate change mitigation and adaptation projects.

[2] Data for Caño Limón area and Central Llanos, areas where SierraCol Energy has operational control.

The following five programmes, numbered 2 to 6, are part of the Action for the Planet pillar of our ESG strategy:

## 2. Integrated Water Management

Through SCE's Integrated Water Resources Management Programmes, the Company ensures that every stage of the operations is in strict compliance with water protection regulations. In addition, SCE has a Water Management Strategy which is based on developing and implementing practices to reduce the Company's water consumption and to preserve the quality and availability of water sources. During 2023, we made progress in defining the targets of our strategy, which is based on the following elements:

### Water Quality

This element includes measures to conserve water quality, prevent contamination and mitigate any adverse impacts on water sources in the vicinity of SierraCol's operations. In 2023, we outlined pilots to further improve water quality above legal requirements.

### Water Use Efficiency

SierraCol is committed to optimizing its water consumption at all stages of operations. This commitment involves implementing technologies and practices to maximize efficiency in the use of water resources. These practices include the use of recycling systems, the reuse of treated wastewater in internal processes, and the adoption of more efficient water-management technologies. In 2023, 80% of the water used for construction activities in facilities was produced water. The goal is to increase water recirculation by 100% for the water required in facility construction activities by 2025. Additionally, fire tests are being evaluated to use produced water entirely instead of groundwater in our operations, with implementation scheduled for 2025.

### Water access and sanitation for communities

The Company promotes the active participation of local communities in water-related initiatives. This element focuses on collaboration with local authorities to ensure equitable access to the resource and the implementation of projects that benefit communities in terms of access to drinking water and sanitation. In 2023, we successfully completed the construction of 14 drinking water plants in the communities of Arauca and Arauquita and we obtained approval from the Ministry of Housing, City, and Territory for the implementation of 72 new drinking water plants and 127 sanitation units.

### Research and development

SierraCol seeks to improve existing practices and develop innovative solutions in water management. This element focuses on continuous research and development of advanced technologies, methodologies and practices to optimise the use of water resources throughout the Company's operations. In 2023, we evaluated water risks using an international framework, and we are defining actions to improve our management. Additionally, we are assessing options for reusing produced water for nature-based solutions, particularly focusing on irrigation for reforestation efforts.

## 3. Circular economy

The circular economy allows for affordable, reliable, resilient, and sustainable business development. SCE develops its operations within the framework of circular economy principles to keep products and materials in use. We aim to proactively reduce waste generation at its source, promoting reuse, recycling, and efficient resource management at all stages of our value chain. We closely collaborate with our suppliers, prioritising those committed to circular principles. To achieve this, we have implemented various initiatives that aim to prevent the disposal of waste in landfills.

Responsible waste management and the efficient use of natural resources are the primary focal points of SCE's environmental sustainability programs. We operate based on three principles aligned with the National Circular Economy Strategy and the Ellen MacArthur Foundation:

1. Plan before starting to prevent waste and pollution: development of strategies to reduce waste and pollution at its source.
2. Keeping products and materials in use: extending the life of our materials through maintenance and repair practices.
3. Recovery and regeneration of materials: Implementation of material recovery and valorisation systems to reintegrate them into the value chain.

SCE has developed actions for a circularity pathway. The Company identified and diagnosed four phases: flow circularity analysis, map of identified opportunities, prioritisation of initiatives and strategic recommendations. With this analysis SierraCol developed the Circular Economy Programme for Caño Limón area operations. The programme allows us to draw a circularity strategy around clear goals and to follow up on each of the prioritised initiatives. Consequently, during 2023, six circular economy opportunities were implemented:

- Local markets: the Company purchased more than 17 tons of local agricultural products. This has enabled us to strengthen local businesses while decreasing emissions associated with transporting food previously procured from other cities.
- Use of organic material: in alliance with a local company (SACOOP), the waste transformation process has been initiated, resulting in the generation of more than 58 tons of organic compost.
- Reuse and recycling of Waste Electrical and Electronic Equipment ("WEEE"): more than 15 tons of WEEE were recycled in 2023 by separating ferrous, non-ferrous and plastic elements, avoiding their final disposal in landfills.
- Recycling of conventional waste and High-Density Polyethylene ("HDPE"): by 2023, we recycled around 3 tons of recyclable material. In addition, together with our partners, we transport, wash, shred and sell the casing for recycling. More than 33 tons have been recycled to date.
- Hazardous waste recovery: through organisational alliances we seek to reduce the cost of disposal to 0 COP of different hazardous wastes (RESPEL) as well as their cycle closure. Cycle closure is developed through synergies between industries by incorporating the waste generated by SierraCol in other production processes.
- Remanufactured pipes: In 2023, remanufacturing of pipe threads was conducted for over 19,000 pipes used during the year, resulting in a 62% saving in the purchase and processing of materials.

## 4. Biodiversity protection

We participate in several projects, collaborating with various external organizations or institutions, to restore and preserve ecosystems and to raise awareness in our neighbouring communities about the importance of the surrounding biodiversity.

SCE seeks to prevent and mitigate environmental impacts, protect sensitive ecosystems, and generate practical alternatives that help us create a balance in the development of our activities. We work to contribute to a safe, clean and healthy environment in which the interests of communities and the Company's corporate values are balanced. Thus, we collaborate closely with local communities, environmental organisations and government authorities to develop and implement conservation strategies that are socially inclusive and environmentally effective.

We conduct comprehensive assessments of the impacts of our operations on biodiversity, using tools and methodologies based on the Precautionary Principle and the mitigation hierarchy to identify conservation risks and opportunities in our areas of influence and to reduce our environmental impacts. We do not operate in protected ecosystems such as natural parks, RAMSAR wetlands, biosphere reserves and world heritage sites, or paramo ecosystems.

Our Biodiversity Management Programme is designed to contribute to reducing our ecological footprint and ensuring the well-being of communities and the environment by minimizing risks and improving biodiversity management across our operations through nature-based solutions projects. This is in accordance with the following principles:

- Contribute to "Nature-Positive"
- Knowledge management
- Community participation
- Decision-making through the mitigation hierarchy framework

During 2023, we issued our first Taskforce on Nature-related Financial Disclosures ("TNFD") report, which serves as a resource to assess and manage environmental and climate risks more effectively.

Additionally, we initiated the implementation of Payment for Environmental Services (PES) through the Works for Taxes mechanism in the Lipa Swamp. This involves agreements with individuals in the community who commit to protecting ecosystems in exchange for economic remuneration.

The Company also carried out umbrella species specific studies (such as howler monkey and Orinoco crocodile), planted more than 34,000 trees as part of the restoration strategy in our areas of influence and isolated 54 hectares for the conservation of the ecosystems present in our surrounding areas.

## 5. Environmental Planning & Control

This programme encompasses all activities related to the environmental viability of new projects, as well as the management, monitoring and control of existing environmental licences and permits of SierraCol and its subsidiaries before the different environmental authorities.

During 2023, we obtained the ISO 14001 certification for SierraCol's environmental management system and maintained CEDCO's certification[3]. We also managed 43 licences and permits for our operations to ensure their validity.

## 6. Socio-Environmental Management

For SierraCol and its subsidiaries, it is crucial within their environmental management to guarantee access to information and enable public participation in our projects. Additionally, we focus on generating strategies for Environmental Education among our communities and workers.

This aspect concentrates on building the best relationship with stakeholders (including authorities, communities, employees, contractors, and others) by addressing their concerns.

During 2023, SierraCol decided to conduct a gap analysis regarding the alignment of the Company's practices in socio-environmental matters with the guidelines and philosophy of the Escazú Agreement.

This falls within the framework of continuous improvement and a genuine interest in guaranteeing access to information, citizen participation, and respect for environmental justice.

As a result of the findings, efforts to enhance engagement and information dissemination to increase community involvement are already underway.

Furthermore, we signed 18 conservation agreements with the communities surrounding our operations and established a specific environmental committee with our neighbouring communities.

[3] The Central Llanos assets are operated by the Colombia Energy Development Co ("CEDCO") subsidiary.

## Our society

We are focused on investing and working to improve the lives of our employees, contractors and the communities around our operations.

SCE is creating a legacy of enduring social progress while developing energy resources responsibly. Under a long-term vision, SierraCol works with communities to build acceptance and confidence in the operational activities that we develop.

Material social topics identified for SCE are: i) human capital; ii) community and society; and iii) employee health and safety.

This section describes actions taken under the Communities and Society and Operational Excellence pillars of our ESG strategy

## Our people

SCE regards its workforce as its most prized resource. SierraCol dedicates itself to nurturing a skilled, varied, and thriving team. At SCE, equal chances for advancement, learning, and achievement are available to all. Our primary objective is to deepen our staff's dedication and connection to the Company, grounded in robust organizational values.

### Employee programmes

At SierraCol, we are dedicated to the growth and development of our employees, recognizing that the heart of any successful organization is its people – their capacity for adaptation, transformation, innovation, and effective collaboration.

In 2023, with the aim of fostering a culture that is simpler, more agile, diverse, inclusive, and adaptable to changes, we launched several leadership initiatives: the Transcending and Transforming Mindset Program, the Purposeful Leadership Program, and the Academy for High Impact Women Program (ALMA, as per its acronym in Spanish). These programmes represented 1,933 hours of training for our workforce.

Further, we expanded our training portfolio to include a comprehensive range of soft skills, adding 3,823 hours of training for over 400 participants. This training covered a variety of topics, such as Power BI, Scrum, Agile Mindset, Accountability & Empowerment, Project Management, Petroleum Engineering for Non-Petroleum Professionals, Creativity and Risk-Taking, Career Leadership, and Emotional Intelligence.

In the realm of technical skills, we accomplished 18,568 hours of training through both individual courses and hands-on sessions with international experts in specialized fields like Cementing, Decision Analysis in the Industry and Information Value, Petroleum Economics, Reservoir Model Design, Capillarity with GEO2Flow, and Prevention of Drill String Failures.

SierraCol prides itself on having world-class talent. Notably, several of our employees participated in both technical and non-technical events at national and international levels in 2023. These engagements have been instrumental in enabling us to discover new technologies and take in best practices, propelling us forward in our journey of continuous improvement.

## Gender pay gap

This segment was made in compliance with laws enacted in April 2017, mandating UK employers with over 250 staff members to disclose their gender pay differences using a specific reference date of 5 April annually.

The term gender pay gap denotes the variance in mean income between women and men across an entire institution. This is distinct from pay equity, which examines if women and men are compensated comparably for akin tasks.

SCE consistently conducts evaluations across its operations to ensure that both females and males receive equal or comparable remuneration for identical or related roles. This assessment also encompasses bonus disbursements and recognitions.

### Gender distribution

| | Board of Directors(1) | | | | Management team | | | | All employees | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2023 | | 2022 | | 2023 | | 2022 | | 2023 | | 2022 | |
| | # | % | # | % | # | % | # | % | # | % | # | % |
| Female | 1 | 50% | 0 | 0% | 2 | 18% | 2 | 18% | 161 | 28% | 166 | 28% |
| Male | 1 | 50% | 2 | 100% | 9 | 82% | 9 | 82% | 419 | 72% | 421 | 72% |
| Total | 2 | 100% | 2 | 100% | 11 | 100% | 11 | 100% | 580 | 100% | 587 | 100% |

(1) Board of Directors of SierraCol Energy Limited. The Board of Directors of Flamingo Jersey[4] for 2023 was made up of 2 women (33%) and 4 men (67%) (2022: 1 woman (17%), 5 men (83%)).

### Annual salary and bonus gap

| Statistical measure | Salary gap | | Bonus gap | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Mean | 16% | 22% | 47% | 41% |
| Median | 6.9% | 2.9% | 15% | 26% |
| Male headcount | 362 | 382 | 304 | 334 |
| Female headcount | 138 | 137 | 135 | 153 |

Calculations include daily-role union employees' allowances as well as car maintenance allowance. Employees on maternity leave, paternity leave and sick leave of 6 or more days are excluded. Employees excluded from the 2023 reports according to the guidance provided in the UK government site (Statutory guidance - Gender pay gap reporting: guidance for employers): 80 employees, of which 23 were women (2022: 68 employees, of which 39 were women). Benefits in kind, interest loans and allowances granted upon request that depend on employees are also excluded.

### Employee breakdown by quarter of the pay distribution

| Statistical measure | Male | | Female | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Lower pay quarter | 66% | 65% | 34% | 35% |
| Lower middle pay quarter | 78% | 80% | 22% | 20% |
| Upper middle pay quarter | 66% | 68% | 34% | 32% |
| Upper pay quarter | 78% | 81% | 22% | 19% |

Calculations include daily-role union employees' allowances. Dollarised local payroll employees whose payments are given in COP are included.

[4] Flamingo (Jersey) Limited is the immediate parent entity of Flamingo Midco Limited ("Midco"), which in turn is the controlling parent of SCE.

## Fostering a diverse and inclusive organizational culture

As part of implementing the DEI policy, SierraCol established a Diversity, Equity, and Inclusion Committee, led by our VP of People and Corporate Affairs. This committee is charged with advancing the company's DEI initiatives.

Our DEI strategy is founded on three main objectives:

- Strengthening representation in the workplace
- Ensuring equality of opportunities
- Enhancing the sense of belonging in the workplace

Understanding the gender disparity within the industry (73% male and 27% female, according to Colombian Petroleum Association ("ACP", as per its acronym in Spanish) in 2022 and within SierraCol (72% male and 28% female), the company centred its DEI strategy for 2022 – 2023 on promoting gender equality.

In 2022, SierraCol established an all-women team of 15 and provided them with leadership training through programs at Yale and Oxford University. These 15 women at SierraCol subsequently developed the SierraCol Women Leadership Program, named ALMA – Academia de Mujeres de Alto Impacto, which was launched in September 2023. The program, with its educational focus, aims to foster comprehensive development of women's leadership in SierraCol's organizational and community spheres, its contractors, and communities of direct influence. It seeks to strengthen a leadership style that aligns with our cultural values and to identify women with high potential to make a significant impact on the organization and its communities.

The programme's first iteration involved 17 SierraCol women. It will be extended to women from SCE's contractors and the communities we operate in starting in 2024. The goal is to reach 500 women across these groups within the next two years. In this context, SierraCol proudly received an award from the ACP for the ALMA gender initiative.

SierraCol's unwavering commitment to Diversity, Equity, and Inclusion ("DEI") is exemplified in the following DEI statement, which also serves as a precursor to discussing the company's initiatives in cultivating this inclusive culture:

"At SierraCol, we recognize that our people are the cornerstone of our success, and we proudly uphold Diversity, Equity, and Inclusion (DEI) as pillars of our organizational ethos. These are not just abstract concepts for us, but a living, breathing aspect of our day-to-day operations that shape the way we grow and thrive in a competitive landscape. Our commitment to DEI is unwavering, as we continuously strive to create a work environment that celebrates differences and fosters a genuine sense of belonging. It is with this foundation of respect and inclusion that we have implemented a series of strategic actions designed to deepen our DEI culture. Here, we share the tangible steps we have taken to not only talk the talk but also walk the walk, demonstrating through our efforts how SierraCol is setting a benchmark for an industry-wide paradigm shift towards a more equitable and inclusive future."

Additionally, to raise awareness among our workforce about the importance of a diverse, equitable, and inclusive workforce, our DEI committee introduced a training and educational program focusing on:

- DEI Workshop (99 participants)
- Creating an environment free of sexual harassment (190 participants)
- Deconstructing stereotypes and unconscious biases (130 participants)
- Preventing workplace harassment (176 participants)

SierraCol actively engaged in various networking events, such as the "She is Forum" of the Women Economic Forum, Congreso Internacional de la ORP in Bilbao, and the VI Congreso y Exhibición Internacional de Petróleo y Gas in Colombia.

Participation in these events provided developmental opportunities for our female staff and allowed SierraCol to share its practices in bridging the gender gap.

## Recruitment - Initiatives to recruit from diverse talent

Our company is committed to an Equal Opportunity policy that establishes processes for promoting a corporate culture where all employees are treated equally in all job aspects and the external public can apply for and be considered for employment vacancies. This policy covers all employment practices at SierraCol and its affiliates.

In 2023, we made concerted efforts to enforce the Equal Opportunity policy throughout the company by implementing several activities:

The company launched an Internship Campaign aimed at providing opportunities to young professionals from diverse backgrounds, regions, and universities across the country. The advertisements for these vacancies employed neutral language, reflecting our commitment to promoting a culture free of any type of

discrimination and ensuring equality in employment opportunities.

In total, 39 students from various disciplines participated in SierraCol's internship program. Notably, 35% of these interns were female. This is significant given the market's shortage of female candidates in technical disciplines, yet SierraCol remained dedicated to attracting the best talent nationwide.

Furthermore, SCE conducted 28 recruiting processes for full-time positions. Impressively, in 26 of these 28 processes, at least one female candidate was considered for an interview. These vacancies were eventually filled by an equal number of males and females, with 14 of each gender.

At the beginning of the year, we identified a lack of technical early career professionals within the subsurface groups. To address this and ensure a diverse and balanced team to meet business needs, the company hired 6 young professionals in the production engineering and geology disciplines, thereby strengthening its reservoir management teams. Half of these newly hired professionals were female, underscoring SierraCol's commitment to diversity and equality in its workforce.

## Performance management reinforcing DEI

At SierraCol the performance management process aims to have people in the right place doing the right things at the right time.

We conducted a Performance Evaluation Process for the entire workforce aligned with our policies and practices of fair treatment and equality in all aspects of employment. The process included multiple stages, as follows:

- Self-Evaluation: Employees conducted their own performance assessments.
- Preliminary Evaluation by Supervisors: Initial reviews conducted by immediate supervisors.
- Calibration Process with Managers and Vice Presidents: Ensuring consistency and fairness across departments.
- Specialized Calibration for Third-Level Employees with Vice Presidents: Targeted assessment for specific roles.
- Final Calibration with CEO and People, Culture and Services (HR): Concluding the evaluation process with top-level review.

The process ensures performance evaluations are based on solid arguments, facts, and data. The performance evaluation process conducted in 2023 will serve as input for the 2024 compensation planning and will drive opportunities to advance to the next career level for our staff. As an example, because of the 2022 Performance Management Process, SierraCol executed 60 career promotions in 2023, with 26 of those granted to women (43%).

SierraCol has undertaken actions to embed DEI into the very fabric of our organizational identity.

## Our contractors and suppliers

Contractors and suppliers are critical for our business and have a great impact on meeting our objectives. We recognize that effective logistic support and strategic alignment are essential to meet the technical challenges of our operations. Therefore, we have established a network that includes international, national, and local contractors and suppliers to effectively align with the company's needs.

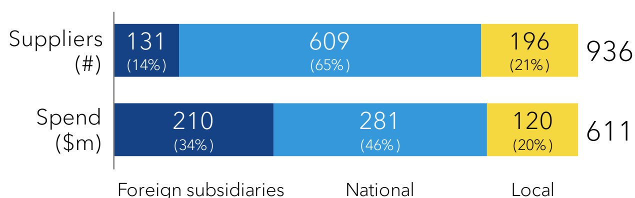
### ESG considerations in due diligence

We hold our suppliers to high standards of performance in both business and sustainability aspects, as reflected in various SCE policies, management systems, and strategies.

Throughout the procurement process, we integrate SierraCol's ESG strategy objectives, enhancing our contractual agreements. This includes the incorporation and updating of appendices related to Social Responsibility, Cybersecurity, Human Rights, DEI, among others, within contractual agreements. Guided by established Policies and Procedures, we engage contractors in fulfilling SierraCol's ESG commitments, ensuring they are fully aware of their responsibilities in these areas and promoting compliance, monitoring, and control.

### Commercial relationships

In 2023, we cultivated commercial relationships with 936 suppliers and contractors, with 21% of participants located in the regions of our operations, accounting for an annual expenditure of $120 million.




Among our main strategic allies are companies providing energy supply services, well drilling services, facilities and well construction services, artificial lift services, and workover equipment.

### Engagement with suppliers

SCE established the Supplier Performance Management ("**SPM**") program that aims to periodically evaluate the services with the greatest impact and criticality based on the performance of the existing contractors in terms of operations, social responsibility, industrial safety and labour criteria. The program seeks continuous improvement through the proactive identification of gaps on different fronts, allowing us to propose collective corrective actions to ensure the best possible performance in our services. In 2024, the SPM program aims to expand its coverage around high-impact services and integrate its findings into strategic sourcing decisions.

As part of the Supply Chain Management ("**SCM**") strategy, during 2023 we engaged with Colombian Chamber of Goods and Services for Oil, Gas, and Energy (CAMPETROL, as per its acronym in Spanish) in a collective effort to bring national and foreign companies together towards network, market knowledge, new technologies, enhancing best practices and service transformation. As part of the mutual support, SierraCol and CAMPETROL share insights regularly about the O&G industry in Colombia.

### Efficient Inventory Management

We have implemented a three-year strategic plan (2023-2025) for inventory optimization. This initiative promotes efficient and shared inventory management across technical areas, supply chain, finance, partners, and contractors. This initiative aims to optimize inventory levels, enhancing resource efficiency, preserving cash flow, and reducing logistics costs. In 2023, through this program we achieved a 24% decrease in inventory compared to the projected year-end figure.

### SCM on the Best-in-Class path

In 2023, we undertook an assessment to evaluate our supply chain practices against global benchmarks. Our initial assessment revealed that our SCM team's size and efficiency deliver significant returns on sourcing investments.

The assessment focused on Team, Supplier, and Category Excellence, where we demonstrated high returns and identified areas for improvement. Moving forward, we aim to enhance sourcing strategies, leverage top talent, and capture efficiencies.

## Our communities

We believe the continuing acceptance of our operations by our neighbouring communities is based on building authentic relationships based on trust. In favour of this, SCE focuses on four intervention lines:

1. Community investment: SierraCol generates a relationship of mutual benefit, where our presence in the territory positively impacts the life of neighbouring communities, with investments that enable opportunities.
2. Engagement with stakeholders: we build relationships based on trust and mutual growth with our main interest groups.
3. Local content: SCE promotes local contracting opportunities in our operations to generate a synergistic development and works with our contractors to generate positive actions to enhance local development.
4. Land and resettlement: We manage the acquisition and administration of land for our operations in a fair and respectful manner.

In the framework of our four lines of action and our strategies, we have been working to strengthen a real-time alert system to monitor possible events in the dynamics of the territory that may cause social conflicts affecting the operation, where we follow up on environmental issues, land use, local goods and services, civil construction, labour, social investment, community relations, among others.

In 2023, our efforts focused on the following:

### Engagement with stakeholders

To maintain engagement with stakeholders (community, contractors, community leaders, authorities, local entities), an average of 30 meetings are held per month to address issues of interest, deal with specific situations of social conflict, or others upon request. The number of meetings varies from month to month, depending on specific needs.

Additionally, we manage a monitoring and alert system to supervise situations that may generate social conflicts in the fields. In 2023, 95 alerts were identified in our operations, and we successfully prevented about 90% of potential protests or blockades associated with those alerts.

We also gave timely attention to the 615 petitions, complaints, requests, and claims received and processed through our attention system, CONECTÉMONOS (translated as "Let's Connect" in English).

### Local content

In 2023, we provided 3,285 job opportunities to members of the local communities (85% of total jobs), encompassing both qualified and non-qualified positions. Within our operational areas, a variety of roles were filled, ranging from basic labour to highly trained professionals, depending on operational requirements and needs.

Throughout these activities, we actively involve local community members, providing them with opportunities for meaningful employment and contributing to the socio-economic development of the region.

### Land and resettlement

In the framework of land and resettlement management, we highlight our third-party settlement strategy, which has focused on the development of permanent dialogue instances and effective communication channels. This approach has resulted in zero blockades to the Caño Limón area operation in the last two years.

## Community investment

In 2023, SierraCol remained steadfast in its commitment to supporting the progress of neighbouring communities through various territorial development initiatives. These actions, conducted in collaboration with local authorities and community members, focused on key areas such as infrastructure for development, quality of life improvements, education and social inclusion, and entrepreneurship and income generation.

The community investment efforts in Arauca, where the Caño Limón area's operations are located, are facilitated through the El Alcaraván Foundation, a non-profit institution founded in 1990, chaired by SierraCol and Ecopetrol, the Colombian national oil company.

Throughout 2023, SierraCol allocated $4.7 million towards community investment across all operations, reinforcing our dedication to the well-being and prosperity of our neighbouring communities. Among the main actions included in our comprehensive portfolio of social projects were:

### Improving quality of life

- We facilitated 264 housing improvements in 11 villages.
- We provided 8,647 medical and dental services and conducted 36 days of rural healthcare outreach, extending attention to 43 villages with general medical and dental services.
- In response to climate emergencies, SCE implemented a mitigation plan, distributing 2,102 humanitarian aid kits. We also supported riverbank containment efforts with resources and machinery.

### Infrastructure for development

- Rural roads interventions in 23 rural areas, impacting close to 1,080 families.
- We performed maintenance on 17 km of the Todos Los Santos - La Antioqueña road.
- Improved community spaces in 20 villages.
- Strengthened sports spaces in 4 rural areas.
- Support was provided for the studies and designs of an aqueduct and sewerage system in the rural areas and for road improvements.

### Entrepreneurship and income generation

- Strengthened the agricultural and livestock chain skills and techniques of 97 producers and 198 families.
- Purchased 12,165 kg of cocoa from cooperative and local producers for chocolate production.

### Education and social inclusion

- Enhanced the infrastructure of 12 rural schools and facilitated internet access for 24 rural schools, benefiting over 1,522 students.
- Engaged 1,126 students from the urban area of Arauca in the Batuta music program and the Tecnoacademia digital program.

## Health and Safety

Health and safety are the fundamental pillars of SCE's practices. The Company integrates programmes aimed at preventing incidents, and mitigating risks for employees, contractors and neighbouring communities. Additionally, every year we arrange occupational health tests and epidemiological surveillance programmes to prevent or control health conditions, and we implement innovative health campaigns aimed at promoting healthy lifestyles. In 2023, SCE maintained the certification by the Fundación Colombiana del Corazón (a Foundation of the Colombian Society of Cardiology and Cardiovascular Surgery that promotes the prevention of heart disease) as a Healthy Organization, being the first O&G company in Colombia to achieve this certification.

During 2023, SierraCol achieved a significant milestone by certifying the Caño Limón area operations to ISO 45001 and 14001 standards. The fundamental requirement of ISO 45001 is for organizations to provide a safe and healthy workplace for all personnel, achieved by preventing work-related injuries or ill-health. The standard mandates active involvement of top management and ensures that all employees are aware of the occupational health and safety ("**OH&S**") management system. ISO 14001 is an international standard for designing and implementing an environmental management system ("**EMS**"), aiding organizations in enhancing their environmental performance through more efficient resource use and waste reduction.

With these certifications, 100% of the fields operated by SierraCol comply with these standards, reaffirming our unwavering commitment to regulatory compliance and the health and safety of our employees, as well as the preservation of the environment. This achievement highlights our ongoing dedication to operational excellence and respect for the highest standards in all our operations.

Our corporate commitment to health and safety is clear in the Health, Environment and Safety ("**HES**"), Risk Management ("**RM**") and Social Responsibility ("**SR**") Integrated Policy (**HES-RM-SR**). Through the Integrated Operational Management System ("**SIGO**", as per its acronym in Spanish) we effectively manage risks and drive continuous performance improvement in all areas of the operation.

During 2023, SierraCol had the best Total Recordable Injury Rate ("**TRIR**") performance in the last 5 years.

## Human rights

SCE conducts its business by prioritizing the human rights of its stakeholders and protecting the environment, ensuring free access to information, active participation, and environmental justice. Our internal policies adhere to global standards, including the Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, Voluntary Principles on Security and Human Rights, UN Global Compact Principles, and other relevant international standards. As part of our due diligence, we conduct human rights impact assessments in our operations and clearly communicate our expectations regarding human rights to our contractors.

SierraCol actively participates in multi-stakeholder initiatives, contributing to the promotion of human rights and fostering positive impact not only within our operating communities but also on a broader societal level.

## Governance

We are convinced of the importance of robust governance to create value and SCE continuously works to improve it. The Board of Directors[5] is our highest governance body and is responsible for overseeing the development of the business and leading actions to ensure sustainable progress within the ESG framework.

The Board of Directors has two committees:

Finance and Audit Committee: The purpose of this committee is to provide assurance and support to the Board of Directors on financial matters, oversee key financial processes and external reporting, including the audit of the consolidated financial statements. The Committee is responsible for ensuring that the company maintains appropriate systems and processes for internal controls and internal audit plan, accounting and tax matters, external audit plans and reports, cybersecurity risk, ethics and compliance, amongst other matters, serving as an independent and objective party. It also appoints the Company's external auditor.

ESG Committee: This committee provides the Board with oversight and direct involvement with ESG related issues. It supervises the execution and performance of SCE's material ESG issues by monitoring and supporting the identification and control of non-financial risks, impacts and opportunities, and approving ESG policies.

Material governance matters identified for SCE are: i) corporate governance & compliance, ethics and transparency and ii) community and society.

## Corporate governance & compliance, ethics and transparency

### Regulatory and environmental compliance

SCE honours the covenants or agreements signed by Colombia, such as OIT 169, Convention on Biological Diversity, Convention on International Trade in Endangered Species of Wild Fauna and Flora, Ramsar Convention and Stockholm Convention, amongst others. SCE complies with the environmental regulations stipulated by the Colombian authorities to promote sustainable development in the country.

To date, we have 43 environmental licences and permits to operate our assets in Colombia. Over the year, SCE received more than 13 follow-ups (live at the fields and virtual meetings) from environmental national and regional authorities that closely monitor and follow up the compliance of SCE's subsidiaries with the applicable licences and permits. There were no material cases of non-compliance with environmental laws and regulations during 2023. In addition, during 2023 we held 120 meetings with the local communities and other stakeholders, including governmental local institutions, to socialize our licences and permits, including our best practices.

In connection with our environmental compensation obligations, we executed 17 conservation agreements with local communities for reforestation and forestry conservation.

On other regulatory compliance, to the best of our knowledge, there were no substantiated claims filed relating to violations of customer privacy and loss of data.

### Ethics and transparency

Ethical and transparent principles and policies enable us to build trustworthy relationships with our stakeholders, maintain our reputation and ensure the

[5] Refers to the Board of Directors of Flamingo (Jersey) Limited, the immediate parent entity of Midco, which in turn is the controlling parent of SCE.

sustainability of the business. SCE's Code of Business Conduct (the "**Code**") reflects these principles and values which serve as the basis of our compliance policies and related procedures.

The Code addresses key issues including the integrity and respect that are intended to characterise relations between our staff and national and regional government representatives, local communities, contractors, suppliers and business partners. The Code covers business ethics including harassment, safety or environmental risks, discrimination, inaccurate financial records, theft, fraud, conflicts of interest, bribery, corruption, illegal payments, gifts and hospitalities, political contributions and lobbying activities, trade practices and anti-trust guidelines. Most of these matters are subsequently regulated in particular policies and procedures applicable to such activities.

SierraCol also has a Speak-Up and Non-Retaliation Policy that encourages employees and third-parties to report, with multiple channels available, including an Integrity Helpline, a confidential and anonymous reporting system that is available for all our stakeholders, including employees. It operates 24 hours a day, seven days a week, and is managed by an independent third party, which processes and forwards all reports to our Compliance Officer. The Company does not tolerate threats or acts of retaliation against employees for asking a question, raising a concern in good faith or cooperating in an investigation. All forms of retaliation are prohibited. We promote a safe environment to speak up and express concerns or opinions in good faith.

During 2023 SierraCol updated its Code and its Political Contributions, Lobbying and other Political Activities Policy, to expressly prohibit the use of Company funds, time and resources for political contributions.

A total of 97% of our employees completed the company's compliance training and 100% completed the compliance certification in 2023.

During 2023, we developed a virtual introduction guide to our compliance programme tailored for our vendors and suppliers. By the end of the third quarter, we identified the suppliers and contractors responsible for the majority of our activity and expenditure, totalling 238 vendors. By the end of the last quarter, 223 vendors had completed the virtual introduction guide, representing 76% of the Company's total 2023 annual expenditure with suppliers and contractors.

SierraCol carries out due diligence to assess potential third parties before we engage with them, and periodically updates due diligence of its registered vendors. For higher risk vendors such as intermediaries, where there is a higher risk of bribery or corruption, we request a more detailed and thorough questionnaire to the potential third party, including certification of the third party's applicable compliance program.

In 2023, SierraCol conducted a comprehensive risk assessment of its Compliance Programme, with an emphasis on regulatory compliance and maintaining an optimal framework to prevent risks such as money laundering, terrorist financing, proliferation of weapons of mass destruction, bribery and corruption. The assessment found that SierraCol has effective controls in place to prevent bribery and corruption, including a strong governance structure to support the Compliance programme, clear responsibilities for risk management, mechanisms that foster an anti-fraud culture and additional risk management and audit/review mechanisms that strengthen SierraCol's risk prevention efforts.

## Community and society

We strive to provide timely and complete information and to create multiple channels and two-way communication tools, all of which aim to improve our ability to listen, understand and respond to our stakeholders' expectations. This allows us to understand the perceptions of our stakeholders and consolidate our relationship through value-based communication.

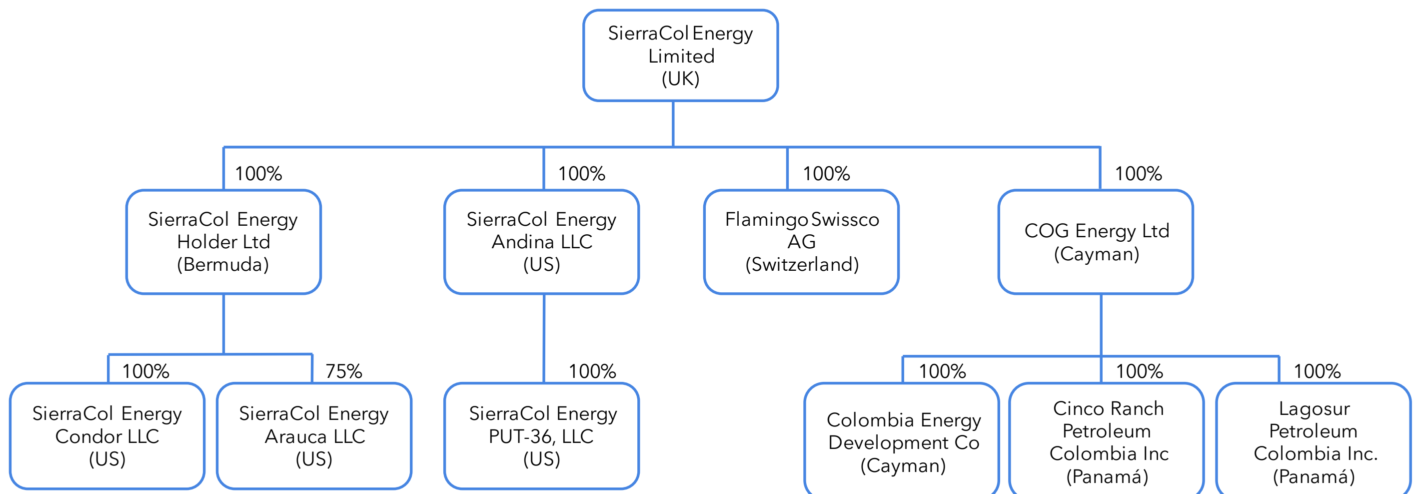
Through SCE's inquiries response system (CONECTÉMONOS) we receive and manage the suggestions, petitions, complaints and/or claims of the communities and other stakeholders. This response system utilises international standards including IFC, UN Guiding Principles on Business and Human Rights and IPIECA.

During 2023, we gave timely attention to the 615 requests received.

## Corporate Structure

Corporate Structure chart

The following chart sets forth the Company's organizational structure, including share ownership in each of its subsidiaries, and the jurisdictions where they are incorporated as of 31 December 2023. The chart does not include the Colombian branches incorporated by the Company's subsidiaries.



## Board of directors

Parminder Singh and Alix Borch serve as directors of SierraCol Energy Limited, while a seasoned and knowledgeable Board of Directors[6] from our ultimate parent company provides additional oversight. Our directors bring a wealth of experience and strategic insight to the table, with extensive backgrounds in the global energy landscape. Together, they oversee the governance and stewardship of our company.

### Tony Hayward

Executive Chairman

Tony Hayward is the first Chairman of SierraCol Energy since the beginning of the Company in 2020. He is an experienced energy executive, a Managing Partner of St James's Asset Management LLP, and Chairman of a number of private companies.

Tony was Group Chief Executive of BP from 2007 to 2010 having joined BP in 1982 as a rig geologist in the North Sea. Following a series of roles overseas he joined the Exploration and Production Executive Committee in 1997. He became Group Treasurer in 2000, Chief Executive for BP's E&P business and a member of the Main Board of BP in 2003.

Tony studied Geology at Aston University in Birmingham and completed a PhD at Edinburgh University. He is a Fellow of the Royal Society of Edinburgh and a visiting Professor in the School of Geosciences at the University of Edinburgh, and holds honorary doctorates from the University of Edinburgh, Aston University, the University of Birmingham and Aberdeen's Robert Gordon University.

### Marcel van Poecke

Marcel van Poecke is Chairman of Energy at Carlyle. Previously he was Head of Carlyle International Energy Partners ("CIEP") from 2014-2022.

Having more than 25 years of experience in the energy sector, Marcel is primarily an entrepreneur, investor and executive manager. He is Chairman of AtlasInvest, a private holding company he founded in 2007. AtlasInvest is engaged in investments across the broad energy spectrum.

He has a degree in Agricultural Business Administration from the University of Wageningen and an MBA from the William E. Simon School of Management of the University of Rochester.

### Bob Maguire

Bob Maguire is a Managing Director and Co-Head of Carlyle International Energy Partners, focusing on further developing and growing Carlyle's international energy platform. He is based in London.

Bob was a Partner at Perella Weinberg Partners. Prior to that, he worked as an Investment Banker for more than 21 years at Morgan Stanley and was involved in many of the largest transactions within the sector.

He holds an AB from Princeton University, an MA from Oxford University and a J.D. from University of Virginia School of Law.

### Heather Mitchell

Heather Mitchell is a Partner, Managing Director and Head of Carlyle's EMEA region. She is also Carlyle's Chief Risk Officer, chairing the firm's Risk Committee and global General Counsel for Investments. She is based in London.

In 2023, Heather was included on Private Equity News/Financial News' list of "Twenty Trailblazing Women" for the second year in a row. In 2023 she was featured in the Heroes Women Executive Role Model List for the year. In 2020, 2021 and 2022, she was included in the Financial News' list of 50 Most Influential in European Private Equity. In 2019, 2020 and again in 2021, Heather was named to the 100 Most Influential Women in European Finance by Financial News.

She received her J.D. from the Cornell School of Law and her undergraduate degree from the State University of New York at Binghamton. She

[6] Refers to the Board of Directors of Flamingo (Jersey) Limited, the immediate parent entity of Flamingo Midco Limited ("Midco"), which in turn is the controlling parent of SCE.

currently sits as a board member of the Cornell Law School.

### Felipe Posada

Felipe joined the Board in 2020. He also served as CEO of COG Energy, a Colombian oil and gas operator, and Carlyle portfolio company acquired by SierraCol in 2021.

Felipe has extensive experience in the oil and gas sector having worked with BP for 23 years in multiple leadership roles including Regional President for BP Colombia, Commercial Director for BP E&P worldwide, Regional President for BP North Africa, and Senior VP for Regions.

He is also a former senior advisor to Bain and Co and holds an MSc in Management from Stanford University (Sloan Program), and Law Degree from the Universidad de los Andes.

### Alix Borch

Alix Borch is a Principal for Carlyle's international energy platform, CIEP, and is based in London. Prior to joining Carlyle in 2014, she worked at Perella Weinberg Partners in their energy team. She received her BSc in Mathematics from the University of Warwick.

### Parminder Singh

Parminder Singh is a Managing Director at The Carlyle Group focused on international energy investments. He was previously a member of the US Buyout team where he focused on investments in the industrials sector. He is based in London.

Since initially joining Carlyle in 2008, Parminder has been involved in the firm's investments in SierraCol Energy, CEPSA, Neptune Energy, Discover Exploration, Regalwood Global Energy and PQ Corporation. Prior to joining Carlyle, he was an investment analyst at Chesapeake Partners and an analyst at UBS Investment Bank.

He received his BA with distinction from Yale College and his MBA from Harvard Business School.  He is also a Term Member of the Council on Foreign Relations and serves as a member of the Leadership Council for the Yale School of the Environment.

## Management team

### Bernardo Ortiz – CEO

In December 2020, Bernardo Ortiz was appointed Chief Executive Officer.

Before this appointment, Bernardo Ortiz completed more than 15 years of successful professional career with Occidental Petroleum Corporation ("Oxy"), performing different positions: Vice-President Business Development for Latin America, Vice-President Planning and Evaluation for Oxy USA and Oxy Long Beach and Operations Manager of Worldwide Engineering and Technical Services Vice-Presidency.

Bernardo completed a BS in Economics at Universidad Externado de Colombia, a Master of Science in Public Policy at the University of London, Queen Mary College, and a Master of Science in Management at the London School of Economics.

In addition, he specialised in Petroleum at the Colorado School of Mines.

### Alejandro Piñeros – CFO

In August 2022, Alejandro Piñeros was appointed Chief Financial Officer.

Before this appointment, Alejandro held CFO and other Financial and Planning positions in multiple organizations, including: Frontera Energy where Alejandro was CFO, VP of Planning, and Finance Director; Banco Credifinanciera (CFO), Puerto Bahia (CFO), Summum (CFO), and Essentia (CFO). Alejandro also worked as a consultant in McKinsey & Company and Booz Allen & Hamilton.

Alejandro holds a B. Sc. In Industrial Engineering from Los Andes University in Bogotá and an MBA in Finance from Columbia University in New York.

### Ricardo Alvarez – Senior Operations VPS

In 2019 Ricardo Álvarez was appointed Senior Operations VP for Oxy in Colombia.

Ricardo joined Oxy's Colombian operations in 1982 as an intern and during his more than 40 years of

successful professional career he has played important roles in both onshore and offshore operations in Colombia, Ecuador and Qatar, in areas such as project management, artificial lifting, production surveillance, completions engineering, stimulation technologies and sand control techniques.

In 2006 Ricardo assumed the challenge to maximise production while counteracting the natural decline of the Caño Limón area as Operations VP and in 2010 he was also designated to lead the operations team for the Middle Magdalena Valley.

Ricardo holds a BS in Petroleum Engineering from Universidad Industrial de Santander.

### Alejandra Castaño – People & Corporate Affairs VP

Alejandra Castaño joined SierraCol in October 2021.

Alejandra has more than 20 years of experience in human resources at a national and international level.

Before this appointment, Alejandra had a successful professional career with Oxy, performing positions of increasing responsibilities such as HR Director for International and Gulf of Mexico, HR Manager for International Operations, Human Resources Consultant for Permian EOR Operations, Expat Relations and Services Manager for Oxy Oman, Head of Human Resources and Administration for Oxy Bahrain, Employee and Organisational Development Consultant for Oxy Corporate in Houston, Libya and the United Arab Emirates, and Human Resources Co-ordinator for Oxy Colombia. Prior to that, Alejandra worked for Unisys, Sun Microsystems and Quala SA in Colombia.

Alejandra holds a bachelor's degree in Psychology from Universidad De Los Andes in Colombia and a master's degree in International Management from Oxford Brooks University in the UK.

### Carlos Velasco – Sustainability VP

In June 2023, Carlos Velasco was appointed Sustainability VP.

Carlos has more than 40 years of career experience, both in the public and private sector, including close to 20 years in the oil and gas sector.

Before this appointment, Carlos was managing partner of Axia Colombia, a firm specialized in supporting organizations in managing and developing their social responsibility and external environment strategy, and in generating their crisis management and business continuity capabilities. Prior to this, he was the Security and Business Continuity Manager and Corporate Affairs VP at BP Colombia and Equion.

Carlos holds a B. Sc. in Naval Engineering – Electronics from the Colombian Naval Academy as well as a Master of Science in Electrical Engineering and a Master of Science in Management from the U.S. Naval Postgraduate School in Monterey, California.

### Jorge Trujillo –Llanos Operations VP

Jorge Trujillo is the Llanos Operations VP.

Jorge has over 30 years of local and international experience with BP, Equion, Anadarko and Occidental. He joined Oxy in 2019 as part of Anadarko's merger with Oxy as the Drilling Manager for operations in Colombia, and prior to this assignment oversaw the Caribbean Deepwater exploration drilling in Colombia which resulted in important gas discoveries for the country, Jorge had a successful professional career performing positions of increasing responsibilities and held several leadership positions in drilling and field development projects in Colombia, Alaska, United Kingdom, Brazil, Trinidad and Tobago and Houston.

Jorge received his BS in Petroleum Engineering from the Universidad de America and completed an Executive MBA in Universidad de los Andes.

### Horacio Rossignoli – Middle Magdalena Operations VP

In June 2021, Horacio Rossignoli was appointed Middle Magdalena Operations VP, being responsible for managing the operation and development of La Cira Infantas, Teca-Cocorná and Bolívar blocks.

Horacio has more than 30 years of experience in the upstream oil and gas industry, predominantly in Argentina, the US and Ecuador.

Horacio has previously held multiple assignments with Oxy as VP of Development for Oxy Argentina's assets and VP of Development for Oxy Long Beach's operations, as well as being General Manager of Vintage Oil Ecuador operations and holding several other key roles for Amoco Argentina, Vintage Petroleum, Sinopec Argentina, President Petroleum and Petroquímica Comodoro Rivadavia.

Horacio received his BS in Civil Engineering from the Catholic University of Argentina (UCA) and completed a postgraduate degree in Economic Evaluation of Oil and Gas Projects and the Leadership Training of the Management Executive Program at IAE (Austral University).

### Fred Watchorn – Exploration VP

In May 2021, Fred Watchorn was appointed Exploration VP.

Fred has more than 25 years' upstream energy experience, predominantly in Colombia, the Middle East and SE Asia.

He joined SierraCol as part of the merger with COG Energy, where he was COO and in charge of BD and exploration.

He has previously held key roles in Colombia with Oxy, Canacol and Platino and worldwide with Tullow Oil, Oxy and Nexen.

He has a degree in Geology from University College Dublin, an MSc in Geophysics from the University of Durham and a PhD from the University of London.

### Juliana Hoyos - General Counsel

In December 2020, Juliana Hoyos was appointed General Counsel.

Juliana is a licenced Colombian lawyer. She joined the Company in 2011 and has since supported the Legal department as an Attorney. Prior to joining SierraCol, Juliana was an Associate at a leading Colombian law firm, where she practised in mergers and acquisitions and general corporate matters.

Juliana is an attorney-at-law (J.D. equivalent), graduated from Universidad de los Andes, with a minor in Finance, and has a Corporate Social Responsibility specialisation from Universidad Externado de Colombia.

### Fernando Grajales – Joint Venture and Business Development Manager

In December 2023, Fernando was appointed as Joint Venture and Business Development Manager to represent and safeguard the Company's commercial interests with key stakeholders, ensure the evacuation and commercialization of SierraCol's production, and lead the definition and implementation of growth and new business alternatives.

Fernando joined us in 2005. Since then, he has held various positions of responsibility as Chief of Staff, and other positions in the Caño Limón area's operations and La Cira Infantas. Among his positions are Well Support Engineer, Production Engineer, Business Planning, Reservoir Engineer, Business Development, and RMT Leader.

He also has international experience in Business Planning and Reservoir Engineering in Bakersfield, California.

Fernando is a Petroleum Engineer from Universidad Industrial de Santander (UIS) and has an MBA in Oil & Gas from Robert Gordon University in Scotland..

### Alejandra Castillo – Chief of Staff

In December 2023, Alejandra was appointed Chief of Staff, following three years of successfully leading the operation of the Caño Limón area as District Field Manager.

Alejandra joined the company in 2018 and has held positions of increasing responsibility in Drilling and RMT in Llanos and Mid Mag assets, including Drilling Engineer, Engineering Supervisor, and Reservoir Engineer Advisor. She also has previous experience in Directional Drilling Planning with Weatherford and Precision Drilling.

Alejandra holds a BS in Petroleum Engineering from Universidad de América.

## Climate-related financial disclosures

Climate change poses direct and indirect risks, encompassing physical asset damage, operations disruption due to extreme weather events, asset productivity impacts, supply chain impacts, and increased costs of strategic responses.

In this context, growing awareness of climate-related risks and opportunities has prompted organizations to transparently disclose these factors in operations management and strategies.

Thus, SCE has incorporated climate-related risks and opportunities in the company's strategy following the TCFD recommendations to build a resilient business.

The following section also fulfils our responsibility to provide a non-financial and sustainability information statement (NFSIS), as required for UK companies under sections 414CA and 414CB of the Companies Act 2006.

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| b) Describe management's role in assessing and managing climate-related risks and opportunities. | 43 |
| Strategy: disclose the actual and potential impacts of climate-related risks and opportunities on the organization's business, strategy, and financial planning where such information is material. | |
| a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. | 44-47 |
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| Metrics and targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material. | |
| a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. | 51 |
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## Governance

TCFD recommendation: Disclose the organisation's governance around climate-related issues and opportunities.

Since SierraCol's establishment as an independent company, we have been engaged in a continuous improvement process that involves setting ambitious goals through active participation from the Board, the Management Team, and various departments focusing on climate change projects.

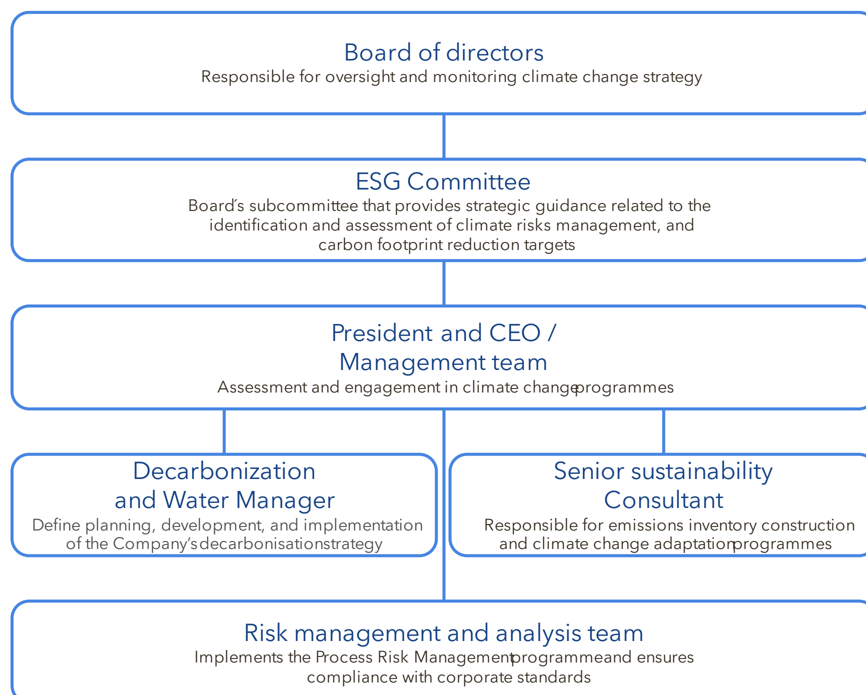
SCE promotes an organizational culture committed to climate change mitigation and adaptation. In pursuit of this commitment, the Board and the ESG Committee engage in assessing climate risks and opportunities through meetings and ongoing collaboration with the Management Team and the different departments. This involves evaluating emission mitigation alternatives, establishing metrics and targets, and approving budgets.

Additionally, the Management Team and business units assess and implement climate change projects, including mitigation projects focused on the four initiatives explained in the Climate Action section (energy transition, energy efficiency, gas flaring elimination, and methane measurement and mitigation). Similarly, the integration of different stakeholders allows for the continuous assessment of climate risks and opportunities, new regulatory requirements, and adaptation capabilities to build a resilient business.

Finally, metrics and performance information associated with climate change projects are evaluated and shared with the Management Team and Board through regular meetings, corporate events, and reports. This facilitates the decision-making process to enhance organizational abilities to achieve established goals and address one of the greatest societal challenges.

Information about our climate-related targets and progress against our targets is communicated to SCE's team through our 'A message from our CEO' newsletter, town halls, intranet articles, and annual and quarterly updates. And to external stakeholders through quarterly results and earnings calls, notes of interest posted on our website and group and one-one meetings.

*Governance of climate-related risks and opportunities*



## Strategy

TCFD recommendation: disclose the actual and potential impacts of climate-related risks and opportunities on the organization's business, strategy, and financial planning where such information is material.

SierraCol has developed a climate strategy in line with Colombian reduction targets. This strategy is supported by sustainable plans and initiatives aimed at mitigating emissions, reducing climate change effects, and improving adaptation capacities to take advantage of climate opportunities.

With the establishment of the ESG Committee, SCE has reinforced its sustainability strategy, focusing efforts on established goals aligned with current regulations and increasing the expectations of stakeholders. Throughout 2023, SCE remains as an independent company leader developing projects that actively contribute to mitigation and climate change adaptation. This commitment is exemplified through initiatives such as the implementation of OGI technologies for the precise quantification of fugitive emissions. SierraCol is unwavering in our pursuit of operational excellence, maintaining a robust market position.

Our projects, activities, and goals are focused on achieving energy efficiency, establishing a low-carbon business, and implementing alternatives to reduce GHG emissions. This integrated approach underscores our commitment to not only meet environmental objectives but also to engage collaboratively with broader stakeholders for sustainable impact in different periods:

- Short term – SCE will evaluate and implement alternatives to enable us to achieve our set goals related to emissions reduction and routine gas flaring elimination.
- Medium term – We will evaluate climate-related risks and opportunities to implement adaptation and mitigation alternatives to reduce climate change effects and greenhouse emissions in order to develop a resilient business.
- Long term –We are continuously evaluating and implementing innovative projects and processes to reduce emissions.

To reach our carbon neutral aspirations we will continue to evaluate new technologies including carbon capture and consider potential compensation mechanisms. Reaching our carbon neutral aspirations is anticipated to involve future technological developments.

Finally, in line with our strategy, in this analysis we incorporated physical and transition risks assessment based on external variables associated with the operation that allow us to evaluate the impacts, scope, and opportunities for the development of strategic responses.

## Physical risks

| Flooding | Risk and time horizon |
|---|---|
| The increase in the frequency and intensity of severe weather events could impact our operations, including infrastructure damage, operational disruptions, maintenance and repair costs, supply chain disruptions, and problematic relations with local communities. These events primarily occur in the Caño Limón area, causing damage to internal roads, disruption of production well activities, and operational disruptions for a number of days. In the Central Llanos area, flooding events are less frequent; however, they can affect some areas, leading to a decrease in production volume due to difficulties in crude oil transportation by tanker trucks.<br>**Strategic responses**<br>We recognize the importance of monitoring and early warning to identify the occurrence of events. As a company, we have implemented flood protection projects in critical areas, including the construction of embankments and maintenance of channels. Additionally, in susceptible areas in Llanos Central, raised platforms have been constructed to prevent the adverse effects of flooding.<br>**Opportunities**<br>SCE has taken action to address physical risks associated with chronic events through the participation of risk management committees and collaborative work with stakeholders. These actions and strategic responses ensure cost reduction associated with climate events, improvement in infrastructure resilience, stakeholder engagement, and operational efficiencies. | *Medium risk*<br><br>*Short, Medium, and Long-term prevalence* |

| Droughts | Risk and time horizon |
|---|---|
| These recurring events lead to a reduction in the volume of surface and groundwater sources, potentially causing increased costs for accessing water resources. In addition, communities within the influence area have raised concerns with SCE regarding the depletion of water bodies, even though the Company does not employ these resources in operations.<br>**Strategic responses**<br>Recognizing potential impacts, SCE implements water resource management programs that encompass water recirculation, reduction in extraction volume, and engagement with local communities to address activities and water management plans.<br>**Opportunities**<br>Water resource management programs enable cost reduction related to climate events, operational efficiencies, and stakeholder engagement. | *Low risk*<br><br>*Short, Medium, and Long-term prevalence* |

| Wildfires | Risk and time horizon |
|---|---|
| Wildfires occurring in the operations' influence area have a socio-natural origin and could result in infrastructure damage, losses, production loss, and operational disruption.<br>**Strategic responses**<br>SierraCol has risk management plans that encompass guidelines and measures to address these events, including perimeter curbs to control conflagrations and firebreak construction in surrounding areas. Additionally, recognizing the socio-natural nature of these events, SCE conducts activities and meetings with communities to effectively manage risks.<br>**Opportunities**<br>Risk management plans seek to reduce impacts and costs related to climate events while improving operational efficiencies. | *Low risk*<br><br>*Short, Medium, and Long-term prevalence* |

## Transition risks

| Regulatory compliance in response to climate change | Risk and time horizon |
| --- | --- |
| Colombian emerging climate regulation has included multiple efforts to incentivize GHG emissions reduction. In this sense, the Programa Nacional de Cupos Transables de Emisiones de Gases de Efecto Invernadero (National Program of Greenhouse Gas Tradable Emission Quotas) poses a new challenge associated with the tradable quotas' value exposure that could lead to an increase in operating costs.<br><br>Compliance with new requirements and emerging regulations by governments and investors may lead to a reduction in oil demand, an increase in costs related to acquiring low-carbon technology, decommissioning equipment before it reaches its useful life, and lower business growth forecasts.<br><br>Strategic responses<br><br>SierraCol has anticipated regulatory changes through collaborative work across different operating units focused on measuring GHG emissions, evaluating mitigation opportunities using abatement cost curves, and allocating resources to the established goals. Additionally, the Company aims to execute projects focused on emissions reduction, gas harnessing, and routine gas flaring elimination.<br><br>Opportunities<br><br>New regulations and stakeholders' expectations growth associated with climate change management allow us to evaluate alternatives that lead to improved process efficiency through energy transition and energy efficiency projects, such as permanent magnet motors commissioning or gas-based power generation. This leads to operating costs reduction and increased investment in the development of mitigation projects. | *Medium risk*<br><br>*Short, Medium, and Long-term prevalence* |

| Implementation of low-carbon technologies and energy transition | Risk and time horizon |
| --- | --- |
| Climate change goals increasing expectations towards a low-carbon world entail a higher financing cost to achieve SCE's carbon neutrality goal. In this regard, the Company has made measurable efforts to reduce greenhouse gas emissions; nonetheless, there are operational processes that cannot be easily replaced by low-carbon technologies. These remaining emissions require technologies like Carbon Capture, Usage and Storage ("CCUS") which will be continue to be evaluated. In addition, another alternative to achieve this goal, such as carbon credits, requires an increase in capital cost for the acquisition of these instruments that effectively contribute to the development of emission reduction projects.<br><br>Strategic responses<br><br>Aware of improving our business resilience to future changes in climate-related regulations, SCE has implemented an ambitious emissions reduction plan that led to a 47% reduction in emissions by 2023 compared to the 2020 baseline. Likewise, the Company has evaluated multiple mitigation alternatives focused on energy transition, energy efficiency, methane emissions reduction, and gas flaring elimination. In addition, some projects are included in the Colombian innovation system to obtain tax incentives.<br><br>Opportunities<br><br>Increasing demand for low-carbon technologies represents an opportunity for SierraCol to develop mitigation projects through tax incentives and the research and innovation systems of the Colombian government. In this sense, SCE conducts education solutions and water drinking access in Caño Limón area as part of the Works for Taxes programme. Additionally, in 2023 we presented initiatives to collaborate with local communities in protecting and restoring ecosystems. | *Medium risk*<br><br>*Short, Medium, and Long-term prevalence* |

*Transition risks (continued)*

| Oil and gas demand | Risk and time horizon |
|---|---|
| Oil demand over time will tend to decrease considering the global emission reduction targets, resulting in an uncertain panorama about market trends that may lead to fewer opportunities for asset diversification, profitability reduction, and reduced attractiveness to potential investors.<br>Strategic responses<br>The Company conducted efforts to improve business resilience through regulatory compliance and operational efficiency improving with projects that seek to reduce emissions and harness gas production.<br>Opportunities<br>Market changes allow us to evaluate alternatives to improve process efficiency to reduce operational costs that the Company is currently implementing, such as methane measurement and leak repair programs, energy efficiency programs, water management alternatives, and energy transition alternatives. | *Low risk*<br>*Short, Medium, and Long-term prevalence* |

| Concerns about environmental performance | Risk and time horizon |
|---|---|
| Requirements increase by investors and stakeholders about climate change and environmental compliance lead to continuous evaluation for emission reduction alternatives and new technologies to comply with new emerging regulations. Additionally, social engagement becomes imperative in this dynamic landscape to avoid conflict that leads to operational disruption.<br>Strategic responses<br>Recognizing potential impacts, SCE has implemented multiple alternatives to reduce GHG emissions and improve business resilience. In addition, SCE conducts activities and meetings with communities to effectively manage risk.<br>Opportunities<br>Stakeholders' expectations and requirements bring us opportunities to establish collaborative work to address climate risks and opportunities that lead to creating a resilient business. This could include risk management committees or community training on productive issues. | *Medium risk*<br>*Short, Medium, and Long-term prevalence* |

## Scenario analysis

Scenario analysis allows us to evaluate the potential impacts on the Company in the medium and long term. Three scenarios were evaluated, integrating physical risks, transition risks, and guiding forces. Transition analysis employs scenarios and assumptions posed by the International Energy Agency ("IEA"), market trends, carbon prices, and SCE emissions levels. Meanwhile, the physical analysis considers variables such as temperature and precipitation with observation windows in the influence area between 2022 and 2030, taking into consideration the physical risks identified and analysed in the previous section.

For the transition analysis, a projected compensation value for 2030 was conducted based on two scenarios derived from the National Program of Greenhouse Gas Tradable Emission Quotas. In the first scenario, we assumed that quota values in the early periods (up to 2025) would be linked to existing bond prices, projected with inflation plus an additional one percentage point. In contrast, for the period from 2026 to 2030, the value projection is made by analysing the entry prices of this type of policy in both the European Union and Canada.

Furthermore, for future trends analysis, we selected scenarios aligned with the Shared Socioeconomic Pathways ("SSP") to explore future emissions, climate-related risks and impacts, and possible mitigation and adaptation strategies, evaluating possible conditions based on assumptions that include socioeconomic variables and mitigation policies implementation. Three scenarios described below will be considered:

- SSP 1-2.6: considers ambitious mitigation policies implementation that promote a diversified energy matrix, with greenhouse gas emissions reduced to net zero around 2050 and 2070.
- SSP 2-4.5: introduction of moderate policies that aim to reduce emissions gradually while ensuring the industry's competitiveness and energy security. This scenario poses relatively constant emissions levels until mid-century.
- SSP 5-8.5: assumes a continuous increase in greenhouse gas emissions associated with the fact that climate-related policies and regulations are not sufficient to counteract the advances of climate change.

These comprehensive variables allow us to assess potential impacts in the medium and long term as described in the following table:

| | Sustainable development | Carbon neutrality | Emissions increase |
|---|---|---|---|
| SSP | SSP 2-4.5 | SSP 1-2.6 | SSP 5-8.5 |
| Temperature | Increases below 0.28 and 0.30 Celsius in the Caño Limón area and Central Llanos, respectively. | Increases below 0.11 and 0.14 Celsius in the Caño Limón area and Central Llanos, respectively. | Increases below 0.44 and 0.41 Celsius in the Caño Limón area and Central Llanos, respectively. |
| Precipitation | - Caño Limón area: 2,391 mm (-1.42%)<br>- Central Llanos: 2,416 mm (+0.85%) | - Caño Limón area: 2,098 mm (+0.21%)<br>- Central Llanos: 2,478 mm (-0.17%) | - Caño Limón area: 2,070 mm (-0.80%)<br>- Central Llanos: 2,448 mm (-0.10%) |
| Agriculture, Forestry, and Other Land Uses ("AFOLU") measures | - Restoration of deforested areas: 117 ha<br>- Mitigation potential: 7,833 $tCO_2e$ | - Restoration of deforested areas: 130 ha<br>- Mitigation potential: 8,704 $tCO_2e$ | - Restoration of deforested areas: 50 ha<br>- Mitigation potential: 3,348 $tCO_2e$ |
| Policies | Policies that promote the use of renewable sources, energy efficiency and energy transition. | Ambitious policies promoting alternative energy sources such hydrogen, biogas, biomethane, and CCUS projects implementation. | Introduction of moderate policies regarding climate change, with a primary focus on ensuring the competitiveness of the sector. |
| Nationally Determined Contributions ("NDCs") | 51% GHG reduction by 2030 | 75% GHG reduction by 2030 and SierraCol goal to achieve carbon neutrality | 15% GHG reduction by 2030 |
| Non-AFOLU measures | - Energy efficiency program<br>- Energy transition program<br>- Methane emissions reduction<br>- Gas flaring elimination | - Energy efficiency program<br>- Energy transition program<br>- Methane emissions reduction<br>- Gas flaring elimination<br>- CCUS implementation<br>- Hydrogen harnessing | - Energy efficiency program |

Results presented in the previous table enable us to recognise and proactively manage risks and opportunities, ensuring the long-term resilience of our business. Moreover, the recurrence of flood events is projected to increase, underscoring efforts and the implementation of flood protection projects, including the construction of embankments and the maintenance of channels, to strengthen our infrastructure resilience.

In this context, our climate strategy has strengthened our capabilities to comply with emerging regulations and implement low-carbon technologies to address GHG emissions. These measures allow us to adapt our operations to various physical and transitional variables assessed over different timeframes. The outcomes of the scenario analysis demonstrate that SCE's climate strategy is aligned to capitalise on opportunities and mitigate risks, ultimately enhancing the robustness and resilience of our business.

## Risk management

TCFD recommendation: Disclose how the organisation identifies, assesses, and manages climate-related risks.

Identification, analysis, and evaluation of climate-related risks are linked to the corporate risk matrix. This process employs a qualitative methodology that incorporates questions into a system to determine the associated effects in a given scenario ("what if"). In this sense, climate risk analysis involves business units' participation through different stages that include past climate trends analysis, and physical and transition risks assessment considering their occurrence probability. In addition, in the last steps, we evaluate the company's adaptation capacity to address impacts or effects derived from the identified risks, considering relevant factors such as strategic planning, financial resources availability, and installed capacity.

Our corporate risk matrix and management system outline the different risks identified, which has allowed us to evaluate the associated impacts from a global business perspective. These ongoing analyses and assessments have been instrumental in establishing a climate strategy centred around the development of a decarbonization program and adaptation plans aimed to enhance business resilience.

Furthermore, we not only consider physical risks assessment related to operational integrity, SCE incorporates risks transition analysis. This entails identifying trends and opportunities associated with technology, policies, market dynamics, and reputation concerns. Consequently, insights gained provide a detailed and quantified understanding of potential impacts to support climate strategy establishment and the decision-making process to develop a resilient business.

## Metrics and targets

TCFD recommendation: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

<u>Our targets</u>

SierraCol has established an ambitious reduction target in the short and medium term. In this regard, the Company has achieved measurable progress through the implementation of multiple mitigation projects.

| Target | Performance |
|---|---|
| 50% net $CO_2e$ emissions reduction by 2023 against 2020 baseline | - Achieved a 47% reduction of $CO_2e$ emissions against the 2020 baseline.<br>- Completed the installation of 76 permanent magnet motors in Artificial Lift Systems, 100% of installations planned. Further installations planned for 2024.<br>- 2024: Purchase an additional 16 MW of power capacity from the national grid.<br>- 2024: Commissioning of Battery Energy System Storage (BESS) in Central Llanos.<br>- 2024: on track to deliver a 60% reduction in net emissions by 2024 (scope 1 and scope 2) |

*Our targets (continued)*

| | |
|---|---|
| Methane measurement and leak repair program | - Fugitive emissions baseline established for all SCE operations.<br>- Conducted repair and corrective actions in identified emissions sources in the Caño Limón area resulting in ~5 kt $CO_2e$ total reduction for 2023. |
| Gas flaring elimination by 2025 | - Gas-based power generation implementation in the Caño Limón area and Central Llanos concluded.<br>- Gas flaring liquid extraction to low-quality gas flaring harnessing. The plant in one of the two main production facilities is operational, with plans to implement gas-to-liquids technology in both facilities in the near term. |

## Metrics

We set metrics to assess and manage performance traceability against established goals. We successfully reduced GHG emissions by 47% against the 2020 baseline, placing us close to our ambitious goal of reducing GHG emissions by 50% by the end of 2023, evidencing our efforts to build a low-carbon business.

| | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|
| Total emissions (scope 1 and 2) (kt $CO_2e$) | 353 | 409 | 582 | 662 |
| Total direct emissions (scope 1) (kt $CO_2e$) | 301 | 317 | 464 | 542 |
| Stationary combustion (kt $CO_2e$) | 142 | 147 | 301 | 374 |
| Gas flaring (kt $CO_2e$) | 122 | 124 | 121 | 128 |
| Fugitive emissions (kt $CO_2e$) | 35 | 40 | 40 | 40 |
| Process and venting emissions (kt $CO_2e$) | 2.3 | 5.7 | 1.6 | 0.6 |
| Mobile emissions sources (kt $CO_2e$) | 0.4 | 0.4 | 0.4 | 0.3 |
| Total indirect emissions (scope 2) (kt $CO_2e$) | 52 | 92 | 118 | 120 |
| Biogenic emissions (t $CO_2e$) | 2,175 | 1,642 | 393 | 126 |
| Emissions intensity (kg$CO_2e$/BOE) | 18.8 | 21.1 | 27.1[1] | 33.4 |
| Total energy consumption (TJ) | 3,608 | 3,596 | 3,605 | 3,546 |
| Renewable energy consumption (TJ) | 2,752 | 2,722 | 1,864 | 1,273 |
| Energy intensity (kWh/BOE) | 53.3 | 51.6 | 53 | 49.6 |

[1] Net carbon intensity includes La Cira Infantas carbon credits transfers (total credits=70,298 t$CO_2e$) for 2021.

# Our key performance indicators

We assess our performance by utilising a variety of safety, operational, ESG, and financial indicators that align with our strategic objectives. These metrics guide our decision-making processes.

| | 2023 | 2022 |
|---|---|---|
| **Safety** | | |
| Fatalities at managed operations | Zero | Zero |
| TRIR[1] | 0.55 | 0.61 |
| Process safety | Zero Tier 1 and Tier 2 incidents, below target. | One Tier 1 and two Tier 2 incidents, in line with maximum expected. |
| **Operational and financial** | | |
| Gross operated and jointly operated production | 79.5 kboed | 81.4 kboed |
| Share Before Royalties (SBR) production | 43.0 kboed | 44.3 kboed |
| 2P reserves | 118.0 million boe | 116.4 million boe |
| 2P RRR | 113% | 102% |
| 2P R/P | 9.9 years | 10.1 years |
| Opex | 243.6 million | 185.1 million |
| Capex | 188.4 million | 204.9 million |
| SGA | 41.5 million | 37.6 million |
| Adj EBITDAX | 647.0 million | 814.1 million |
| Free Cash Flow | 170.8 million | 401.2 million |
| Net debt to Adj EBITDAX | 0.8x | 0.6x |
| **ESG** | | |
| ESG prioritized actions | Achieved a low-risk rating and the second consecutive year of being top-rated by Sustainalytics. The ESG plan 2023 was implemented. | Defined ESG gaps and implemented 2022 critical actions for being ESG rated. Achieved a top rating from Sustainalytics. |
| GHG emissions reduction vs 2020 baseline | 47% reduction | 40% reduction |
| Net emissions intensity | 18.8 kg $CO_2$e/boe | 21.1 kg $CO_2$e/boe |
| Social Responsibility | Implemented 2023 Social Responsibility Strategic Programme | Implemented 2022 Social Responsibility Strategic Programme |
| Compliance training | Developed compliance training targeting contractors and trained more than 94% of them. | Developed a virtual compliance training and trained more than 97% of our employees |

[1] TRIR = number of recordable incidents per million hours worked.

See the Management Discussion and Analysis ("MD&A") FY23 document for more information on our operational and financial performance.

## Risk management

SCE operates in an industry with significant ESG and climate-related risks. SierraCol business, financial condition and results of operations could be materially and adversely affected if any of the risks described below occur. The risks and uncertainties described below are not the only risks and uncertainties that we face. Additional risks and uncertainties not known to us or that we currently deem immaterial may also impair our business operations. If any of those risks actually occur, our business, financial condition and results of operations would suffer. The risks discussed below also contain forward-looking statements, and our actual results may differ materially from those discussed in these forward-looking statements.

### Business risks

#### Hydrocarbon reserves

*Reserves estimates*

Hydrocarbon reserves are annual estimates that may alter significantly when new information or techniques become available. Reported oil and gas reserves are an estimate based on periodic review of reservoir characteristics and recoverability, including production decline rates, operating performance and economic feasibility at prescribed commodity prices, future operating costs and capital expenditures, workover and remedial costs, assumed effects of regulation by governmental agencies, the quantity, quality and interpretation of relevant data, taxes and availability of funds. Economic factors beyond our control, such as world oil prices, interest rates, inflation, and exchange rates, will also impact the quantity and value of SCE's reserves.

These reserves estimations are performed by independent reserves auditors, however there are inherent uncertainties in estimating reserves and depend to some extent on interpretations, which may prove to be inaccurate because by their very nature, reserves are imprecise, and our actual reserves and resources may be lower than estimated. Actual production, revenues, expenditures, oil and natural gas prices and taxes with respect to our reserves may vary from estimates and the variance may be material.

If the assumptions upon which the estimates of our oil and gas reserves and resources have been based prove to be incorrect or if the actual reserves available to us are otherwise less than the current estimates or of lesser quality than expected, SCE may be unable to recover and produce the estimated levels or quality of oil and gas, which may materially and adversely affect our business, prospects, financial condition, and results of operations. Plus, the present value of future net revenues from proved reserves will not necessarily be the same as the current market value of our estimated oil and natural gas reserves. If SierraCol were required to make significant negative reserve revisions, its results of operations and financial performance could be adversely affected.

Recovery of undeveloped reserves requires significant capital expenditures and successful drilling. The Company's reserve data assumes that the Company can and will make these expenditures and conduct these operations successfully, which assumptions may not prove to be correct. If the Company chooses not to spend the capital to develop these undeveloped reserves, or if the Company is not otherwise able to successfully develop these undeveloped reserves, the Company will be required to write-off these reserves.

All categories of reserves are continually subject to revisions based on production history, results of additional exploration and development, price changes and other factors.

*Reserves replacement*

Unless we are able to replace our reserves and production and develop and manage oil reserves and production on an economically viable basis, SCE's financial condition and results of operations will be adversely impacted. Future oil reserves and production, and therefore the cash flows and results of operations, are highly dependent on our success in efficiently developing and exploiting SierraCol's current reserves base and economically finding

or acquiring additional recoverable reserves. SCE's ability to raise capital will be adversely impacted if we are not able to replace our reserves that are depleted by production.

### Exploration risk

Exploration for oil, and development of new formations, is risky and subject to operational hazards and unforeseen interruptions, including drilling, exploration and production risks and hazards that may affect our ability to produce oil at expected levels, quality and costs. Oil exploration involves a high degree of operational and financial risk beyond our control including the risk that exploration activities will not identify commercially viable quantities of oil or may become uneconomic as a result of an increase in our operating costs or as a result of a decrease in market prices for oil. These risks are more acute in the early stages of exploration, appraisal and development. Future oil exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs.

Furthermore, the marketability of any oil production from SCE's projects may be affected by numerous factors beyond our control. These factors include, but are not limited to, proximity and capacity of pipelines and other means of transportation, the availability of upgrading and processing facilities, equipment availability and government laws and regulations.

### Climate change risk

#### *Transition risk*

Regulations concerning emissions and potential impacts of climate change changes could pose challenges to our business. Governments worldwide, including those of Colombia and the UK, are increasingly focusing on GHG emissions regulations and addressing climate change impacts in various ways.

Potential changes in regulatory compliance, oil and gas demand, market trends, implementation of low-carbon technologies, or concerns about environmental performance could result in additional costs and operating restrictions. In this regard, our climate strategy aligns with Colombia's Climate Change Policy, and SCE acknowledges its role and responsibility in quantifying, reducing, and mitigating emissions, and adapting to new conditions to increase business resilience.

Furthermore, the ongoing transition towards a low-carbon economy entails regulatory changes and new expectations that encompass impacts on capital costs and financial access. Recent efforts have been made to anticipate and comply with emerging regulations, allowing us to evaluate and implement alternatives to improve process efficiency. Additionally, increased requirements by investors and stakeholders regarding climate change have raised the possibility of conflicts that could lead to operational disruptions, increased operational costs, premature asset decommissioning, and reduced business growth.

In light of various potential risks, SierraCol has conducted a comprehensive assessment of transition risks, aligned with the TCFD recommendations. This evaluation aims to assess potential impacts and identify opportunities to enhance operational capabilities to establish a resilient business. Detailed discussions on the identified risks and opportunities are provided in the Climate-related financial disclosure section.

#### *Physical risks*

Similarly to transition risks, physical risks relate to the occurrence of severe weather events that may affect SCE's operations and assets in the short (2025), medium (2030), and long term (2050) timeframes. SierraCol conducts a comprehensive assessment of the external environment, analysing variables such as precipitation, temperature, and vegetation cover to identify potential impacts as summarised below.

| Type of risk |
|---|
| Floods |
| Droughts |
| Wildfires |
| **Potential business impact** |
| Decrease in production volumes and supply chain disruptions. |
| Infrastructure damage |
| Challenges to water resources access |
| **SCE strategic response** |
| Climate Change Adaptation Plan in order to increase infrastructure resilient |
| Short- and long-term planning |
| Environmental management |
| Strengthening of the social strategy and communication |

Environmental regulation

SierraCol relies on acquiring and maintaining permits and licences from various governmental bodies. However, there is a risk that these permissions may not be obtained, maintained, or renewed in a timely manner, or at all. Additionally, existing licences and permits may be revoked or not renewed, posing challenges to our operations. Failure or delay in obtaining regulatory approvals or permits could significantly impact our ability to develop and explore our properties, while receiving drilling permits with stringent conditions may escalate our compliance costs.

Environmental legislation imposes restrictions on discharges, releases, or emissions of substances used or produced in petroleum operations. Compliance requires substantial expenditures, and failure to comply may result in the suspension or termination of operations, as well as administrative, civil, and criminal fines. Our operations also carry the risk of significant environmental liabilities for unlawful discharge of pollutants. Challenges related to biodiversity management may arise, particularly in key biodiversity areas, potentially delaying or increasing the costs of exploration and development projects. The impact of environmental laws and regulations, both present and anticipated, remains uncertain.

To ensure regulatory compliance, SierraCol implements measures to prevent and mitigate environmental impacts, protecting sensitive ecosystems and biodiversity. Our Biodiversity Management Programme, initiated in 2022 and continued in 2023, encompasses forest inventories, biodiversity monitoring plans, ecosystem status identification, habitat management, and evaluation of eco-reserves. Water management procedures ensure the protection of water quality, compliance with regulatory requirements, and responsible use, treatment, and disposal of water resources. Waste management practices focus on waste reduction, proper handling, and disposal in line with regulations, with waste generation monitored from production to disposal.

Due to the nature of our operations, there is a risk of oil spills, which could impact nature, biodiversity, or water sources. We adhere strictly to spill regulations and operate with the aim of minimizing adverse environmental effects. Risk Management Plans are in place for each field, activated based on emergency assessments and environmental sensitivity analyses. Mechanical integrity programs ensure regular inspection of flow lines and equipment to identify any need for repair or replacement. Our safety protocols include inspections and action plans to address potential hazards.

In consideration of community participation rights, we closely monitor Colombian legislation, particularly the Escazú agreement, and its implications for our operations. We also monitor climate change, water, and social-related regulations to assess potential impacts on our industry and business.

Entry into force of Escazú Agreement

The national government may adopt new policies, laws or regulations concerning environmental matters, that may impact the Company's operations, in particular the requisites and timing for the obtention or modifications of new permits and/or licences. SCE closely monitors relevant environmental regulations and participates in industry

associations that follow up these potential changes.

It is expected that during 2024, the Escazú Agreement regarding community participation in environmental permits and licences, will enter into force in Colombia. SCE has been working internally and with external expert consultants to ensure a swift implementation of the Escazú Agreement once it becomes mandatory.

### Capital restriction

Our business requires significant capital expenditures. If cash flows from operations, cash on hand and available capacity under our Revolving Credit Facility ("**RCF**") and approved contingent lines were not sufficient to fund our capital programme, we may be required to seek additional external financing or to delay or reduce our exploration and development activities, which could impact production, revenues and reserves. If we require additional capital, we may pursue sources of capital through various financing transactions or arrangements, including joint venturing of projects, debt financing or other means. SCE may not be able to access capital on favourable terms or at all.

To manage this risk, the Company's capital spending plans are budgeted, which is made with reference to the financial performance, cash flow generation, inflationary pressures, and liquidity of the Company, among others.

### Russia - Ukraine war

In February 2022, the invasion of Ukraine by Russia heightened geopolitical tensions. The Company faced a 2 to 3 month increase in material lead times, though operational activities remained resilient. Strategic long-term agreements with suppliers allowed for proactive planning and sourcing.

Ongoing geopolitical uncertainties, contingent on the evolution of the conflict and the feasibility of peace between Russia and Ukraine, may continue to exert influence on commodity prices, presenting additional challenges for SCE and potential impacts to the industry.

### Israeli-Palestinian conflict

The Israel-Palestine conflict has affected the oil and gas sector, particularly in the broader Middle East region. While this conflict typically has a limited direct impact on the global oil and gas industry, regional instability can exacerbate geopolitical tensions in the Middle East, potentially leading to concerns about oil prices due to fears of supply disruptions. Moreover, geopolitical uncertainties have influenced investment decisions within the energy sector. Investors and stakeholders in the oil and gas industry often closely monitor geopolitical developments in the Middle East, as these can impact the overall stability of energy markets.

It is important to note that the specific impact of the conflict depends on its scale and duration, diplomatic responses, and reactions from neighbouring countries and global players. Furthermore, regional instability may raise concerns about the security of critical energy infrastructure, potentially impacting the production and transportation of oil and gas resources.

### Country risk

#### *Regulation*

Our business is subject to local legal, social, political, fiscal and economic factors that are beyond our control, which could impair or delay our ability to expand our operations or operate profitably.

On 13 December 2022, Law 2277 of 2022 was approved by the Colombian Congress, containing a Tax Reform Bill (the "**Tax Reform**"). The Tax Reform was effective as of January 2023 and our financial planning for 2023 considered the effects of this regulation. Many individuals submitted unconstitutionality lawsuits against certain articles of the tax reform, including the articles that relate to: (i) the surcharge for oil & gas industry, which as of the date of this report have not been decided; and, (ii) deductibility of royalties, regarding which, on 16 November 2023, the Constitutional Court declared the prohibition on royalty deductibility unconstitutional. The Government has filed

different legal interventions against the ruling, which as of the date of this report have not been decided.

The current government may adopt new policies, laws, decrees or regulations that may impact the Company's financial results, including but not limited to: the imposition of additional taxes; adjustments to the withholding tax rates; changes in energy or environmental policies; changes in oil pricing policies; and changes to the royalty scheme.

The National government has announced reforms to labour, health, pensions, among others, that may impact our business. The articulation of these reforms is still unclear.

Most regulatory changes need to be agreed with Congress and are subject to constitutional control which requires a certain degree of consensus between the executive, legislative and judiciary branches of power. Any changes in the oil or investment regulations and policies or a shift in political attitudes in Colombia are beyond our control and may significantly hamper our ability to expand our operations or operate our business at a profit.

2023 Colombia regional elections

Regional elections for governors, mayors, departmental assemblies, and municipal councils took place in October 2023. The newly elected officials assumed their positions on 1 January 2024. The first semester of 2024 is anticipated to be a transitional period, and while significant local regulatory or policy changes are not expected, historical trends suggest potential delays in decision-making at the regional level during transitions. Any such delays are beyond our control, however SCE closely monitors relevant situations that could have an impact on our operations at the regional level.

*Security*

Colombia has experienced periods of social unrest and instability, which have potential repercussions for both the national economy and our operational activities. Over the past four decades, the country has faced criminal violence, primarily attributed to guerrilla factions and drug cartels.

Throughout 2023, President Petro's administration has prioritised the "Total Peace Law," aimed at ending armed conflict in Colombia through dialogue with organised armed groups, such as the National Liberation Army ("ELN", as per its acronym in Spanish) and dissident factions of the Revolutionary Armed Forces of Colombia ("EMC", as per its acronym in Spanish). The government has made progress in implementing ceasefires and reducing economically motivated kidnappings. However, peace negotiations continue, focusing on extending ceasefires and commitments to abandon criminal activities.

In the Arauca department, there has been a noticeable decrease in hostilities against Public Force units and facilities since the second half of 2023. Incidents targeting pipelines and other infrastructure, have ceased since August 2023, aligning with commitments made through negotiations with the ELN. Nevertheless, the ongoing threat of criminal activities such as kidnapping and extortion remains a concern. Consequently, the company has implemented measures to ensure the security of assets in Arauca. It is not currently known whether or to what degree violence will continue and whether and to what degree that violence may impact our operations, if successful.

In the Caño Limón area, where our operations are based, we have formed strategic partnerships with the National Army of Colombia, the Navy of the Republic of Colombia and the National Police to support these entities performance of their constitutional functions in the area. Additionally, SCE utilises private security services and employs electronic surveillance technologies, including drones and CCTV equipment. These activities include overseeing perimeter infrastructure, collaborating with an analytical unit to monitor public information sources, developing response plans for potential scenarios, and regularly updating the risk assessment matrix.

In September 2023, our Security Management System achieved a significant milestone by obtaining the ISO 28001 certification. This recognition specifically

acknowledges the excellence of our Security Risks Analysis Process and Site Security Plan implemented at our Caño Limón area operation.

*Social and labour disruptions*

Social disruptions or community disputes, such as social unrest and activism, blockades, work stoppages, social protests, strikes by local or national labour groups, or other public order situation in our areas of operations may delay production and result in lost revenue or cause an increase in costs. Failure to maintain the support and trust of local populations and governments could lead to a delay or suspension of operations, loss of permits or major impact to our reputation in these communities, which could adversely affect our business.

Additionally, the current situation of uncertainty in a sociopolitical context given by the measures and policies that the National government wishes to implement, such as reforms to labour, health, pensions, among others, and the unclear articulation of these reforms and uncertainty regarding the 'Total Peace' process, may generate social tension, social unrest, and an increase of social demands resulting in social disruptions.

That is why for us it is important to maintain reliable relationships and permanent dialogue with our local and regional interest groups, such as communities, authorities, associations and unions, among others, thus allowing us to anticipate complex situations that could impact the viability of the operation.

In addition, a portion of SCE's total workforce are represented by a union, trade union or works council, and those employed by our contractors are represented by labour unions that benefit from the terms of a collective bargaining agreement, which increases our operating costs. If a work stoppage or other labour disturbance occurs, we or our contractors may not be able to negotiate acceptable terms for any collective bargaining agreements or future restructuring agreements or may become subject to material cost increases or additional work rules imposed by such agreements.

In addition, we must comply with legislative requirements for prior consultation with communities and ethnic groups which are affected by our proposed projects in Colombia. Notwithstanding our compliance with these requirements, we may be sued by such communities through a writ for protection of *tutela* (judicial remedy for the purpose of protecting constitutional human rights and freedoms) in the Colombian courts for enhanced consultation, potentially leading to increased costs, operational delays or temporary suspensions and other impacts. In addition, several areas in Colombia have conducted popular consultations and essential referendums on extractive industries. The referendums were organised by opponents of the mining or oil and natural gas industries. It remains unclear to what extent such results can impact the exercise of mineral rights conferred by the national government.

We work closely with the communities to maintain the support and trust of local populations and governments. Since 1990, the Alcaraván Foundation, a non-profit institution founded and chaired by SierraCol Energy Arauca, LLC and Ecopetrol, the Colombian national oil company, has positively impacted the Caño Limón area by fulfilling commitments to support our local communities. Over the past 30 years, together with Ecopetrol, SCE has benefitted more than 66,000 people, including schoolchildren, micro entrepreneurs, teachers, farmers and women. The Foundation engages in community impact projects across 58 Araucan villages to support community development initiatives, including measures to boost agriculture, entrepreneurship, digital connectivity, education, housing and literacy in the region. Maintaining and further developing relationships with communities in our areas of impact will continue to be a pillar of our ESG strategy.

## Financial risks

### Commodity price risk

Our major commodity price risk exposure is to the prices received for our oil and gas production. Our results of operations and operating cash flows are affected by changes in market prices. Prices received for crude oil and gas are volatile and unpredictable and are beyond our control.

To mitigate a portion of our exposure to adverse commodity price risk associated with our underlying oil and gas business, we enter into a number of derivative instruments. Such commodity derivatives tend to be priced using benchmarks that correlate to the underlying oil and gas revenues. While such derivative contracts do not qualify for hedge accounting, management believes these contracts can be utilised as an effective component of commodity price risk management activities.

We expect to maintain a prudent commodity hedging policy. SCE does not engage in speculative hedging. Commodity hedging is normally executed over a period of up to six to twelve months, primarily to protect downside risk, while keeping upside exposure. This can be achieved by entering into swaps, put options, put-call collars and other option-based strategies with a general preference for using option-based strategies where practicable.

### Foreign currency risk

SCE is exposed to foreign currency fluctuations as certain expenditures are incurred in Colombian pesos and US dollars. Close to 80% of our outflows are denominated in Colombian pesos, while revenues are denominated, and paid, in US dollars. This implies that the appreciation of the Colombian peso materializes a risk associated with the company's cash flow due to the significant payments in Colombian pesos, such as taxes and suppliers. To mitigate these risks in 2023, SCE entered into foreign exchange hedging agreements with various Colombian financial institutions using zero-cost collars and forward contracts over a period of up to six to twelve months. This aided the predictability of the company's cash flows.

### Inflation risk

SCE is exposed to inflation risk. However, we benefit from our longer-term contracting strategies with our suppliers assuring relatively stable tariffs. Also, as mentioned in the 'Foreign currency risk' section, close to 80% of our outflows are denominated in Colombian pesos, and the increase in US dollar cost has been more than offset by foreign exchange savings.

### Credit risk

SCE is exposed to counterparty risk from customers, suppliers, partners, intermediaries and banks with respect to our operating and financing activities, as such parties may be unable to honour their contractual obligations. Counterparty risk results from a combination of payment risk (e.g. failure to pay for services or deliveries carried out), delivery risk (e.g. failure to deliver services or productions paid for) and the risk of replacing contracts in default, or mark-to-market exposure (i.e. the cost of replacing the contract in conditions other than those initially agreed). Credit risks related to trade receivables are analysed, monitored and managed. SierraCol also has policies in place that set out a framework for credit exposures with banks and other financial institutions. As a result, we do not believe that we have a history of significant exposure to credit effects or related losses.

We are also exposed to credit risk arising from investments of surplus cash and from our use of derivative financial instruments. Counterparty risk is taken into account when calculating the fair value of these derivatives.

### Credit risk of joint venture partners

SCE sells nearly all of crude oil production to Ecopetrol and as a result, are exposed to the credit risks of such customer and any material non-payment or non-performance could adversely affect our cash flow and results of operations. These offtake contracts have fixed terms, and while we have been able to extend these contracts previously, any further extension would be subject to Ecopetrol agreement, which is outside of our control. If Ecopetrol were to fail to pay amounts owed to us under these offtake contracts, or such arrangements were

terminated or agreement to extend the term of contracts could not be reached, SCE would be forced to sell to other traders at a price that is likely lower than would have been obtained from Ecopetrol pursuant to such contracts, which may result in an adverse effect on our revenues, financial condition and results of operations.

We have a long-dated commercial relationship with Ecopetrol, which has an investment grade rating from Moody's (Baa3).

#### Liquidity risk

Liquidity risk pertains to the possibility that SCE may encounter difficulty in obtaining adequate financing from lenders and the capital markets to fulfil our operational, project financing, and refinancing needs. SierraCol actively monitors liquidity risk by regularly assessing our cash flow requirements in relation to available funding sources, which include cash flow generated from our producing asset base and existing bank facilities. Our priority is to ensure we have ample liquidity or committed facilities to cover operational funding needs, service debt obligations, and comply with financial covenants. We maintain rigorous oversight of liquidity requirements through ongoing short-term and long-term cash flow projections, supported by debt financing plans and active portfolio management.

We regularly produce cash forecasts and conduct sensitivity analyses for various scenarios, considering factors such as changes in commodity prices, fluctuations in production rates across our portfolio of producing fields, and potential delays in development projects. Alongside operating cash flows, we explore portfolio management opportunities to potentially bolster SCE's financial capacity and flexibility.

#### Interest rate risk

Interest rate risk refers to the risk that market interest rates will increase, resulting in higher borrowing costs under our bank borrowings, which currently have floating interest rates. There had been one disbursement under the RCF. As of 31 December 2023, it was fully repaid. We may manage the resulting interest rate risk using certain financial derivative instruments. SCE may be affected by changes in market interest rates at the time we need to refinance any of our indebtedness.

We mitigate the interest rate risk by monitoring market conditions and entering into short-term contracts, thereby reducing the likelihood of interest rate increases.

#### Energy tariff risk

One of the most significant expenses currently borne by SCE is the tariff for electrical energy usage at each of its facilities. The company has established a long-term contract with the energy provider, securing a fixed rate for the unit price of electrical energy over the long term, subject only to adjustments based on the Producer Price Index. While we currently manage this risk through long-term contracts, we do not discount the potential use of derivative financial instruments for hedging purposes in the future.

### Cyberattack risk

The threat and potential consequences of cyberattacks may adversely impact SCE's operations, potentially resulting in information theft, data corruption, operational disruptions, and/or financial loss. In the event of a cyberattack, critical information and systems may be unavailable for a number of days or weeks, compromising our ability to conduct business or perform some business processes effectively and in a timely manner. We depend on digital technology, including systems, infrastructure, and services, to store, transmit, process, and record sensitive information related to our business. SierraCol's operations rely on the availability, capacity, reliability, and security of its information technology infrastructure. The organization's ability to expand and continually update this infrastructure in response to evolving requirements is crucial for maintaining optimal functionality. Therefore, ensuring the security of our facilities and infrastructure is a priority for the success and resilience of our business.

To prevent and address the impacts of such events, as well as mitigate potential repercussions, our strategy is based on the National

Institute of Standards and Technology framework for managing and mitigating cybersecurity risks in our environment. In 2022, our efforts were primarily dedicated to consolidating and enhancing cybersecurity systems and processes. In 2023, the cybersecurity work plan focused on reinforcing a security culture among end users through simulated phishing exercises. We tested and updated key cybersecurity processes, including:

a) The cybersecurity incident response process was tested through tabletop exercises with Crisis Management Teams and Incident Response Teams staff as the initial responders to the occurrence of a disruptive cybersecurity event.

b) The backup process was tested for periodicity, encryption, and restoration.

c) The IT personnel's cybersecurity capabilities for SCADA networks were enhanced through the certification program Lead SCADA Security Manager, among other initiatives.

In addition, we included external parties to measure our commitment to Cybersecurity. SierraCol has successfully completed the audit process for the ISO 27001 standard and is on track to receive the information security certification for the selected processes within the scope. This certification marks a significant milestone in SierraCol's operations and reaffirms the relevance of information security and cybersecurity risks to the organization and its business processes.

While SCE has implemented strategies to mitigate impacts from these types of events and has also purchased cybersecurity insurance to address these risks, we cannot guarantee that the measures taken to defend against cybersecurity threats will be sufficient for this purpose.

## Compliance risk

SCE may be exposed to liabilities under anti-bribery laws and a finding that we violated these laws could have a material adverse effect on our business. SierraCol is subject to anti-bribery laws in the United States, the United Kingdom, Colombia, and will be subject to similar laws in other jurisdictions where we may operate in the future. We may face, directly or indirectly, corrupt demands by officials, tribal or insurgent organisations, international organisations or private entities. As a result, we face the risk of unauthorised payments or offers of payments by employees, contractors, agents and partners of ours or our subsidiaries or affiliates, given that these parties are not always subject to our control or direction. It is our policy to prohibit these practices. However, the Company's existing safeguards and any future improvements to those measures may prove to be less than effective or may not be followed, and our employees, contractors, agents and partners may engage in illegal conduct for which we might be held responsible. A violation of any of these laws, even if prohibited by our policies, may result in criminal or civil sanctions or other penalties (including profit disgorgement) as well as reputational damage and could have a material adverse effect on our business and financial condition.

## Non-IFRS Measures

This report contains non-International Financial Reporting Standards ("IFRS") financial measures and ratios that are not required by, or presented in accordance with, IFRS. Management uses these measures to evaluate operating performance of the Company and as a basis for strategic planning and forecasting, as well as monitoring certain aspects of our cash flow and liquidity. We also believe they provide useful information to investors, securities analysts and other interested parties as supplemental measures of performance.

These non-IFRS measures and ratios may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS.

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

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

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

Netback does not have any standardised meaning under IFRS and, therefore, may not be comparable with the calculation of similar measures presented by other issuers. Management uses netback because it is a benchmark common in the oil and gas industry and is an important measure in evaluating operational performance, demonstrating asset profitability relative to current commodity prices.

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

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

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

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

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

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

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

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

## Companies Act 2006 – Section 172(1) statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole, while having regard to, amongst other things, those considerations listed in section 172(1). The Directors of the Company are familiar with their duty under section 172 and believe that they fulfilled this duty during 2023.

a) Likely consequences of any decision in the long term:

- The Board recognised the need to reduce the carbon footprint and established ambitious goals: we are on track to deliver a 60% reduction in net emissions by 2024 (scope 1 and scope 2) against the 2020 baseline, eliminate the routine gas flaring by 2025, with an aspiration to be carbon neutral by 2030.

b) Interests of the Company's employees:

- In 2023, we provided career growth opportunities for 60 employees (43% female, 57% male) who assumed roles of increased responsibility within the organisation. SCE also nurtured the potential of some of its talented employees by assigning them to critical and high impact roles and by making them accountable for adding value to the organisation. The Performance Evaluation Process for the entire workforce conducted in 2023 will serve as input for the 2024 compensation planning and discussions around career promotions.
- Committed to our intent to foster a diverse and inclusive work environment, we embraced several activities in 2022: i) we launched several leadership initiatives: the Transcending and Transforming Mindset Program, the Purposeful Leadership Program, and the Women's Leadership program ALMA. These programmes represented 1,933 hours of training for our workforce; ii) we expanded our training portfolio to include a comprehensive range of soft skills, adding 3,823 hours of training for over 400 participants; and iii) we continued the program of technical skills training we accomplished 18,568 hours of training through both individual courses and hands-on sessions with international experts.
- To raise awareness among our workforce about the importance of a diverse, equitable, and inclusive workforce, our DEI committee introduced a training and educational program focusing on: DEI Workshop, creating an environment free of sexual harassment, deconstructing stereotypes and unconscious biases, and preventing workplace harassment.
- SCE also incentivises the participation of our employees in national and international industry events to present initiatives and analyses they worked on in their respective fields, and participation in forums and conferences to share our practices in bridging the gender gap.

c) Need to foster the Company's business relationships with suppliers, customers and others:

- SCE holds the HSE-SR Committee with Managers of SierraCol's contractor companies. In 2023, a number of our contractors participated to address critical issues that strengthen purposeful leadership across all our operations: safeguarding our employees, communities, and the environment in which we operate. In this opportunity the central theme of the event was that of 'Transformational and Sustainable Leadership', which was explored through two panel discussions: HSE leadership challenges in Colombia and leadership strategies. These companies contribute to our operational excellence in all the regions where we are present.
- During 2023 we engaged with CAMPETROL in a collective effort to bring national and foreign companies together towards network, market knowledge, new

technologies, enhancing best practices and service transformation. As part of the mutual support, on a monthly basis, SierraCol and CAMPETROL share their insights about Oil and Gas the industry in Colombia.

- Each of the Company's assets is governed by a joint operating agreement (or its equivalent) which defines how the asset will be managed by its partners. The Company takes an active role in the meetings set up under these agreements and ensures its assets are managed in line with regulations and to the best benefit of the Company and its stakeholders.
- The customers to which we sell our hydrocarbons are limited (Ecopetrol and BP) and our relations with these customers are governed by the agreements that are put in place.
- We have continued to enhance our SAP environment and its functionality. This seeks a smoother consolidation and reporting process, as well as the SAP tool optimization and automation.

d) Impact of the Company's operations on the community and the environment:

- In 2023, SCE released the third sustainability report, second TCFD reports and its inaugural TNFD report, emphasising our commitment to improve our ESG performance and disclosure.
- During 2023, SierraCol performed a new ESG risk rating assessment with Sustainalytics. In January 2024, SCE achieved a Sustainalytics top rating for second consecutive year and un upgraded rating, placing us in the low-risk range with a score of 19.9. This positions us as the fifth-best out of 315 companies in the sector and the sole E&P company with a low ESG rating during the assessment. The report underscores our commitment to transparency in ESG disclosure and acknowledges our effective management of material ESG issues.
- During 2023, SierraCol also achieved a significant milestone by certifying the Caño Limón area operations to ISO 14001 and 45001 standards. ISO 14001 recognises the design and implementation of our environmental management system, seeking a more efficient resource use and waste reduction. The fundamental requirement of ISO 45001 is for organizations to provide a safe and healthy workplace for all personnel, achieved by preventing work-related injuries or ill-health.
- SCE makes social investments to positively impact the life of neighbouring communities and prioritizes local labour in its operations.

e) Desirability of the Company maintaining a reputation for high standards of business conduct:

- During 2023, SierraCol updated its Code and its Political Contributions, Lobbying and other Political Activities Policy, to expressly prohibit the use of Company funds, time and resources for political contributions.
- A total of 97% of our employees completed the company's compliance training and 100% completed the compliance certification in 2023. A total of 223 vendors, accounting for 76% of the Company's total annual expenditure with suppliers and contractors, completed the virtual compliance introduction guide during the year.

f) Need to act fairly as between members of the Company:

- The Company has a single shareholder, Midco, but also recognises the need to act fairly towards the ultimate shareholders of the Group, as well as the Group's bondholders, lending banks and other providers of financial products. During 2023, in addition to numerous engagements with the Group's ultimate shareholders, the Group's Chief Executive Officer and Chief Financial Officer held the quarterly results conference calls with bondholders and other stakeholders. Senior members of the Finance team held several meetings with lenders and other providers of financial products.

# DIRECTORS´ REPORT

The Directors present their report and the audited consolidated financial statements of SierraCol Energy Limited and its subsidiaries for the year ended 31 December 2023. SCE is a private limited company, limited by shares, incorporated in England. The Company's registered address is 8th Floor 1 Southampton Street London WC2R 0LR. The Company is wholly owned by Midco, which is a direct, wholly owned subsidiary of Flamingo Jersey. Flamingo Jersey is controlled by CIEP, a fund managed by Carlyle.

## Principal activity

SCE is engaged, via several of its subsidiaries, in the exploration for, and the acquisition, development and production of hydrocarbons in Colombia.

## Future developments

SCE will continue to explore, acquire, develop and produce hydrocarbons.

## Information contained in the Strategic report

The Strategic report on pages 4 to 64 contains certain information required to be included within this Directors' report. This relates to ESG matters, financial and operational highlights, risk management, and how the Board considers the views of stakeholders.

The Strategic report and Directors' report are prepared for the shareholders of the Company and should not be relied upon for any other purpose. To the extent that the reports contain forward-looking statements, these are made by the Board in good faith based on the information available at the time of the Annual Report.

## Going concern

In the preparation of these financial statements, the Directors have made an assessment of the Group's ability to continue as a going concern. As of 31 December 2023, the Group had net current liabilities of $82.4 million, cash and cash equivalents balances of $88.7 million, long-term liabilities of $765.1 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 $13.0 million was drawn down in 2024 and as of the date of these financial statements (Note 34). 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 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 financial statements and that it is appropriate to adopt the going concern basis.

## Guarantor

The Company is a guarantor of the Notes issued by one of its subsidiaries, SierraCol Energy Andina, LLC ("**Andina**").

## Post balance sheet events

Please refer to Note 33 of the consolidated financial statements.

## Directors

The Directors who served during the period and up to the date of signing the financial statements were:

1. Mr Parminder Singh (appointed on 18 December 2020);
2. Ms Alix Borch (appointed on 13 October 2023); and
3. Mr Eric Faillenet (served until 13 October 2023)

## Statement of directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations; The directors confirm that these Consolidated financial statements for the year ended 31 December 2023, have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain Group and Company transactions and disclose, with reasonable accuracy, at any time, the financial position of the Group and Company, and to enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Directors' confirmations

In the case of each Director in office at the date the Directors' report is approved:

- So far as the Director is aware, there is no relevant audit information which the Group and Company's auditors are unaware of; and
- They have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

### Directors' indemnities

The Group purchased and maintained, throughout the financial period and at the date of approval of the financial statements, a qualifying third-party Directors´ and Officers´ liability insurance in respect of itself and its Directors.

### Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed.

Approved by the Board of Directors and signed on behalf of the Board.

Ms Alix Borch **(signed)**

Director

13 March 2024

# Independent auditors' report to the members of SierraCol Energy Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, SierraCol Energy Limited's Group financial statements and Parent Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023 and of the Group's and Parent Company's profit and the Group's and Parent Company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Parent Company Statements of Financial Position as at 31 December 2023; the Consolidated and Parent Company Statements of Income and Comprehensive Income, the Consolidated and Parent Company Statements of Cash Flows and the Consolidated and Parent Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Our audit approach

#### Context

SierraCol Energy Limited is an independent energy company focused on the exploration, development and production of oil in Colombia. All operations are in Colombia.

#### Overview

Audit scope

- Our audit included full scope audits and the audit of specific account balances at each of the Group's four in-scope components.
- Taken together, the components at which audit work was performed accounted for 100% of consolidated revenue, 100% of consolidated profit before tax and 100% of consolidated total assets.

Key audit matters

- Valuation of Oil and gas assets (Group)
- Valuation of Investments in subsidiaries (Parent Company)

Materiality

- Overall Group materiality: $22,400,000 (2022: $28,840,000) based on 5% of Profit before tax (2022: 5% of Profit before tax).
- Overall Parent Company materiality: $8,739,000 (2022: $8,175,000) based on 1% of Total Assets (2022: 1% of Total Assets).
- Performance materiality: $16,800,000 (2022: $21,630,000) (Group) and $6,500,000 (2022: $6,130,000) (Parent Company).

## The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Valuation of Oil and gas assets is a new key audit matter this year. Valuation of Exploration assets, which was a key audit matter last year, is no longer included because Exploration assets is no longer a material financial statement line item, following impairments in the prior year. Otherwise, the key audit matters below are consistent with last year.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| *Valuation of Oil and gas assets (Group)*<br>The Group has Property, plant & equipment of $962 million, of which $909 million relates to Oil and gas assets.<br>IAS 36 requires that management perform an annual assessment to determine whether there is any indication that an asset may be impaired. If any such indication exists, management should perform an impairment test.<br>Management's assessment concluded that there were no impairment indicators in the portfolio of Oil and gas assets, other than in respect to the Bolivar cash generating unit (CGU), which was fully written down in the year.<br>We focused on this area due to the significance of the balance to the financial statements and the level of estimation involved in the modelling of forecast future cash flows.<br>The key assumptions used by management in their economic modelling include the following: discount rate, commodity pricing, future capital expenditure and operating costs and estimates of hydrocarbon reserves.<br>Refer to Note 10 in the consolidated financial statements. | In auditing the valuation of Oil and gas assets for the year ended 31 December 2023, we have performed the following procedures:<br>• Met with the external reserves auditors to confirm the methodology applied in the reserves report and we reconciled the production curves in management's model to the external reserves report. We evaluated management's internal and external reserves experts for competence and objectivity;<br>• Benchmarked key assumptions including comparing the commodity price, inflation and discount rates used to expected ranges prepared by our own Valuation experts;<br>• Assessed the operating cost and capital expenditure forecasts used in the model by validating to supporting evidence and assessed the Group's previous ability to forecast costs;<br>• Challenged management and obtained evidence to validate how future costs associated with the Group's carbon emission reduction commitments and aspirations had been modelled;<br>• Assessed the consistency of the model versus the joint operation agreements and sales contracts;<br>• Tested the integrity, formulae logic, internal consistency and mathematical accuracy of management's model; and<br>• Obtained management's accounting paper for the Bolivar impairment and obtained evidence over the indicator of impairment identified and judgements reached with respect to the future of the asset and management's decision to fully write down the CGU. Management's discount rate and commodity price forecast in the short to medium term are within an acceptable range.<br><br>Our audit therefore focused on the sensitivity of the modelling to movements in key assumptions, including: a lower long term oil price, a reduction in annual production rates and increased ESG related capital and operating expenditure. This combined sensitivity did not result in any additional material impairment, and headroom remains on carrying value of all CGUs other than Bolivar. |

| | We determined that management's disclosures were appropriate. |
|---|---|
| *Valuation of Investments in subsidiaries (Parent Company)*<br>The total carrying value of Investments in subsidiaries presented within the Parent Company financial statements as at 31 December 2023 is $747 million.<br>Consistent with IAS 36, management performed an exercise to evaluate the existence of impairment indicators for each material investment balance at the Parent Company level. Management did not identify any indicators of impairment.<br>We focused on this area given the significance of the balance on the Parent Company balance sheet. Refer to Note 8 in the Parent Company financial statements. | In auditing the valuation of Investments in subsidiaries we performed the following procedures:<br>● Considered external and internal sources of information which could be indicative of impairment indicators including forecasts of future oil prices (a key driver of the performance of the sector and therefore the company's subsidiaries), the performance of the underlying oil assets, the results of the Group's annual reserves report, and the impact of tax reforms within Colombia; and<br>● Reviewed the disclosures provided in the financial statements to ensure compliance with IAS 36.<br>As a result of our procedures, we concurred with management's assessment that no impairment indicators existed in relation to the carrying value of investments in subsidiaries as at 31 December 2023. |

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

The Group's operations are in Colombia.

Based on our risk and materiality assessments, we determined which components required an audit of their complete financial information. We scoped in three components requiring an audit of their complete financial information due to their financial significance to the Group. In addition, one component was scoped in for audit of specific account balances.

We engaged a component auditor in Colombia to audit the three financially significant components. Where work was performed by the component audit team, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

Senior members of the group audit team visited the component audit team and local management in Colombia during the 2023 audit cycle, at both the planning and year end execution phases. In addition, our oversight procedures included the issuance of formal, written instructions to the component audit team setting out the work to be performed, regular communication throughout the audit cycle and the review of the component auditors' workpapers.

The component scoped in for the audit of specific account balances was audited by the group audit team.

The financial statements of the Parent Company were also audited by the group audit team.

## The impact of climate risk on our audit

In performing our audit, we considered the impact of climate change. This involved performing the following procedures:

- We made enquiries of management to obtain their risk assessment and understand the governance processes in place to address climate risk impacts;
- We reviewed relevant board papers related to climate change and the Group's 2022 Sustainability Report, updated our understanding of the carbon emission reduction commitments made by the Group and the impact of these on the financial statements;
- We considered the impact on the financial statement line items and compared this to management's assessment of the impact of climate risk on the financial statements, including the potential impact on the underlying assumptions and estimates, in particular with relation to the valuation of property, plant and equipment and decommissioning provisions. This included performing our own independent sensitivities of the costs required to achieve the climate commitments made by the Group; and
- We assessed the consistency of the disclosures in the Annual Report with the knowledge we have obtained from our audit.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | **Financial statements - Group** | **Financial statements - Parent Company** |
|---|---|---|
| *Overall materiality* | $22,400,000 (2022: $28,840,000). | $8,739,000 (2022: $8,175,000). |
| *How we determined it* | 5% of Profit before tax (2022: 5% Profit before tax) | 1% of Total Assets (2022: 1% of Total Assets) |
| *Rationale for benchmark applied* | We believe that Profit before tax is the primary measure used by the stakeholders in assessing the performance of the Group and is a generally accepted benchmark on which to set materiality. | The Parent Company's purpose is to hold investments in the subsidiaries of the Group, therefore the appropriate benchmark for assessing materiality is total assets |

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between $2,000,000 and $19,000,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to $16,800,000 (2022: $21,630,000) for the Group financial statements and $6,500,000 (2022: $6,130,000) for the Parent Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above $1,120,000 (Group audit) (2022: $1,400,000) and $436,000 (Parent Company audit) (2022: $408,750) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Reading management's paper to the Finance and Audit Committee and obtaining and examining management's base case forecasts and severe but plausible downside scenarios, checking that the forecasts have been subject to board review and approval;
- Considering the historical reliability of management's forecasting of cash flows by comparing budgeted results to actual;
- Challenging management and obtaining audit evidence for key inputs into the model, including cost assumptions, commodity prices, production forecasts, volume of barrels hedged, and ensuring that these were consistent with our understanding and with the inputs used in other key accounting judgements in the financial statements;
- Validating the opening cash balances and the key terms and conditions associated with debt facilities and ensuring these are appropriately considered in the model;
- Assessing the mathematical accuracy of management's model; and
- Evaluating the disclosures in relation to management's going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Parent Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to environmental and licence regulation, health and safety regulations, and anti-bribery and

corruption laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and Colombian tax regulation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to potential management bias in accounting estimates and the posting of inappropriate journal entries to increase revenue or profits. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Enquiries of management around known or suspected instances of non-compliance with laws and regulations, claims and litigation, and instances of fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Review of board minutes;
- Challenging management on the assumptions and judgements made in their significant accounting estimates; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations that increased revenue or profits.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

# Other required reporting

## Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Richard Spilsbury (Senior Statutory Auditor) (signed)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
13 March 2024

## CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

For the year ended 31 December 2023 and 2022

*(Thousands of United States dollars)*

| | Note | | Year ended 31 December | |
|---|---|---|---|---|
| | | | 2023 | 2022 |
| Revenue | | | | |
| Oil and natural gas sales | | | 920,485 | 1,074,786 |
| Service revenue | | | 997 | 1,399 |
| **Total revenue** | 3 | **$** | **921,482** | **1,076,185** |
| Operational expenses | | | | |
| Production and operating expenses | 4 | | (369,721) | (307,125) |
| Impairment (loss)/reversal of PP&E | 4 | | (19,570) | 1,170 |
| Exploration expenses | 5 | | (17,264) | (65,822) |
| General and administrative expenses | 6 | | (41,525) | (37,643) |
| Fair value remeasurement | | | – | (5,297) |
| **Total operational expenses** | | **$** | **(448,080)** | **(414,717)** |
| **Net income from operations** | | **$** | **473,402** | **661,468** |
| Finance cost | 7 | | (58,516) | (96,359) |
| Finance income | 8 | | 28,486 | 15,225 |
| Other income (expenses) | | | 4,199 | (1,141) |
| Gain (loss) on property, plant and equipment sales | | | 728 | (2,207) |
| **Net income before tax** | | **$** | **448,299** | **576,986** |
| Income tax expense | 9 | | (147,623) | (281,053) |
| **Net income for the year** | | **$** | **300,676** | **295,933** |
| Remeasurement of the net pension liability | 19 | | (3,084) | 2,777 |
| **Other comprehensive (expense)/income** | | **$** | **(3,084)** | **2,777** |
| **Total comprehensive income for the year** | | **$** | **297,592** | **298,710** |
| **Attributable to:** | | | | |
| Shareholders of the Company | | $ | 261,295 | 241,522 |
| Non-controlling interest | | $ | 36,297 | 57,188 |

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2023 and 2022

*(Thousands of United States dollars)*

| | Note | Year ended 31 December 2023 | 2022 |
|---|---|---|---|
| Assets | | | |
| Property, plant and equipment | 10 | 961,516 | 920,597 |
| Other-long term assets | 15 | 4,654 | 4,654 |
| Goodwill | | 2,650 | 2,650 |
| Other receivables | 11 | 1,229 | 1,535 |
| Tax receivables | 12 | 322 | 322 |
| Investments | 13 | 33,870 | 22,826 |
| **Non-current assets** | | **$ 1,004,241** | **$ 952,584** |
| Derivative financial instruments | 25 | 20,294 | – |
| Tax receivables | 12 | 100,557 | 63,156 |
| Trade and other receivables | 11 | 77,701 | 73,882 |
| Inventory | 14 | 19,905 | 20,381 |
| Other current assets | | 4,617 | 233 |
| Cash and cash equivalents | | 88,679 | 106,194 |
| **Current assets** | | **$ 311,753** | **$ 263,846** |
| **Total assets** | | **$ 1,315,994** | **$ 1,216,430** |
| Liabilities and shareholders' equity | | | |
| Long-term notes | 16 | 586,547 | 584,022 |
| Deferred tax liability | 9 | 67,195 | 118,786 |
| Decommissioning and environmental liabilities | 17 | 84,851 | 95,623 |
| Lease liabilities | | 6,167 | 41 |
| Employee benefits | 18 | 4,518 | 4,096 |
| Pension liabilities | 19 | 11,474 | 760 |
| Long-term payables | 20 | 4,383 | 27,473 |
| **Non-current liabilities** | | **$ 765,135** | **$ 830,801** |
| Decommissioning and environmental liabilities | 17 | 12,566 | 4,374 |
| Lease liabilities | | 500 | 919 |
| Derivative financial instruments | 25 | 1,316 | 1,575 |
| Income tax payable | 9 | 167,600 | 183,554 |
| Pension liabilities | 19 | 4,391 | – |
| Employee benefits | 18 | 12,477 | 6,718 |
| Short-term debt | 23 | 20,000 | – |
| Interest payable | 24 | 1,641 | 1,500 |
| Tax Payables | 21 | 22,022 | 20,253 |
| Accounts payable and accrued liabilities | 22 | 151,607 | 174,664 |
| **Current liabilities** | | **$ 394,120** | **$ 393,557** |
| **Total liabilities** | | **$ 1,159,255** | **$ 1,224,358** |
| Share capital | 27 | 2,769 | 2,769 |
| Accumulated gain (losses) | | 101,394 | (61,476) |
| **Equity attributable to the shareholders of the Company** | | **104,163** | **(58,707)** |
| **Equity attributable to the non-controlling interest** | | **$ 52,576** | **50,779** |
| **Total equity** | | **156,739** | **$ (7,928)** |
| **Total liabilities and equity** | | **$ 1,315,994** | **$ 1,216,430** |

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

The financial statements on pages 73 through 116 were approved by the Board of Directors on 13 March 2024 and signed on its behalf by:

**Ms Alix Borch** (signed)
Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023 and 2022
*(Thousands of United States dollars)*

| | Share capital | Accumulated gain (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** |
| Other share capital contributions | 2,342 | – | 2,342 | – | 2,342 |
| Dividends paid to equity holders | – | (268,000) | (268,000) | – | (268,000) |
| Dividends paid to non-controlling interests | – | – | – | (67,500) | (67,500) |
| Remeasurement Management Incentive Plan ("**MIP**") | – | 3,011 | 3,011 | – | 3,011 |
| Total comprehensive income for the year | – | 241,522 | 241,522 | 57,188 | 298,710 |
| **31 December 2022** | **$ 2,769** | **$ (61,476)** | **$ (58,707)** | **$ 50,779** | **$ (7,928)** |
| Dividends paid to equity holders | – | (100,000) | (100,000) | – | (100,000) |
| Dividends paid to non-controlling interests | – | – | – | (34,500) | (34,500) |
| Remeasurement MIP | – | 1,575 | 1,575 | – | 1,575 |
| Total comprehensive income for the year | – | 261,295 | 261,295 | 36,297 | 297,592 |
| **31 December 2023** | **$ 2,769** | **$ 101,394** | **$ 104,163** | **$ 52,576** | **$ 156,739** |

[1] SierraCol Energy Arauca, LLC is 75% owned by SierraCol Energy Holder Ltd, ("**Holder**") and 25% owned by Repsol 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 consolidated statement of changes in equity.

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

## CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2023 and 2022
*(Thousands of United States dollars)*

| | Note | Year ended 31 December | |
|---|---|---|---|
| | | **2023** | **2022** |
| Operating activities | | | |
| Net income before tax | | 448,299 | 576,986 |
| *Adjustments for non-cash items:* | | | |
| Depreciation, depletion and amortisation | 10 | 128,936 | 114,415 |
| Inventory fluctuation | 4 | (938) | 394 |
| (Reversal) impairment of materials | 4 | (1,900) | 7,228 |
| Impairment (reversal) of PP&E | 4 | 19,570 | (1,170) |
| Write-off and impairment of E&E assets | 5 | 12,184 | 61,625 |
| Unrealised fair value gain on derivatives | 8 | (259) | (7,439) |
| Unrealised foreign exchange gain | 8 | (780) | (9,559) |
| Financial income | 8 | (15,872) | (4,658) |
| Financial expenses | 7 | 45,397 | 40,450 |
| Loss in property, plant and equipment sales | | 828 | – |
| Accretion of decommissioning liability | 7 | 3,449 | 4,090 |
| Prepaid expenses charged to income statement | 11 | 9,602 | 10,085 |
| Amortisation debt issuance costs | 16/23 | 4,332 | 2,244 |
| Fair value remeasurement MIP | | 1,575 | 3,011 |
| Fair value remeasurement contingent consideration | | – | 5,297 |
| ***Adjustments for non-cash items*** | | ***$ 654,423*** | ***$ 802,999*** |
| Changes in trade and other receivables | | (15,106) | (12,892) |
| Changes in inventories | | 3,314 | 3,037 |
| Changes in trade and other payables | | (100,299) | (65,665) |
| ***Changes in assets and liabilities*** | | ***$ (112,091)*** | ***$ (75,520)*** |
| Income tax payments | 9 | (197,141) | (132,142) |
| **Net cash flows provided from operating activities** | | **$ 345,191** | **$ 595,337** |
| | | | |
| Investing activities | | | |
| Expenditures on property, plant and equipment | 10 | (169,458) | (150,784) |
| Expenditures on exploration and evaluation assets | 10 | (3,692) | (29,654) |
| Acquisition of PUT-36 | | – | (10,000) |
| Interest income | | 13,283 | 4,658 |
| Contingent consideration paid | 22 | (45,000) | (56,700) |
| Proceeds from asset held for sale | | – | 8,200 |
| **Net cash flows used in investing activities** | | **$ (204,867)** | **$ (234,280)** |
| Financing activities | | | |
| Drawdown of short-term debt | 23 | 65,000 | – |
| Short-term debt payments | 23 | (45,000) | – |
| Short-term debt issuance costs | 23 | (1,807) | – |
| Dividends paid (to equity holders and NCI) | | (134,500) | (335,500) |
| Interest and financial expenses paid | 16 | (42,993) | (38,301) |
| Lease payments | | (1,257) | (3,696) |
| Proceeds from issuance of common shares | | – | 2,342 |
| **Net cash flows used in financing activities** | | **$ (160,557)** | **$ (375,155)** |

| | Note | Year ended 31 December | |
|---|---|---|---|
| | | 2023 | 2022 |
| Net increase in cash and cash equivalents | | (20,233) | (14,098) |
| Cash and cash equivalents at the beginning of the year | | 106,194 | 119,306 |
| Foreign exchange impact on cash and cash equivalents | | 2,718 | 986 |
| **Cash and cash equivalents at the end of the year** | | **$ 88,679** | **$ 106,194** |

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

## 1. Reporting entity

SierraCol Energy Limited ("**the Company**" or "**SCE**") is a private limited company, limited by shares, incorporated and domiciled 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's registered office is 8th Floor 1 Southampton Street, London, England WC2R 0LR. These 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 production 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 the ANH, where Amerisur Exploration Colombia Limitada ("**Amerisur**") is also a partner and operator, 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. In December 2023, Andina acquired all the interests, rights, and obligations held by SierraCol Energy PUT-36 LLC ("**PUT-36**") in the Put-36 E&P contract.
- 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.
- 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 31 December 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 | Production |
| Middle Mag. | Bocachico | 100% | 100% | Cinco Ranch | Cinco Ranch, ECP | Terminated. 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, Perenco | 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 | Andina, 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 material accounting policy information

### Basis of preparation

The consolidated financial statements ("**financial statements**") of the Company and its subsidiaries (collectively referred to as "**the Group**") for the year ended 31 December 2023, have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The accounting policies have been consistently applied, unless otherwise stated.

### Basis of measurement and going concern

These financial 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 financial 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 financial statements, the Directors have made an assessment of the Group's ability to continue as a going concern. As of 31 December 2023, the Group had net current liabilities of $82.4 million, cash and cash equivalents balances of $88.7 million, long-term liabilities of $765.1 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 $13.0 million was drawn down in 2024 and as of the date of these financial statements (Note 34). 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 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 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 financial 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 financial 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.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the consolidated statements of income and comprehensive income, statement of financial position and statement of changes in equity, respectively.

### 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 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 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 recognises 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 recognises 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 when commercially viable reserves are expected to emerge as a 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 10.

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 recognise 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 significantly improve. 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 31 December 2023 and 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 CGUs 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 CGUs 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 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 consolidated statement of comprehensive income/(loss) and the consolidated statement of cash flows.

## Financing income and cost

Interest income and cost are recognised in the Group 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 recognised 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 a liability and expense for termination benefits 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 accretion of the decommissioning liability is recognised as a financial expense.

## Tax

The tax expense represents the sum of the dividend tax withholding, income tax currently payable and deferred tax. Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

## 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 internally at least annually and subject to review by third party experts on an annual basis.

### 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 CGUs 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. The 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 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 US denominated risk-free rates, based on US government bond prices, to discount the estimated future cash flows. The maturity of the government bonds used match the expected maturities of the abandonment cash flows being discounted.

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. The timing of expected settlement of the

environmental liabilities can differ 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) International Tax Reform - Pillar Two Model Rules - amendments to IAS 12.

The Group is within the scope of the Economic Cooperation and Development ("**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 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

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

| *$ thousands* | | Year ended 31 December | |
|---|---|---|---|
| | | 2023 | 2022 |
| Sale of oil | | 918,513 | 1,073,426 |
| Sale of natural gas | | 1,972 | 1,360 |
| Service revenue | | 997 | 1,399 |
| **Total revenue** | **$** | **921,482** | **1,076,185** |

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 is considered to be as the "chief operating decision maker" ("**CODM**").

Details of the oil revenue per customer are as follows:

| *$ thousands* | | Year ended 31 December | |
|---|---|---|---|
| | | 2023 | 2022 |
| Ecopetrol | | 818,673 | 1,003,249 |
| Goam 1 CI SAS | | 99,840 | 70,177 |
| **Total sales of oil[1]** | **$** | **918,513** | **1,073,426** |

[1] Revenue for year ended ended 31 December 2023 corresponds to 12,014,032 barrels of oil sold with an average realised price of $76.4534/bbl, and for the year ended ended 31 December 2022 to 11,653,537 barrels of oil sold with an average realised price of $92.1116/bbl.

## 4. Production and operating expenses

| *$ thousands* | | Year ended 31 December | |
|---|---|---|---|
| | | 2023 | 2022 |
| Well services | | 71,488 | 44,232 |
| Energy costs | | 55,057 | 44,829 |
| Support costs | | 47,594 | 44,463 |
| Maintenance costs | | 38,738 | 30,747 |
| Production costs | | 20,333 | 10,561 |
| ***Total lifting cost*** | ***$*** | ***233,210*** | ***174,832*** |
| Pipeline tariff | | 7,763 | 8,797 |
| Trucking | | 2,650 | 1,459 |
| ***Lifting and transportation costs*** | ***$*** | ***243,623*** | ***185,088*** |
| Depreciation, depletion and amortisation | | 128,936 | 114,415 |
| Impairment (Reversal) of PP&E[1] | | 19,570 | (1,170) |
| (Reversal) impairment of materials | | (1,900) | 7,228 |
| Inventory fluctuation | | (938) | 394 |
| **Total Production and Operating Expenses** | **$** | **389,291** | **305,955** |

[1] As of 31 December 2023 the impairment loss recognised in 2023 represents the impairment of the Bolívar CGU.

## 5. Exploration expenses

| *$ thousands* | Year ended 31 December | | |
|---|---|---|---|
| | | 2023 | 2022 |
| Exploration Cost[1] | | 10,101 | 25,454 |
| Overhead | | 2,765 | 2,515 |
| Seismic | | 2,315 | 6,412 |
| Dry hole cost[2] | | 2,083 | 31,441 |
| **Total** | **$** | **17,264** | **65,822** |

[1] For the year ended 31 December 2023 this line relates to PUT-36 impairment, while the main activity for the year ended 31 December 2022 includes $19.1 million of impaired costs related to the acquisition of the PUT-8 block.
[2] Cost for the year 2023 relates mainly to the write-off of ION-1 exploratory well in LCI of $1.6 million, whereas during the same period in 2022 it includes $30 million related to the write-off of Caño Caranal DT/ST and Batea exploratory wells.

## 6. General and administrative expenses

| *$ thousands* | Year ended 31 December | | |
|---|---|---|---|
| | | 2023 | 2022 |
| Personnel expenses | | 33,408 | 29,688 |
| Professional fees | | 15,261 | 17,861 |
| Services | | 9,514 | 9,485 |
| Financial transaction tax and others[1] | | 3,496 | 96 |
| Bank fees[1] | | – | 2,487 |
| Recovered costs from partners | | (21,181) | (21,974) |
| **Subtotal general and administrative expenses** | **$** | **40,498** | **37,643** |
| Restructuring, severance and other costs | | 1,027 | – |
| **Total** | **$** | **41,525** | **37,643** |

[1] During the year 2022 the bank fees line additionally included the financial transaction tax, however, starting in 2023, the bank fees were reclassified to financial expenses and the financial transaction tax is presented in its own line.

## 7. Finance costs

| *$ thousands* | Year ended 31 December | | |
|---|---|---|---|
| | | 2023 | 2022 |
| Financial expenses[1] | | 45,404 | 40,450 |
| Realised fair value loss on derivatives[2] | | 5,331 | 49,575 |
| Amortisation of debt issuance costs | | 4,332 | 2,244 |
| Accretion of decommissioning liability | | 3,449 | 4,090 |
| **Total** | **$** | **58,516** | **96,359** |

[1] The year ended 31 December 2023 includes accrued and paid interest for long-term notes of $36.0 million, $3.2 million interest from short-term debt and it also includes letters of credit fees and bank fees.
[2] During the year 2023, the Group maintained the put hedging strategy ensuring a lower exposure to risk, meanwhile, in 2022 results were negatively impacted by out-of-the-money collar structures.

## 8. Finance income

| $ thousands | Year ended 31 December | |
|---|---|---|
| | 2023 | 2022 |
| Bank and trust accounts interest income[(1)] | 15,798 | 4,591 |
| Foreign exchange gain[(2)] | 12,355 | 3,128 |
| Unrealised fair value gain on derivatives[(3)] | 259 | 7,439 |
| Other finance income | 74 | 67 |
| **Total** | **$ 28,486** | **15,225** |

(1) For the year ended 31 December 2023 the increase corresponds to improvement in interest rates earned on savings accounts and trust portfolios.
(2) As of 31 December 2023 includes net foreign exchange gain of $33.8 million and related to currency hedging positions and net foreign exchange loss of $21.4 million primarily associated with working capital. For the year ended 31 December 2023, the Colombian peso ("**COP**") appreciated by approximately 21%, whereas during the same period in 2022, the Colombian peso presented a depreciation of approximately 21%.
(3) For the year ended 31 December 2023, the unrealized fair value gain on derivatives experienced a significant decrease to 0.26 million. This decrease was attributed to the introduction of new hedging instruments with reduced risk.

## 9. Income tax expense

UK holding entities are subject to UK tax law obligations including Company tax return 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 continues at 35%. Starting in 2023, in connection with the 2022 tax reform, a permanent variable tax surcharge is applicable to the oil and gas E&P industry of between 0% to 15% depending on the international Brent average prices for the taxable year. The applicable tax surcharge is 10% for the current year (2022 - Not applicable). The surcharge is ultimately decided by the ANH as provided for in LAW 2277 of 2022.

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 other than the source of operations.

Tax expense for the year ended 31 December 2023, and 2022 is as follows:

| $ thousands | Year ended 31 December | |
|---|---|---|
| | 2023 | 2022 |
| Current income tax | 199,214 | 241,217 |
| Deferred income tax | (51,591) | 41,829 |
| Dividend tax expense[(1)] | – | (1,993) |
| **Total tax expense** | **$ 147,623** | **$ 281,053** |

(1) The Arauca subsidiary completed in October 2022 the required documentation in order to fully migrate tax residency to the UK, as a result, no provision in respect of tax withholding dividend is being accrued for.

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 and others | (15,582) | – | (15,582) |
| **Balance at 31 December 2022** | **$ 183,554** | **$ –** | **$ 183,554** |
| Adjustment for current tax of prior period | (18,571) | – | (18,571) |
| Additions (tax accruals) | 217,785 | – | 217,785 |
| Withholdings and others utilised | (61,758) | – | (61,758) |
| Payments | (197,141) | – | (197,141) |
| Exchange rate effect and others | 43,731 | – | 43,731 |
| **Balance at 31 December 2023** | **$ 167,600** | **$ –** | **$ 167,600** |

[1] Dividend tax provision reversal initially booked under the assumption that Arauca 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.

Income tax expense reconciliation is as follows:

| *$ thousands* | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Income before taxes | 448,299 | 576,986 |
| Tax at the UK tax rate of | 25 % | 19 % |
| **Income tax expense** | **$ 112,075** | **$ 109,627** |
| *Tax effect of amounts which are not deductible (taxable) in calculating taxable income:* | | |
| Difference in overseas tax rates | 89,660 | 92,317 |
| Non-deductible local and overseas expense | 9,314 | 10,043 |
| Temporary differences | 7,518 | 29,781 |
| Deferred tax | (51,591) | 41,829 |
| Adjustment for current tax of prior period | (19,353) | (2,544) |
| **Total income tax expense** | **$ 147,623** | **$ 281,053** |

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

| *$ thousands* | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Decommissioning and environmental liability | 10,521 | 40,215 |
| Inventories | 12,146 | 7,972 |
| **Total deferred tax assets** | **$ 22,667** | **$ 48,187** |
| PP&E | (76,268) | (157,066) |
| Others | (7,827) | (14,227) |
| Employee benefits | (3,094) | 990 |
| Trade and other receivables | (2,673) | 3,330 |
| **Total deferred tax liability** | **$ (89,862)** | **$ (166,973)** |
| **Net deferred tax liability** | **$ (67,195)** | **$ (118,786)** |
| Deferred tax expense | | |
| Decommissioning and environmental liability | 29,694 | (165) |
| Trade and others receivables | 6,003 | 1,255 |
| Employee benefits | 4,084 | (12) |
| **Increase in deferred tax assets** | **$ 39,781** | **$ 1,078** |
| PP&E | (80,798) | 32,288 |
| Other | (6,400) | 11,607 |
| Inventories | (4,174) | (3,144) |
| **Deferred tax liability** | **$ (91,372)** | **$ 40,751** |
| **Deferred income tax expense** | **$ (51,591)** | **$ 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 | (80,798) | 6,003 | (4,174) | 29,694 | 4,084 | (6,400) | (51,591) |
| **Balance at 31 December 2023** | **$ 76,268** | **$ 2,673** | **$ (12,146)** | **$ (10,521)** | **$ 3,094** | **$ 7,827** | **$ 67,195** |

The deferred tax asset generated by non-operating entities where there is reasonable uncertainty of future profits, is not recognised.

Loss - carry forwards

The Cinco Ranch, Condor and Lagosur 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 31 December 2023, and 2022:

| *$ thousands* | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Cinco Ranch | 2,348 | 1,758 |
| Condor | 1,860 | 347 |
| Lagosur | 139 | 1,610 |
| Global | – | 1,720 |
| **Total** | **$ 4,347** | **$ 5,435** |

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

## 10. Property, plant and equipment

Management conducted a thorough review of potential impairment indicators as of the reporting date and identified indicators of impairment for on the Bolívar CGU and PUT-36 E&E asset. The detailed Property, Plant, and Equipment (PP&E) movement is below:

| *$ thousands* | Lands | Buildings | Administrative assets[1] | Exploration assets[2] | Oil and gas assets[3] | Right-of- use assets[4] | 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 | – | 1,115 | 760 | 31,113 | 167,659 | – | 200,647 |
| ARO change in estimate | – | – | – | – | (21,907) | – | (21,907) |
| Inventory of capitalizable parts/components | – | – | – | – | 2,934 | – | 2,934 |
| Transfers | – | – | – | 5,917 | (5,917) | – | – |
| Impairment | – | – | – | – | 1,170 | – | 1,170 |
| Exploration expenditure write-off (Note 5) | – | – | – | (61,625) | – | – | (61,625) |
| Retirements and right-of-use cancellations | – | – | (562) | – | (158) | (2,873) | (3,593) |
| **Balance at 31 December 2022** | **$ 224** | **$ 5,044** | **$ 40,645** | **$ 11,013** | **$ 1,146,966** | **$ 10,441** | **$ 1,214,333** |
| Additions | – | 252 | 6,618 | 7,930 | 168,466 | 6,964 | 190,230 |
| ARO change in estimate | – | – | – | – | 9,486 | – | 9,486 |
| Inventory of capitalizable parts/components | – | – | – | – | 2,721 | – | 2,721 |
| Transfers | – | 6,570 | (3,279) | 334 | (3,625) | – | – |
| Impairment[5] | – | – | – | (10,032) | (19,570) | – | (29,602) |
| Exploration expenditure write-off (Note 5) | – | – | – | (2,152) | – | – | (2,152) |
| Retirements and right-of-use cancellations[4] | – | (5,698) | (1,266) | – | (55) | – | (7,019) |
| **Balance at 31 December 2023** | **$ 224** | **$ 6,168** | **$ 42,718** | **$ 7,093** | **$ 1,304,389** | **$ 17,405** | **$ 1,377,997** |

| *$ thousands* | | Lands | | Buildings | | Administrative assets[1] | | Exploration assets[2] | | Oil and gas assets[3] | | Right-of- use assets[4] | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ***Accumulated Depreciation*** | | | | | | | | | | | | | | |
| **Balance at 31 December 2021** | **$** | **–** | **$** | **(766)** | **$** | **(4,924)** | **$** | **(827)** | **$** | **(167,516)** | **$** | **(6,008)** | **$** | **(180,041)** |
| Depreciation | | – | | (393) | | (5,502) | | – | | – | | (3,532) | | (9,427) |
| Depletion and Amortisation | | – | | – | | – | | – | | (104,988) | | – | | (104,988) |
| Transfers | | – | | – | | – | | 827 | | (827) | | – | | – |
| Retirements | | – | | – | | 562 | | – | | 158 | | – | | 720 |
| **Balance at 31 December 2022** | **$** | **–** | **$** | **(1,159)** | **$** | **(9,864)** | **$** | **–** | **$** | **(273,173)** | **$** | **(9,540)** | **$** | **(293,736)** |
| Depreciation | | – | | 357 | | (6,551) | | – | | – | | (1,245) | | (7,439) |
| Depletion and Amortisation | | – | | – | | – | | – | | (121,268) | | (229) | | (121,497) |
| Transfers | | – | | (244) | | 6,287 | | – | | (6,043) | | – | | – |
| Retirements | | – | | – | | 1,266 | | – | | 4,925 | | – | | 6,191 |
| **Balance at 31 December 2023** | **$** | **–** | **$** | **(1,046)** | **$** | **(8,862)** | **$** | **–** | **$** | **(395,559)** | **$** | **(11,014)** | **$** | **(416,481)** |
| **Net book value at 31 December 2022** | **$** | **224** | **$** | **3,885** | **$** | **30,781** | **$** | **11,013** | **$** | **873,793** | **$** | **901** | **$** | **920,597** |
| **Net book value at 31 December 2023** | **$** | **224** | **$** | **5,122** | **$** | **33,856** | **$** | **7,093** | **$** | **908,830** | **$** | **6,391** | **$** | **961,516** |

[1] Includes computer and communication equipment, office equipment, vehicles, and other equipment.
[2] In both the current and prior years, indicators of impairment were identified on CGUs within the Group's portfolio of E&E assets.
[3] Additions mainly include capital expenditures associated to with development wells, workovers and production facilities.
[4] During 1Q 23, the Group recognised a finance lease of $6 million for the rent of the Once93 building.
[5] The Group's annual assessment of whether any indicators of impairment exist on the Group's portfolio of PPE identified an indicator of impairment on the Bolivar CGU. As of 31 December 2023 the impairment loss recognised in 2023 represents the 100% impairment of the Bolivar CGU NBV. The main driver for the impairment recognition were the environmental uncertainties related to the contract. Reserves were fully debooked at YE 2023.

## 11. 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* | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Trade receivables | 58,855 | 63,533 |
| Joint operations | 12,869 | 5,693 |
| Prepaid expenses[1] | 495 | 318 |
| Others | 5,382 | 4,120 |
| Loans to employees | 100 | 218 |
| **Short-term total** | **$ 77,701** | **$ 73,882** |
| Loans to employees, Directors, and officers | 1,229 | 1,535 |
| **Long-term total** | **$ 1,229** | **$ 1,535** |

[1] Amortisation of prepaid expenses during the year ended 31 December 2023 and 2022 of $9.6 million and $10.1 million, respectively were included in the consolidated statement of income and comprehensive income.

## 12. Tax receivables

| *$ thousands* | Withholding[1] | Value added taxes (VAT)[2] | Total |
|---|---|---|---|
| **Balance at 31 December 2021** | **$ 49,782** | **$ 3,168** | **$ 52,950** |
| Additions | 59,179 | 3,128 | 62,307 |
| Utilised | (44,684) | (2,118) | (46,802) |
| Exchange rate effect | (4,810) | (167) | (4,977) |
| **Balance at 31 December 2022** | **$ 59,467** | **$ 4,011** | **$ 63,478** |
| Additions | 77,571 | 482 | 78,053 |
| Utilised | (61,758) | (137) | (61,895) |
| Exchange rate effect | 19,327 | 1,916 | 21,243 |
| **Balance at 31 December 2023** | **$ 94,607** | **$ 6,272** | **$ 100,879** |
| | | | |
| **Short-term total** | **$ 94,285** | **$ 6,272** | **$ 100,557** |
| **Long-term total** | **$ 322** | **$ –** | **$ 322** |

[1] This balance is composed of withholdings which will be offset against the Colombian 2023 CIT return when submitted in 2024.
[2] Value-added taxes, correspond to recoverable amounts via refunds which are in process with the Colombian tax authority and are expected to be received during the second quarter of 2024.

## 13. Long-term investments

| *$ thousands* | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Cravo Norte abandonment trust portfolio | 17,306 | 11,607 |
| LCI abandonment trust portfolio | 14,162 | 9,560 |
| Llanos Central Abandonment trust funds | 2,402 | 1,659 |
| **Total** | **$ 33,870** | **$ 22,826** |

The above long-term assets correspond to the participation of the Group in trust funds maintained to meet the future abandonment obligations associated with certain contracts. Contractually, and on an annual basis, the Group calculates the portion of the future liability to be funded and held in the

trust. As a result, these long-term investments are not considered as part of the available liquidity of the Group. 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 17).

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.

## 14. Inventory

| *$ thousands* | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Crude oil inventory[1] | 4,984 | 4,620 |
| Materials and supplies stock[2] | 14,921 | 15,761 |
| **Total** | **$ 19,905** | **$ 20,381** |

[1] Crude oil inventory corresponds to 172 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] Includes materials and supplies to be used in drilling campaigns, maintenance of wells, workovers, and facilities.

## 15. Other long-term assets

The amount of $4.7 million relates to an agreement executed with Ecopetrol in 2010 whereby Arauca and Andina sold their percentage interest in the Caño Limón Coveñas pipeline. As a result of the sale, a transport agreement was entered into with Cenit Transporte y Logistica de Hidrocarburos (a subsidiary of Ecopetrol, "**Cenit**"). As part of the transport agreement, Cenit provided a mechanism for a certain number of barrels of oil expected to be received by Arauca and Andina from the Caño Limón Coveñas pipeline. This amount is expected to be recovered at the end of the association contract.

## 16. 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 $2.5 million movement in the year (2022: $2.2 million) relates to the amortisation of previously capitalised transaction costs.

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.

## 17. Decommissioning and environmental liabilities

| *$ thousands* | | Decommissioning | | Environmental | | Total |
|---|---|---|---|---|---|---|
| **Balance at 31 December 2021** | **$** | **108,481** | **$** | **7,405** | **$** | **115,886** |
| Change in estimate | | (23,678) | | 1,771 | | (21,907) |
| Accretion expense | | 3,686 | | 404 | | 4,090 |
| Payments | | (3,563) | | (159) | | (3,722) |
| Additions in the period | | 5,317 | | 333 | | 5,650 |
| **Balance at 31 December 2022** | | **90,243** | | **9,754** | | **99,997** |
| **Short-term at 31 December 2022** | **$** | **2,688** | **$** | **1,686** | **$** | **4,374** |
| **Long-term at 31 December 2022** | **$** | **87,555** | **$** | **8,068** | **$** | **95,623** |
| Change in estimate | | (15,190) | | 368 | | (14,822) |
| Accretion expense | | 2,956 | | 493 | | 3,449 |
| Payments | | (3,815) | | – | | (3,815) |
| Additions in the period | | 7,984 | | 4,624 | | 12,608 |
| **Balance at 31 December 2023** | | **82,178** | | **15,239** | | **97,417** |
| **Short-term at 31 December 2023** | **$** | **9,837** | **$** | **2,729** | **$** | **12,566** |
| **Long-term at 31 December 2023** | **$** | **72,341** | **$** | **12,510** | **$** | **84,851** |

The decommissioning and environmental liability represents 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 2024 and 2060 in Colombia.

The total undiscounted and uninflated amount of cash flows required to settle the Group's decommissioning and environmental liability is $246 million as of the end of the reporting period.

Cash flows were discounted at rates between 3.97% and 4.28% (2022: 4.14%) and inflation rates between 2.10% and 2.80% (2022: 1.81% and 3.98%) were applied to the cash flows.

A 1% increase in the risk-free rate would decrease the liability by $11 million and a 1% decrease in the risk-free rate would increase the liability by $14 million.

## 18. Employee benefits

The following table provides a detail of employee benefits payable at 31 December 2023, and 2022 :

| *$ thousands* | | 31 December 2023 | | 31 December 2022 |
|---|---|---|---|---|
| Salaries, bonuses and other benefits[1] | | 11,881 | | 6,306 |
| Severance | | 596 | | 412 |
| **Short-term benefits and liabilities** | **$** | **12,477** | **$** | **6,718** |
| Salaries, bonuses and other benefits | | 4,418 | | 4,036 |
| Severance | | 100 | | 60 |
| **Long-term benefits and liabilities** | **$** | **4,518** | **$** | **4,096** |

[1] For the period ended 31 December 2023 higher employee benefits is mainly related to the increase in the provision of annual bonuses (affected by salary increases) and long-term incentives, in combination with the exchange rate effect.

Employee salaries, bonuses and short-term benefits are included in production and administrative expenses in the consolidated statement of comprehensive income.

Staff numbers and costs

For the year ended 31 December 2023 and 2022 the average number of employees was 554 and 590, respectively, the segregation in the main groups is described below:

| | 2023 average | 2022 average |
|---|---|---|
| Administrative and support staff | 122 | 153 |
| Technical staff | 171 | 169 |
| Field staff | 261 | 268 |
| **Total** | **554** | **590** |

Total compensation cost for the staff:

| *$ thousands* | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Wages and salaries | 36,143 | 30,667 |
| Social security costs | 1,618 | 1,388 |
| Pension cost | 1,906 | 1,655 |
| **Total compensation** | **$ 39,667** | **$ 33,710** |

## 19. 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.

| | |
|---|---|
| **As at December 31, 2022** | **$ 15,894** |
| Interest expense on defined benefit obligation | 2,159 |
| **Total amount recognised in profit or loss** | **$ 2,159** |
| Effect of changes in financial assumptions | 1,887 |
| Effect of experience adjustments | 1,197 |
| **Total amount recognised in other comprenhensive Income** | **$ 3,084** |
| Exchange differences | 4,089 |
| Payments | (3,046) |
| **As at December 31, 2023** | **$ 22,180** |

| *$ thousands* | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Short-term pension liability | 8,422 | 6,561 |
| Long-term pension liability | 13,758 | 9,333 |
| **Pension liabilities[1]** | **$ 22,180** | **$ 15,894** |
| **Pension funds[2]** | **$ (6,315)** | **$ (15,134)** |
| **Short and long-term pension liabilities** | **$ 15,865** | **$ 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 61 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, 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.

The pension liability items are as follows:

| $ thousands | 31 December 2023 | | | 31 December 2022 | | |
|---|---|---|---|---|---|---|
| | Current | Non-Current | Total | Current | Non-Current | Total |
| Retirement | 1,496 | 11,895 | 13,391 | 1,005 | 7,244 | 8,249 |
| Pension bonds and securities | 6,926 | 1,863 | 8,789 | 5,555 | 2,090 | 7,645 |
| **Total Pension liabilities** | **8,422** | **13,758** | **22,180** | **6,560** | **9,334** | **15,894** |

The major categories of plan assets are as follows:

| | 31 December 2023 | | 31 December 2022 | |
|---|---|---|---|---|
| *$ thousands* | Amount | % | Amount | % |
| *Debt instruments* | | | | |
| TES[1] – public sector | 1,404 | 22 % | 5,075 | 33 % |
| Bonds – financial sector | 486 | 8 % | 2,148 | 14 % |
| Bonds – public sector | 1,172 | 19 % | 2,076 | 14 % |
| Bonds – real sector | 1,297 | 20 % | 2,227 | 15 % |
| CDT[2] – financial sector | 1,638 | 26 % | 3,146 | 21 % |
| *Cash and cash equivalents* | | | | |
| Banks | 155 | 2 % | 462 | 3 % |
| Mutual funds | 163 | 3 % | – | – % |
| **Plan assets** | **$ 6,315** | **100 %** | **$ 15,134** | **100 %** |

[1] TES are issued by the Ministry of Finance and administered by the Banco de la República and allow the government to obtain financing according to a fixed or variable rate; its denomination is in dollars or real value units (UVR) and that must be paid on the agreed terms (example: one, two, five and ten years).
[2] CDT is a document provided by a financial institution detailing the term, deposit amount, interest rate and maturity date of a term deposit.

The following is the summary of the main economic assumptions:

| Assumption | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Discount rate | 11.75% per year | 12.75%-13.00% per year |
| Salary increase | 9.59% the first year, 5.55% the second year and 3% onwards | 5% the first year and 3% onwards |
| Long-term inflation rate | 9.59% the first year, 5.55% the second year and 3% onwards | 5% the first year and 3% onwards |
| Medical policy increase | 10.09% the first year, 6.05% the second year and 3.5% onwards | 5.5% the first year and 3.5% onwards |

The following is the summary of the main demographic assumptions used in the actuarial study for pensions:

| Assumption | |
|---|---|
| Mortality | Colombian Mortality Table RV2008 |
| Rotation | Rotation Table SOA 2003 |
| Retirement age | 62 for men and 57 for women |

Table of rates below provides the actuarial assumption of the probability of death for a member of the Group within the next 12 months:

| Age | Mortality percentage | |
|---|---|---|
| | Male | Female |
| 30 | 0.08% | 0.05% |
| 35 | 0.11% | 0.06% |
| 40 | 0.16% | 0.09% |
| 45 | 0.23% | 0.13% |
| 50 | 0.34% | 0.19% |
| 55 | 0.51% | 0.28% |
| 60 | 0.77% | 0.43% |
| 65 | 1.27% | 0.69% |
| 70 | 2.11% | 1.14% |
| 80 | 5.37% | 3.28% |
| 90 | 12.79% | 9.57% |
| 100 | 29.40% | 28.34% |
| 110 | 100.00% | 100.00% |

The sensitivity of the defined benefit obligation to changes in the weighted principal by 50 basis points is:

| **1. Discount rate ($ thousands)** | **31 December 2022** | **31 December 2021** |
|---|---|---|
| a. Discount rate - 50 basis points[1] | $22,932 | $ 16,402 |
| b. Discount rate + 50 basis points[1] | $21,471 | $ 15,414 |
| c. Price inflation rate - 50 basis points d. Price inflation rate + 50 basis points | $21,365 | $ 15,328 |
| d. Price inflation rate + 50 basis points | $23,042 | $ 16,491 |
| **2. Weighted average duration of defined benefit obligation (years)** | | |
| a. Discount rate - 50 basis points | 6.71 | 2.60 - 6.62 |
| b. Discount rate + 50 basis points | 6.52 | 2.52 - 6.44 |
| **3. Assumptions (%)** | | |
| a. Discount rate - 50 basis points | 11.25% | 12.25%-12.50% |
| b. Discount rate + 50 basis points | 12.25% | 13.25%-13.50% |
| c. Price inflation rate - 50 basis points d. Price inflation rate + 50 basis points | 9.09% | 2.5%-3.0% |
| d. Price inflation rate + 50 basis points | 10.09% | 3.5%-4.0% |

[1] According to law, this balance includes pension bonds and securities that were not discounted because they are only impacted by inflation rate.

The pension liability is remeasured annually, as of 31 December 2023 presented a negative impact in other comprehensive expenses of $3.1 million, as a result of the actuarial calculations update that includes changes in financial assumptions as inflationary rates, pension funds discount rates that are aligned with government TES bond rates and that for 2023 calculations were higher compared with 2022 assumptions.

## 20. Long-term payables

| *$ thousands* | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Other long-term payables | 4,383 | 2,473 |
| Contingent consideration[1] | – | 25,000 |
| **Long – Term Total** | **$ 4,383** | **$ 27,473** |

[1] The contingent consideration balance as of 31 December 2022 related to the third payment to OPC. This was reclassified to short-term payables as of 31 March 2023 (Note 22).

## 21. Tax payables

The following table provides a detail of the short term taxes payables as of 31 December 2023, and 2022:

| *$ thousands* | Value added taxes (VAT) | Carbon tax | Total |
|---|---|---|---|
| **Balance at 31 December 2021[(1)]** | **$ 18,886** | **$ 180** | **$ 19,066** |
| Net additions | 9,578 | 35 | 9,613 |
| Exchange rate effect | (8,360) | (66) | (8,426) |
| **Balance at 31 December 2022** | **$ 20,104** | **$ 149** | **$ 20,253** |
| Net additions | (3,714) | (206) | (3,920) |
| Exchange rate effect | 5,623 | 66 | 5,689 |
| **Balance at 31 December 2023** | **$ 22,013** | **$ 9** | **$ 22,022** |

[(1)] This balance corresponds to the presentation reclassification of VAT and carbon tax payables, formerly included in accounts payables

## 22. 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 31 December 2023, and 2022:

| *$ thousands* | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Trade payables and accrued expenses | 105,670 | 100,981 |
| Contingent consideration[(1)] | 25,000 | 45,000 |
| Accounts payable related to withholding tax | 9,746 | 7,959 |
| Holdbacks | 9,085 | 11,201 |
| Advance from customers | 298 | 4,730 |
| Joint operations[(2)] | 1,808 | 4,218 |
| Overlifting | – | 575 |
| **Total** | **$ 151,607** | **$ 174,664** |

[(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 31 December 2023 the balance corresponds to the third and final payment of the contingent consideration reclassified from long-term liabilities, according to the agreement, the amount will be made in Q2 2024.
[(2)] The decrease between 31 December 2023 and 31 December 2022 is mainly related to lower activity in Llanos Northern contracts (Cravo Norte and Chipiron).

## 23. 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 ("**SOFR**") posted by the Federal Reserve Bank of New York plus the applicable margin of 4.4%, payable monthly. On 12 December 2023 an agreement was signed granting a three-month extension, and therefore extending the expiration date to 3 April 2024.

As of 31 December 2023, the aggregate principal amount of commitments provided under the RCF is $120.0 million. $45.0 million was withdrawn on 1 June 2023, mainly with the purpose of settling working

capital obligations. On 29 September 2023, $25 million was repaid and, on 31 October 2023, the outstanding amount drawn from the facility of $20.0 million was repaid.

## 24. Interest payable

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

| *$ thousands* | |
|---|---|
| **Balance at 31 December 2021** | – |
| Notes accrued interest | 37,500 |
| Notes interest paid | (36,000) |
| **Balance at 31 December 2022** | **1,500** |
| Notes accrued interest | 36,000 |
| Notes interest paid | (36,000) |
| RCF accrued interest | 1,714 |
| RCF Interest paid | (1,714) |
| BTG facility accrued interest | 1,442 |
| BTG Interest paid | (1,301) |
| **Balance at 31 December 2023** | **1,641** |

## 25. Financial risk management contracts

### Commodity contracts

The Group, 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 consolidated statement of financial position at fair value.

The following is a summary of the risk management contracts in place as of 31 December 2023:

| | **Volume** | | **$/bbl** | | | |
|---|---|---|---|---|---|---|
| **Tenor** | **(Bpm)[1]** | **Average (Bpd)[2]** | **Sold Put** | **Purchased Put** | **Purchased Call** | **Sold Call** |
| 1M24 - January | 420,684 | 13,570 | – | 65.0 | – | – |
| 1M24 - February | 420,684 | 14,506 | – | 65.0 | – | – |
| 1M24 - March | 420,684 | 13,570 | – | 65.0 | – | – |
| 1M24 - April | 452,914 | 15,097 | – | 65.0 | – | – |
| 1M24-May | 155,587 | 5,019 | – | 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 31 December 2022:

| Tenor | Volume | | $/bbl | | | |
|---|---|---|---|---|---|---|
| | (Bpm) | Average (Bpd) | Sold Put | Purchased Put | Purchased Call | Sold Call |
| 1M 2023 | 119,983 | 4,137 | – | 70.0 | – | – |
| 1H 2023 | 1,054,500 | 2,917 | 50.0 | 60.0 | – | – |

The market value of derivative financial instruments for risk management contracts as of 31 December 2023 is $1.3 million and 31 December 2022 is $1.6 million.

### Currency contracts

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 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 31 December 2023:

| Term | Benchmark | Average strike price | | | Amount (USD) |
|---|---|---|---|---|---|
| | | Put | Call | Forward | |
| January 2024 | COP/USD | 4,067 | 4,623 | – | 15,000,000 |
| February 2024 | COP/USD | 4,067 | 4,623 | – | 15,000,000 |
| February 2024 | COP/USD | – | – | 4,306 | 16,200,000 |
| March 2024 | COP/USD | 4,067 | 4,623 | – | 15,000,000 |
| April 2024 | COP/USD | 4,183 | 4,778 | – | 15,000,000 |
| April 2024 | COP/USD | – | – | 4,360 | 51,500,000 |
| May 2024 | COP/USD | 4,183 | 4,778 | – | 15,000,000 |
| June 2024 | COP/USD | 4,183 | 4,778 | – | 15,000,000 |
| June 2024 | COP/USD | – | – | 4,410 | 51,000,000 |

The market value of derivative financial instruments for currency risk as of 31 December 2023 is $20.3 million (2022 - nil).

## 26. Auditors' remuneration

During the period, the Group obtained services from the Group's auditors and their associates and the corresponding fees are described below:

| *$ thousands* | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Fees for audit of the parent company and consolidated financial statements | 682 | 576 |
| Tax advisory services | 624 | 381 |
| Audit of the financial statements of the Company's subsidiaries | 385 | 320 |
| Audit-related assurance services | 418 | 325 |
| Other non-audit services | 18 | 297 |
| **Total** | **$ 2,127** | **$ 1,899** |

## 27. Share capital

Midco owns 100% of SCE shares. All shares are authorised, issues and fully paid. The par value per share is $0.001.

| 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 31 December 2023** | **2,768,608,848** | **$** | **2,769** |

As of 31 December 2023 and 2022 the dividend per share was $0.04 and $0.11, respectively. *(Amount presented in $ USD)*

## 28. SCE subsidiaries

The consolidated financial statements include the financial statements of SCE and its subsidiaries as of 31 December 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[(1)] | 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 |

(1) As of 15 December 2023, the cancellation of SierraCol Energy Crude Sales was completed.

Arauca is 75% owned by Holder and 25% owned by Repsol. For consolidation purposes, Repsol's interest is included as a NCI in accordance with IFRS 10 within the consolidated statement of changes in equity.

The following tables summarise the financial information for the entities in which there is a non-controlling interest in the Group's activities:

| *$ thousands* | | 31 December 2023 | | 31 December 2022 |
|---|---|---|---|---|
| Cash and cash equivalents | $ | 37,141 | $ | 46,654 |
| Other current assets | | 101,025 | | 70,614 |
| Non-current assets | | 147,806 | | 136,864 |
| **Total assets** | **$** | **285,972** | **$** | **254,132** |
| Current liabilities | $ | 178,517 | $ | 155,647 |
| Long-term liabilities | | 24,950 | | 23,549 |
| **Total liabilities** | **$** | **203,467** | **$** | **179,196** |
| **Net assets** | **$** | **82,505** | **$** | **74,936** |
| **Revenue** | **$** | **444,777** | **$** | **534,734** |
| **Net income** | **$** | **145,189** | **$** | **305,981** |
| **Net cash flows provided from operating activities** | **$** | **199,406** | **$** | **327,203** |
| **Net cash flows used in investing activities** | **$** | **(71,891)** | **$** | **(63,629)** |
| **Net cash flows used in financing activities** | **$** | **(138,128)** | **$** | **(270,511)** |

## 29. Related party disclosures

### Related parties' transactions and balances

| *$ thousands* | | 31 December 2023 | | 31 December 2022 |
|---|---|---|---|---|
| Management services expense[1] | $ | 2,000 | $ | 2,500 |
| Loans to related parties[2] | $ | 1,168 | $ | 1,535 |

[1] Fees for management services received from The Carlyle Group, for the year ended 31 December 2023.
[2] This amount corresponds to loan receivables from members of Executive Management. The amount is included within long-term trade and other receivables (Note 11).

### Compensation of key management personnel

Key management personnel compensation for the year ended 31 December 2023, and 2022 was $6.0 million and $6.9 million respectively. The amount includes salaries, wages and other short-term benefits.

The Directors of SCE are compensated from The Carlyle Group (ultimate parent). It is not possible to apportion their remuneration to SCE on the basis of services provided and accordingly no allocation has been made.

## 30. Financial instruments and financial risk management

The carrying amounts and respective fair values of financial assets and liabilities as of 31 December 2023 are summarised as follows:

| *$ thousands* | Carrying Amount 31 December 2023 | | Fair Value 31 December 2023 | |
|---|---|---|---|---|
| **Financial assets at amortised cost** | | | | |
| Cash and cash equivalents | $ | 88,679 | $ | 88,679 |
| Trade and other receivables | | 77,701 | | 77,701 |
| Derivative Financial Assets | | 20,294 | | 20,294 |
| Investments | | 33,870 | | 33,870 |
| **Financial liabilities at amortised cost** | | | | |
| Accounts payable | $ | 75,783 | $ | 75,240 |
| Accrued liabilities | | 75,824 | | 75,824 |
| Derivative financial instruments | | 1,316 | | 1,316 |
| Lease liabilities | | 6,667 | | 6,667 |
| Short-term debt | | 20,000 | | 20,000 |
| Long-term notes | | 586,547 | | 586,547 |
| Interest payable | | 1,641 | | 1,641 |

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 | | 73,882 | | 73,882 |
| Investments | | 23,059 | | 23,059 |
| **Financial liabilities at amortised cost** | | | | |
| Accounts payable | $ | 72,299 | $ | 72,299 |
| 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 31 December 2023, and 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.

For the year ended 31 December 2023, and 2022, the Group's largest customer accounted for approximately 89.1% and 93.5% of net sales respectively. 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 31 December 2023, and 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* | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Cash and bank balances[1] | $ 66,360 | $ 89,414 |
| Cash equivalents[2] | $ 22,319 | $ 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 31 December 2023, and 2022:

| *$ thousands* | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Less than 1 year | 394,120 | 393,557 |
| 1–2 years | 4,383 | 27,473 |
| Greater than 1–2 years | 760,752 | 803,328 |
| **Total** | **$ 1,159,255** | **$ 1,224,358** |

The following table provides a maturity analysis for the undiscounted, contractual and non derivative financial liabilities as of 31 December 2023, and 2022:

| *$ thousands* | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Less than 1 year | 173,748 | 177,083 |
| 1–2 years | 550 | 41 |
| Greater than 1–2 years | 592,164 | 584,022 |
| **Total** | **$ 766,462** | **$ 761,146** |

### 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 31 December 2023 the Group has foreign exchange derivative contracts in place (details in Note 25).

### 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 25).

| *$ thousands* | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Premium paid | 5,331 | 4,974 |
| Losses[1] | – | 44,601 |
| **Total** | **$ 5,331** | **49,575** |

[1] 2022 results were negatively impacted by out-of-the-money collar structures.

### 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 16. The rate on the bonds is fixed at 6%.

### Capital management

The Group's objectives when managing capital are to: i) safeguard its ability to continue as a going concern, so that the group can continue to provide returns for shareholders and benefits for other stakeholders; and ii) maintain an optimal capital structure to reduce the cost of capital.

## 31. Non-GAAP measurements

The net of cash and cash equivalents, short-term investments and debt is recognised on the balance sheet. This section sets out an analysis of net debt and the movements in net debt as of 31 December 2023, and 2022:

| *$ thousands* | 31 December 2023 | 31 December 2022 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | 88,679 | 106,194 |
| **Liabilities** | | |
| Long-term notes | 586,547 | 584,022 |
| Short-term notes and interest | 21,641 | 1,500 |
| Lease liabilities | 6,667 | 960 |
| **Net debt** | **$ 526,176** | **$ 480,288** |

| *$ thousands* | Liabilities from financing activities<br>Long-term notes | Short-term notes and interest | Leases | Total |
|---|---|---|---|---|
| **As at 31 December 2021** | **$ 583,778** | **$ –** | **$ 7,673** | **$ 591,451** |
| Interest payments | (36,000) | – | (285) | (36,285) |
| Lease payments | – | – | (3,696) | (3,696) |
| Terminated leases | – | – | (3,017) | (3,017) |
| Other charges[1] | 36,244 | 1,500 | 285 | 38,029 |
| **As at 31 December 2022** | **$ 584,022** | **$ 1,500** | **$ 960** | **$ 586,482** |
| Interest paid | (36,000) | (3,015) | (949) | (39,964) |
| Lease payments | – | – | (1,257) | (1,257) |
| New leases | – | – | 6,964 | 6,964 |
| New loans | – | 20,000 | – | 20,000 |
| Other charges[1] | 38,525 | 3,156 | 949 | 42,630 |
| **As at 31 December 2023** | **$ 586,547** | **$ 21,641** | **$ 6,667** | **$ 614,855** |

[1] Other charges include non-cash movements, including accrued interest and costs amortisation, which are presented as operating cash flows in the statements of cash flows.

## 32. 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 | Waiting on ANH to approve well ION-01 in LCI as part of the commitment - On 12 January 2024 SCE sent a request for an extension of time period accreditation certification, expecting a response on 20 May 2024. |
| Putumayo-9 | * | Suspended | (Phase 1) 3D Seismic acquisition 127 km² and two exploratory wells<br>Phase 2) Two exploratory wells | 10.6 | Block under suspension due to Force Majeure. Once FM ceases, the operation has 36 months to execute commitments |
| Putumayo-36 | * | Suspended | 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<br>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<br>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<br>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 ceases, the operation has 36 months 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 ceases, the operation has 32 months 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<br>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 | Commitment deferred to second half 2024 according to executive committee approval. Prospect already defined |
| 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.

## 33. Post balance sheet events

On 2 January 2024 $13 million was withdrawn from the RCF, the RCF bears interest based on the SOFR plus the applicable margin.

Post year-end Cedco, an affiliate of SCE, entered into an agreement to acquire Cepsa Colombia S.A. (Cepsa)'s participating interests in the contracts Caracara, Llanos 22, San Jacinto and Rio Páez, in Colombia. The 2022 audited net reserves for these assets added up to 7.7 million barrels of oil on a 2P basis. Closing of the transaction is subject to conditions precedent, including regulatory approvals, which can take several months. Until such time, Cepsa will continue to operate the assets.

In early 2024, Cedco entered into a $74 million bilateral unsecured credit agreement with Grupo Bancolombia for the purpose of funding an asset acquisition and other general corporate purposes. Key terms of the agreement include maturity in June 2027 and a two-year grace period. As of the date of this document, the loan has not been drawn down.

## 34. Ultimate controlling party

SCE is controlled by its immediate parent entity, Midco. The ultimate controlling party of Midco is The Carlyle Group, which holds the majority ownership, with the rest owned by SCE´s management. Midco also consolidates the results presented in these financial statements. Copies of the Midco consolidated financial statements can be obtained from 8th Floor 1 Southampton Street, London, United Kingdom, WC2R 0LR

# PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 AND 2022

## CORPORATE INFORMATION

### Company registered number

12773957 (England and Wales)

### Directors

Mr Parminder Singh
Mrs Alix Jasmine Borch

### Company Secretary

It is noted that pursuant to section 270 of the Companies Act 2006 the Company does not have a company secretary.

### Registered office

8th Floor, 1 Southampton Street, London, WC2R 0LR.

### Auditors

PricewaterhouseCoopers LLP – Chartered Accountants, The Capitol, 431 Union Street, Aberdeen AB11 6DA

### Bankers

Citibank N.A. – London Branch
Canada Square, Canary Wharf, London, United Kingdom E14 5LB

JPMorgan Chase bank, N.A.
Columbus, OH 43218-2051

## PARENT COMPANY STATEMENT OF INCOME AND COMPREHENSIVE INCOME

For the year ended 31 December 2023 and 2022

*(Thousands of United States dollars)*

| | Note | | Year ended 31 December | |
|---|---|---|---|---|
| | | | 2023 | 2022 |
| Revenue | | | | |
| Management fee income | 3 | | 4,498 | 9,288 |
| **Total revenue and other income** | | **$** | **4,498** | **9,288** |
| Operational expenses | | | | |
| General and administrative expenses | | | (8,064) | (12,415) |
| **Total operational expenses** | | **$** | **(8,064)** | **(12,415)** |
| **Net loss from operations** | | **$** | **(3,566)** | **(3,127)** |
| Dividend income | 4 | | 209,750 | 360,000 |
| Finance cost | 5 | | (12,495) | (12,590) |
| Finance income | 6 | | 4,864 | 3,242 |
| Other income (expenses) | | | 1,320 | – |
| **Net income before tax** | | **$** | **199,873** | **347,525** |
| Income tax expense | 7 | | – | – |
| **Net income for the year** | | **$** | **199,873** | **347,525** |
| **Total income for the year** | | **$** | **199,873** | **347,525** |

*The accompanying notes are an integral part of these parent company financial statements.*

## PARENT COMPANY STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2023 and 2022

*(Thousands of United States dollars)*

| | Note | Year ended 31 December 2023 | 2022 |
|---|---|---|---|
| Assets | | | |
| Investments in subsidiaries | 8 | 747,149 | 741,649 |
| Other receivables | 9 | 73,834 | 66,496 |
| Tax receivables | | 322 | 322 |
| **Non-current assets** | | **$ 821,305** | **$ 808,467** |
| Tax receivables | | 29 | 40 |
| Trade and other receivables | 9 | 43,889 | 3,884 |
| Interest receivable | 10 | 3,600 | 2,172 |
| Cash and cash equivalents | | 5,133 | 3,112 |
| **Current assets** | | **$ 52,651** | **$ 9,208** |
| **Total assets** | | **$ 873,956** | **$ 817,675** |
| Liabilities and shareholders' equity | | | |
| Long-term payables | 11 | 195,563 | 220,475 |
| **Non-current liabilities** | | **$ 195,563** | **$ 220,475** |
| Employee benefits | | 1,144 | 1,288 |
| Interest payable | 12 | 6,538 | 6,538 |
| Accounts payable and accrued liabilities | 11 | 26,510 | 46,621 |
| **Current liabilities** | | **$ 34,192** | **$ 54,447** |
| **Total liabilities** | | **$ 229,755** | **$ 274,922** |
| Share capital | 13 | 2,769 | 2,769 |
| Retained earnings | | 641,432 | 539,984 |
| **Total equity** | | **$ 644,201** | **$ 542,753** |
| **Total liabilities and equity** | | **$ 873,956** | **$ 817,675** |

*The accompanying notes are an integral part of these parent company financial statements.*

The parent company financial statements on pages 118 through 129 were approved by the Board of Directors on 13 March 2024 and signed on its behalf by:

**Ms Alix Borch** (signed)
Director

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023 and 2022

*(Thousands of United States dollars)*

| | Share capital | Retained earnings | Total equity |
|---|---|---|---|
| **31 December 2021** | **$ 427** | **$ 457,448** | **$ 457,875** |
| Other share capital contributions | 2,342 | – | 2,342 |
| Dividends paid to equity holders | – | (268,000) | (268,000) |
| Remeasurement MIP | – | 3,011 | 3,011 |
| Net income and comprehensive income | – | 347,525 | 347,525 |
| **31 December 2022** | **$ 2,769** | **$ 539,984** | **$ 542,753** |
| Dividends paid to equity holders | – | (100,000) | (100,000) |
| Remeasurement MIP | – | 1,575 | 1,575 |
| Net income and comprehensive income | – | 199,873 | 199,873 |
| **31 December 2023** | **$ 2,769** | **$ 641,432** | **$ 644,201** |

*The accompanying notes are an integral part of these parent company financial statements.*

## PARENT COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2023 and 2022

*(Thousands of United States dollars)*

| | Note | Year ended 31 December | |
|---|---|---|---|
| | | **2023** | **2022** |
| Operating Activities | | | |
| Net income before tax | | 199,873 | 347,525 |
| *Adjustments for non-cash items:* | | | |
| Financial income | 6 | (4,864) | (3,242) |
| Financial expenses | 5 | 12,460 | 12,519 |
| Fair value remeasurement MIP | | 1,575 | 3,011 |
| **Adjustments for non-cash items** | | **$ 209,044** | **$ 359,813** |
| Changes in trade and other receivables | | (47,710) | (44,963) |
| Changes in trade and other payables | | (206) | 5,044 |
| **Changes in assets and liabilities** | | **$ (47,916)** | **$ (39,919)** |
| Income tax payments | | – | – |
| **Net cash flows provided from operating activities** | | **$ 161,128** | **$ 319,894** |
| Investing activities | | | |
| Contingent payment | | (45,000) | (55,000) |
| Additional investment in subsidiaries | | (5,500) | (3,000) |
| Financial income | | 3,766 | 1,051 |
| **Net cash flows used in investing activities** | | **$ (46,734)** | **$ (56,949)** |
| Financing activities | | | |
| Dividends paid | | (100,000) | (268,000) |
| Financial expenses | | (12,373) | (6,879) |
| Proceeds from issuance of common shares | 14 | – | 2,342 |
| **Net cash flows used in financing activities** | | **$ (112,373)** | **$ (272,537)** |
| Net increase in cash and cash equivalents | | 2,021 | (9,592) |
| Cash and cash equivalents at the beginning of the year | | 3,112 | 12,704 |
| **Cash and cash equivalents at the end of the year** | | **$ 5,133** | **$ 3,112** |

*The accompanying notes are an integral part of these parent company financial statements.*

## 1. Authorisation of financial statements

The parent company financial statements of SierraCol Energy Limited ("**the Company**" or "**SCE**") for the year ended 31 December 2023 and 2022 were authorised by the Board of Directors on 13 March 2024, and Ms Alix Borch signed the parent company statement of financial position on behalf of the Board.

## 2. Basis of preparation and significant accounting policies

### Statement of compliance

These parent company financial statements of the Company have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The parent company financial statements have been prepared on a going concern basis. At 31 December 2023, the Company had net current assets of $18.5 million, which will be serviced with the cash flow generation of the wider Group. The significant accounting judgements and estimates are consistent with those set out in Note 2 to the consolidated financial statements. The principal accounting policies adopted are consistent with those set out in Note 2 to the consolidated financial statements. The financial risk management strategy for the Company is consistent with that set out in Note 25 to the consolidated financial statements.

Certain additional accounting policies are relevant to the parent company only and are presented below.

### Investments in subsidiaries

Investments are measured initially at cost, including transaction costs, less any provision for impairment. Additionally, the Company's accounting policy is to recognise fair value movements in contingent consideration against the cost of the investment.

At each balance sheet date, the Company reviews the carrying amounts of its investments to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised immediately in the income statement.

Dividend income is recognised when the right to receive payment is established. We recognise the cash flows from dividend income as an operating cash flow.

### Management fee income

Management fee income is recognised in the accounting period in which the services are rendered, includes Management Services Agreement ("**MSA**"), directors fees, consultant, strategic advice, finance advice, assistance with the development of the overall corporate strategy and direction of the Companies, and supportive services for the company benefit.

### Critical accounting estimates and judgements

#### i) Identification of impairment indicators - investments in subsidiaries

The investments in subsidiaries are assessed annually to determine if there is any indication that any of the investments might be impaired. We identified no indicators of impairment in the most recent period.

#### ii) estimates of provision for expected credit losses on loans issued to related parties

The expected credit loss allowances for loans issued to related parties are based on assumptions about risk of default, expected method of recovery and expected credit loss rates. This involves judgement. As of 31 December 2023, the Company determined that the expected credit losses were immaterial and therefore not booked. This judgement included consideration of the Company's forecasted future cash resources and therefore the likelihood of the Company demanding repayment in advance of the loan term.

### Changes in accounting policies

### New standards, interpretations and amendments adopted by the Company

The Company has reviewed new and revised accounting pronouncements and standards to be enacted/ not issued and determined that there are none that may have an impact on the Company’s accounts.

## 3. Management fee income

The Company recognises revenue with its subsidiaries, as follows:

| *$ thousands* | Year ended 31 December | |
|---|---|---|
| | **2023** | **2022** |
| Management Services Agreement | 4,498 | 9,238 |
| Technical and Technical Services Agreement[(1)] | – | 50 |
| **Total** | **$ 4,498** | **9,288** |

[(1)] Technical and Technical Services Agreement charges corresponds to the Oxy agreement completion as part of the separation process that included IT support until December 2021, last invoice received in Q1'2022.

## 4. Dividend income

The Company recognises the dividends received from its subsidiaries as dividend income as incurred, all dividends were received in cash during the year. As mentioned in Note 2, SCE classify dividend received as an operating cash flow. Dividends received over the reporting period are broken down by subsidiary in the table below:

| *$ thousands* | Year ended 31 December | |
|---|---|---|
| | **2023** | **2022** |
| Dividends Holder | 102,250 | 200,000 |
| Dividends Andina | 100,000 | 150,000 |
| Dividends COG | 7,500 | 10,000 |
| **Total** | **$ 209,750** | **360,000** |

## 5. Finance cost

| *$ thousands* | Year ended 31 December | |
|---|---|---|
| | 2023 | 2022 |
| Intra-Group loan agreement interest accrued[1] | 12,364 | 12,364 |
| Other financial expenses[2] | 96 | 155 |
| Foreign exchange | 35 | 71 |
| **Total** | **$ 12,495** | **12,590** |

[1] Includes accrued and paid interest for the intra-Group loan with Andina of $195 million with an agreed interest of 6.125%.
[2] Includes bank fees and other financial expenses related with the long-term debt maintenance as administrative fees, agency fees and others.

## 6. Finance income

| *$ thousands* | Year ended 31 December | |
|---|---|---|
| | 2023 | 2022 |
| Intra-Group loan agreement interest accrued[1] | 4,501 | 2,191 |
| Others | 363 | 1,051 |
| **Total** | **$ 4,864** | **3,242** |

[1] Include intra-Group long-term loan with Flamingo Swissco AG ("**Swissco**"), and short-term loans with COG Energy LTD ("**COG**") loans interest (Note 14).

## 7. Income tax expense

The Company is subject to UK tax. The standard Corporate Income Tax ("CIT") UK rate until 31 March 2023 was 19%, increased from 1 April to 25% and 2022 was 19%. The following is a reconciliation of income taxes calculated at the UK tax rate to the tax expense at the reporting date:

| *$ thousands* | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Net income before tax | 199,873 | 347,525 |
| Statutory income tax rate | 25 % | 19 % |
| **Income tax expense** | **$ 49,968** | **$ 66,030** |
| *Less:* | | |
| Income not subject to tax | (52,438) | (68,400) |
| *Plus:* | | |
| Trading losses carried forward | 583 | 624 |
| Loan relationship losses carried forward | 1,887 | 1,746 |
| **Total income tax expense** | $ – | $ – |

## 8. Investment in subsidiaries

Investment in subsidiaries is held at cost, less provision for impairment. The costs associated with the acquisition of subsidiaries are capitalised against the cost of investment. Investments in subsidiaries include the ownership interest of the Company in its subsidiaries as described below:

| *$ thousands* | | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| Andina | | 408,991 | 408,991 |
| Holder | | 273,185 | 273,185 |
| COG[1] | | 64,863 | 59,363 |
| Swissco | | 110 | 110 |
| **Total** | **$** | **747,149** | **741,649** |

[1] Includes $5.5 million of additional capital increases in 2023.

The following is the list of SCE's direct subsidiaries:

| Subsidiary | Direct or Indirect | Country of Incorporation | Principal Activities | Ownership | Address |
|---|---|---|---|---|---|
| Flamingo Swissco AG ("Swissco") | Direct | Switzerland | Financial and consulting services | 100% | C/O Transforma AG, Gartenstrase 4, 6400 Zug |
| SierraCol Energy Holder Ltd ("Holder") | Direct | Bermuda | Holding | 100% | Citco (Bermuda) Limited, O'Hara House, 3 Bermudiana Road, Hamilton, HM08, Bermuda |
| SierraCol Energy Andina, LLC ("Andina") | Direct | Delaware, United States | Oil and gas | 100% | C/O The Company Trust, Company Trust Center, 1209 Orange Street, Wilmington, Delaware 19801 |
| COG Energy Limited ("COG") | Direct | Cayman Islands | Holding | 100% | C/O Maples Corporate Services Limited, Ugland House, 121 South Church Street, PO BOX 309, Cayman Islands |

For Indirect subsidiaries please refer to Note 28 of the consolidated financial statements.

The Directors have assessed the Company's and its subsidiaries' ability to continue as a going concern set out in Note 2 of the consolidated financial statements.

## 9. Trade and other receivables

| *$ thousands* | | 31 December 2023 | | 31 December 2022 |
|---|---|---|---|---|
| Loan to related parties[1] | | 41,274 | | – |
| Other accounts receivable[2] | | 1,479 | | 129 |
| Accounts receivable with related parties[3] | | 1,136 | | 3,755 |
| **Short-term total** | **$** | **43,889** | **$** | **3,884** |
| Loan to related parties[4] | | 72,666 | | 64,961 |
| Loans to employees, Directors and officers and others | $ | 1,168 | $ | 1,535 |
| **Long-term total** | **$** | **73,834** | **$** | **66,496** |

[1] This balance is related to the intra-Group loan agreement executed with COG (Note 14).
[2] As of 31 December 2023 the balance corresponds to receivables with OPC of $1.2 million.
[3] As of 31 December 2023 the balance corresponds to receivables related to the MSA, as of 31 December 2022, the balance corresponds to receivable to the TTSA and MSA.
[4] This balance is related to the intra-Group loan agreement executed with Swissco (Note 14).

Short-term accounts receivable are expected to be received within the next 12 months and are thus recognised as current assets.

## 10. Interest receivable

| $ thousands | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Interest due from related parties[1] | 3,600 | 2,172 |
| **Short-term total** | **$ 3,600** | **$ 2,172** |

[1] Includes interest receivable related with intra-Group loan agreement executed with COG and Swissco

Short-term interest receivable is expected to be received within the next 12 months and is thus recognised as current assets.

## 11. Accounts payable and accrued liabilities

| $ thousands | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Contingent consideration[1] | 25,000 | 45,000 |
| Account payable | 1,510 | 1,621 |
| **Short-term total** | **$ 26,510** | **$ 46,621** |
| Intra-Group loan payable[2] | 195,475 | 195,475 |
| Accounts payable | 88 | – |
| Contingent consideration[1] | – | 25,000 |
| **Long-term total** | **$ 195,563** | **$ 220,475** |

[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 31 December 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 between March and May 2024.
[2] Corresponds to an intra-Group loan agreement executed with Andina; the balance at the reporting date is $195 million as long term account payable.

Short-term accounts payable are expected to be settled within the next 12 months and are thus recognised as current payables.

## 12. Interest payable

| $ thousands | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Interest on Intra-Group loan payable[1] | 6,538 | 6,538 |
| **Total** | **$ 6,538** | **$ 6,538** |

[1] The interest payable is associated with the long-term intra-Group loan agreement executed with Andina, with payments due every six months. The applicable interest rate is 6.125%, and the maturity date for the loan is 22 June 2026.

## 13. Share capital

The authorised capital is comprised of a limited number of common shares, Flamingo 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 31 December 2023** | **2,768,608,848** | **$ 2,769** |

## 14. Related party disclosures

Related parties' transactions

On 11 January 2021, the Company entered into a credit agreement with its subsidiary Swissco. The company, as lender, supports Swissco with the availability of funds with the maximum aggregate outstanding principal amount at any one time of USD $100,000,000.

During 2023, the Company, as lender, and its subsidiary COG, as borrower, entered into two credit agreements.The first agreement dated 02 March 2023 with a principal amount of USD $6,500,000 with maturity on 24 February 2024. The second agreement dated 10 April 2023 resulted in advances with maturity date one year from the date on which such advance was made, as showed in the table below.

The intra-Group loan agreement dated 22 June 2021 between Andina, as lender and SCE as borrower was granted with the sole purpose of the repayment of the reserve-based lending ("**RBL**") Facility Agreement of $195.5 million.

Details of the facilities are summarised below as of 31 December 2023:

| | Amount funded (USD) | Dated | Maturity | Rate |
|---|---|---|---|---|
| **Loan receivables** | | | | |
| SEL-Swissco | 72,666,231 | 11 January 2021 | 11 January 2028 | 4.7% interest payment annually |
| SEL-COG 1st Agreement | 6,500,000 | 02 March 2023 | 24 February 2024 | 5.11% interest payment monthly |
| SEL-COG 2nd agreement Advance 1 | 14,000,000 | 10 April 2023 | 10 April 2024 | 5.11% interest payment quarterly |
| SEL-COG 2nd agreement Advance 2 | 8,500,000 | 15 June 2023 | 15 June 2024 | 5.11% interest payment quarterly |
| SEL-COG 2nd agreement Advance 3 | 4,000,000 | 25 July 2023 | 25 July 2024 | 5.11% interest payment quarterly |
| SEL-COG 2nd agreement Advance 4 | 8,273,571 | 13 October 2023 | 13 October 2024 | 5.11% interest payment quarterly |
| **Loan payables** | | | | |
| Andina-SEL | 195,474,982 | 22 June 2021 | 22 June 2026 | 6.125% interest payment semi-annually |

Details of the transactions and balances with related parties:

| *$ thousands* | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Loan receivable from Swissco[1] | $ 75,872 | $ 67,133 |
| Loan receivable from COG[1] | 41,668 | – |
| Loan receivable from executives | 1,168 | 1,535 |
| Loan payable to Andina[1] | 202,013 | 202,013 |
| Management services expense | 1,750 | 2,188 |
| Management fee income | 4,498 | 9,288 |

[1] The balance include principal plus interest according with each loan terms.

## 15. Financial instruments and financial risk management

The carrying amounts and respective fair values of financial assets and liabilities as of 31 December 2023 are summarised as follows:

| *$ thousands* | | Carrying Amount 31 December 2023 | | Fair Value 31 December 2023 |
|---|---|---|---|---|
| **Financial assets at amortised cost** | | | | |
| Cash and cash equivalents | $ | 5,133 | $ | 5,133 |
| Trade and other receivables | | 2,615 | | 2,615 |
| Loan receivable affiliates | | 113,940 | | 113,940 |
| **Financial liabilities at amortised cost** | | | | |
| Accounts payable | $ | 25,035 | $ | 25,013 |
| Accrued liabilities | | 1,497 | | 1,497 |
| Loan payable affiliates | | 195,475 | | 195,475 |

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 | $ | 3,112 | $ | 3,112 |
| Trade and other receivables | | 3,884 | | 3,884 |
| Loan receivable affiliates | | 64,961 | | 64,961 |
| **Financial liabilities at amortised cost** | | | | |
| Accounts payable | $ | 45,612 | $ | 45,612 |
| Accrued liabilities | | 1,009 | | 1,009 |
| Loan payable affiliates | | 195,475 | | 195,475 |

Impairment of financial assets

The Company has two main types of financial assets that are subject to IFRS 9's credit loss model:

- cash and cash equivalents; and
- accounts receivable.

### Cash and cash equivalents

| *$ thousands* | | 31 December 2023 | | 31 December 2022 |
|---|---|---|---|---|
| Cash and bank balances | $ | 5,133 | $ | 3,112 |

### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company prepares annual capital expenditure budgets, which are monitored regularly and updated as necessary.

The following table provides a maturity analysis for the Company's liabilities as of 31 December 2023 and 2022:

| *$ thousands* | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Less than 1 year | 34,192 | 54,447 |
| 1–2 years | – | 25,000 |
| Greater than 1–2 years | 195,563 | 195,475 |
| **Total** | **$ 229,755** | **$ 274,922** |

### Foreign currency risk

The Company is exposed to foreign currency fluctuations between the United States dollar (**USD**) and the British pound sterling (**GBP**) as certain administrative expenditures of the Company are contracted in the United Kingdom.

## 16. Post balance sheet events

As of 13 March 2024, the date on which the financial statements were approved by the Board, SCE determined there were no further subsequent events requiring adjustment to or disclosure in the financial statements.

SierraCol
energy