Management Discussion and Analysis

1Q24

This management discussion and analysis ("MD&A") of the financial condition and results of operations of SierraCol Energy Limited and its subsidiaries ("we", "our", "SCE" or the "Company") should be read in conjunction with the interim condensed consolidated financial statements for the period ended 31 March 2024 and 2023 and the notes thereto. Please read the full cautionary statements at the end of the document.

1Q24 performance highlights

Operational update

- 1Q24 Share Before Royalties ("SBR") production was 45.7 kboed, 4% higher q/q, mainly driven by the success of the REX-NE North exploratory well and the positive outcomes of the development drilling and workover campaigns in the Caño Limón area.
- During 1Q24, 2 active rigs drilled and completed 18 development wells, while 27 workover jobs were executed.
- In 1Q24, the Chipirón West exploratory well in the Caño Limón area was drilled and declared dry hole.
- Over the quarter, 72% of the Caño Limón area production was shipped via the Caño Limón-Coveñas ("CLC") pipeline, while the remaining 28% of crude oil was shipped through the alternative Bicentenario ("OBC") pipeline.

Committed to ESG goals

- After quarter-end, we released the 2023 Sustainability Report in April, including our Task force on Climate-related Financial Disclosures (TCFD) and Task force on Nature-related Financial Disclosure (TNFD) disclosures.
- SierraCol remains on track to deliver a 60% reduction in net CO2e emissions by year-end 2024 vs the 2020 baseline.

Financial update

- Brent price was $81.8/bbl for 1Q24 vs $82.9/bbl for 4Q23, with a realised price of $76.1/bbl for 1Q24.
- Revenue from oil sales in 1Q24 was $246.5 million, up 3% q/q mainly due to higher sales volumes resulting in a benefit of $14.1 million, partially offset by lower sales price, which had an impact of $8.0 million.
- Lifting cost decreased $8.2 million and the cost per barrel decreased 18% q/q as a result of optimisation actions implemented since 2H23, mainly focused on energy and well work efficiency programmes.
- Adjusted Operating netback of $58.4/boe, and Operating netback of $55.6/boe for 1Q24.
- Adjusted EBITDAX of $180.5 million for 1Q24, up 6% q/q, mainly driven by a 13% decrease in lifting costs and a 41% decrease in administrative expenses, along with a 3% increase in revenue.
- Adjusted EBITDAX margin increased from 71% to 73% q/q.
- Capex and exploration expenditures of $36.7 million for 1Q24.
- Free Cash Flow of $9.3 million for 1Q24, down $123.7 million q/q mainly due to $42.7 million of tax payments and an impact of $126.9 million from changes in working capital. This was partially offset by a $27.2 million decrease in capital and exploration expenditures, as well as a $10.1 million increase in Adjusted EBITDAX.
- Working capital change of $126.9 million q/q mainly attributed to: i) an increase in accounts receivable of $51 million, ii) higher supplier payments of $49 million in 1Q24 resulting from increased activity during 4Q23 and, iii) lower VAT collected in sales of $20 million.

Ample liquidity and low net leverage

- Total available liquidity of $221.9 million (cash and cash equivalents of $110.8 million plus $111.1 million in undrawn amounts of committed credit lines).
- During 1Q24, $13.0 million was drawn down from the Revolving Credit Facility ("RCF") to support working capital requirements. The BTG short-term loan was increased and extended until October 2024 by an additional $5.0 million for a total amount of $25.0 million. After quarter-end, the additional amount was drawn.
- Total uncommitted credit lines have been increased by $63.0 million in 2024, from $163.0 million to $226.0 million.
- Net debt of $528.7 million with cash and cash equivalents of $110.8 million, and net leverage of 0.8x.
- After quarter-end, the third and final contingent payment to Oxy was made for $25.0 million.
- The Grupo Bancolombia loan of $74.0 million remains undrawn.

Risk management

- On our Brent hedging programme until December 2024, we have hedged 56% of our hedgeable production, with a weighted average long put strike price of $63/bbl. We have no caps in our 2024 programme.
- Regarding the currency hedging programme, we have hedged approximately 60% of the Company's cash needs in Colombian peso until 2Q24. We are employing zero-cost collars with a weighted average strike price of COP $4,183/ $4,778 and forward contracts with an average forward rate of COP $4,385.

Credit Ratings

- During the quarter, Moody's affirmed SierraCol's credit rating at B1 with a stable outlook.

Business acquisition

- Cedco, an affiliate of SCE, entered into an agreement to acquire Cepsa Colombia S.A. (Cepsa)'s participating interests in the Caracara, Llanos 22, San Jacinto, and Rio Páez contracts in Colombia, subject to customary regulatory approvals, which are currently underway. A bilateral unsecured credit agreement was closed for the purpose of funding the asset acquisition and other general corporate purposes.

Financial and operational results

Key figures

	1Q24	4Q23	1Q23	Δ q/q	Δ y/y
Production & sales (kboed)					
Gross production	82.7	80.0	83.2	3%	-1%
SBR production[1]	45.7	43.9	44.6	4%	2%
Net production	38.1	34.2	34.9	11%	9%
Net sales	35.7	33.3	34.0	7%	5%
Operating netback per barrel of net sales ($/boe)					
Brent price	81.8	82.9	82.1	-1%	–%
Realised price	76.1	78.7	74.2	-3%	3%
Lifting cost	(16.9)	(20.6)	(14.8)	-18%	14%
Transport cost	(0.8)	(1.1)	(0.7)	-28%	12%
Adjusted operating netback per boe[1]	58.4	56.9	58.6	3%	–%
Administrative expenses	(2.6)	(4.7)	(3.3)	-45%	-21%
Realised loss on oil derivatives	(0.6)	(0.4)	(0.4)	45%	53%
Other[2]	0.4	3.7	1.4	-89%	-71%
Operating netback[1]	55.6	55.6	56.4	–%	-1%
Adjusted EBITDAX ($ million)					
Total revenue	247.2	241.2	227.3	3%	9%
Lifting cost	(55.0)	(63.2)	(45.4)	-13%	21%
Transport cost	(2.7)	(3.5)	(2.2)	-23%	18%
Adjusted operating netback[1]	189.6	174.5	179.7	9%	6%
Administrative expenses	(8.4)	(14.3)	(10.1)	-41%	-17%
Realised loss on oil derivatives	(2.0)	(1.3)	(1.2)	53%	62%
Other[2]	1.3	11.5	4.4	-88%	-70%
Adjusted EBITDAX[1]	180.5	170.4	172.8	6%	4%
Adjusted EBITDAX margin (%)[1]	73%	71%	76%	3%	-4%
Key financial results ($ million)					
Net income	75.2	91.5	75.8	-18%	-1%
Capex and exploration expenditures[1]	36.7	63.9	29.2	-43%	26%
Free Cash Flow[1]	9.3	133.0	62.8	-93%	-85%
Cash & cash equivalents	110.8	88.7	115.2	25%	-4%
Net debt[1]	528.7	538.0	490.8	-2%	8%

[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; in 4Q23, it includes other income of $7.8 million as a result of the estimation update in the decommissioning liability.

Production

kboed	1Q24	4Q23	1Q23	Δ q/q	Δ y/y
Gross production	82.7	80.0	83.2	3%	-1%
SBR production					
Caño Limón area	29.2	26.8	28.0	9%	4%
Middle Magdalena	13.0	13.3	14.0	-2%	-7%
Central Llanos	3.6	3.8	2.6	-7%	34%
SBR production	45.7	43.9	44.6	4%	2%
Light and medium oil	45.0	43.3	43.9	4%	2%
Heavy oil	0.5	0.4	0.4	13%	15%
Gas	0.2	0.2	0.3	12%	-17%
Royalties in kind	4.0	3.6	3.8	13%	7%
Price-related effects	3.7	6.1	6.0	-40%	-39%
Net production	38.1	34.2	34.9	11%	9%

SBR production for 1Q24 was 45.7 kboed, 4% higher than the previous quarter. This increase is mainly explained by higher production in the Caño Limón area, driven by the success of the REX-NE North exploratory well and the positive outcomes of the development drilling and workover campaigns. This was partially offset by i) lower production in Central Llanos due to a delay in activity execution during the quarter, and ii) lower production in La Cira Infantas due to some minor electrical events and a planned maintenance of the national electrical grid substation during the quarter.

Compared to 1Q23, SBR production presented a 2% increase mainly due to i) a higher production in the Caño Limón area following the exploratory success, development drilling and workover campaign results, and ii) increased production in Central Llanos after successful development activities in 2023. This was partially offset by lower production in La Cira Infantas due to the impact of the past year surface equipment failures, 1Q24 electrical events and the aforementioned planned maintenance.

Revenue

	1Q24	4Q23	1Q23	Δ q/q	Δ y/y
Revenue ($ million)					
Oil sales	246.5	240.4	226.7	3%	9%
Natural gas sales	0.5	0.4	0.5	30%	-3%
Services	0.2	0.4	0.1	-52%	228%
Total revenue	247.2	241.2	227.3	3%	9%
Net sales (million boe)					
Oil sales	3.2	3.0	3.0	6%	6%
Natural gas sales	0.02	0.02	0.02	20%	-10%
Net sales	3.2	3.1	3.1	6%	6%
Prices					
Brent ($/bbl)	81.8	82.9	82.1	-1%	–%
Vasconia differential ($/bbl)	5.1	4.6	7.9	10%	-36%
Average realised price ($/boe)	76.1	78.7	74.2	-3%	3%

Revenue from oil sales increased $6.1 million q/q, primarily attributed to higher sales volumes resulting in a benefit of $14.1 million. This increase was partially offset by a decline in the sales price, which had an impact of $6.5 million, as well as a larger Vasconia differential by $0.5/bbl, leading to an impact of $1.5 million q/q.

Average realised price decreased $2.6/bbl q/q, mainly due to a decrease in Brent of $1.1/bbl. Additionally, an increase in shipping via the Bicentenario pipeline during the quarter (28% of Caño Limón production was shipped via OBC vs 1% in 4Q23) had an impact of $1.0/bbl. A larger Vasconia differential had an impact of $0.5/bbl.

Compared to 1Q23, revenue from oil sales increased 9%, equating to $19.8 million. This growth was largely driven by a 6% increase in sales volumes, resulting in a $13.9 million benefit. Additionally, a lower Vasconia differential of $2.8/bbl provided a benefit of $9.1 million. These increases were partially offset by a decrease in Brent prices by $0.3/bbl, resulting in an impact of $3.2 million.

Average realised price increased $1.9/bbl y/y, primarily due to a lower Vasconia differential $2.8/bbl ($5.1/bbl vs $7.9/bbl) y/y. This increase was partially offset by an increase in shipping via the Bicentenario pipeline, with an impact of $0.6/bbl, as well as lower Brent prices by $0.3/bbl.

Operating expenses

$ million (unless otherwise stated)	1Q24	4Q23	1Q23	Δ q/q	Δ y/y
Lifting cost	55.0	63.2	45.4	-13%	21%
Transportation cost	2.7	3.5	2.2	-23%	18%
Operating expenses	57.6	66.7	47.6	-14%	21%
Per barrel of net sales ($/boe)	17.7	21.7	15.6	-18%	14%

As anticipated in 4Q23, efforts to reduce operating expenses yielded results in 1Q24, notably in the decrease of lifting costs by $8.2 million q/q mainly due to i) $6 million attributed to optimization actions implemented since the second half of 2023, particularly focusing on energy and well work efficiency programmes, and ii) $6 million due to timing effects in maintenance activity during 1Q24. This decrease was partially offset by an increase of $4 million linked to inflation and higher share in operation expenses due to price clauses.

Compared to 1Q23 lifting cost increased $9.6 million as a result of: i) $8.3 million of foreign exchange rate impact given a revaluation of the Colombian peso by 16% ($3,920 USD/COP in 1Q24 vs $4,689 in 1Q23) ii) $6 million impact of inflation over services and materials iii) $1.7 million linked to higher share in operation expenses due to price clauses. However, these increases were partially offset by a reduction of $6.9 million in lifting costs resulting from optimization actions implemented since second half of 2023, including energy and well work savings linked to the company's efficiency programmes.

Transport cost decreased $0.8 million q/q due to lower evacuation through the CLC pipeline and increased $0.4 million vs 1Q23 mainly due to higher shipped volumes.

Absolute operating expenses decreased 14% vs 4Q23, while the net cost per barrel decreased 18%.

Adjusted operating netback per boe

$/boe of net sales	1Q24	4Q23	1Q23	Δ q/q	Δ y/y
Realised price	76.1	78.7	74.2	-3%	3%
Lifting cost	(16.9)	(20.6)	(14.8)	-18%	14%
Transport cost	(0.8)	(1.1)	(0.7)	-28%	12%
Adj. operating netback per boe	58.4	56.9	58.6	3%	–%

Adjusted operating netback per boe increased 3% q/q as a result of lower operating expenses and higher realisations.

Adjusted operating netback remained flat y/y, as a result of higher realised price partially offset by a 14% increase in operating expenses explained in the previous section.

Administrative expenses

$ million	1Q24	4Q23	1Q23	Δ q/q	Δ y/y
Administrative expenses	8.4	14.3	10.1	-41%	-17%

Administrative expenses of $8.4 million for 1Q24, decreased $5.9 million q/q mainly due to seasonality of professional fees and one-off adjustments in 4Q23 (non-cash items).

Administrative expenses decreased $1.7 million y/y, mainly due to optimisation actions implemented in 1Q24, in spite of foreign exchange rate revaluation of the Colombian peso by 16% ($3,920 USD/COP in 1Q24 vs $4,689 in 1Q23).

Capital expenditures

$ million	1Q24	4Q23	1Q23	Δ q/q	Δ y/y
Caño Limón area	13.6	28.0	9.4	-52%	45%
Middle Magdalena	13.2	19.8	6.7	-33%	98%
Central Llanos	0.2	8.3	10.9	-97%	-98%
Development capex	27.0	56.1	27.0	-52%	—%
Exploratory drilling	8.9	6.5	0.1	38%	>1000%
Total capex	36.0	62.6	27.1	-43%	33%
Exploration expenses[1]	0.7	1.3	2.1	-45%	-65%
Capex and exploration expenditures	36.7	63.9	29.2	-43%	26%

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

Development capex decreased $29.1 million q/q, primarily due to the seasonal nature of capital expenditure execution in the first quarter of 2024, combined with reduced drilling activity in the Caño Limón area; 18 new development wells drilled and completed (1 well in the Caño Limón area and 17 wells in Middle Magdalena) and 27 workover jobs were executed during 1Q24 vs 19 wells drilled and completed in the previous quarter (2 wells in the Caño Limón area and 17 wells in Middle Magdalena) and 28 workover jobs during 4Q23.

Compared to 1Q23, development capex remained flat. However, for 2024 the development drilling activity has shifted focus from Central Llanos to the Caño Limón and Middle Magdalena areas, resulting in increased activity planned for these areas compared to last year. 9 wells were drilled and completed (2 in the Caño Limón area, 6 in Middle Magdalena and 1 in Central Llanos) along with 8 workover jobs completed during 1Q23.

Exploratory drilling in 1Q24 increased 38% q/q primarily due to higher exploratory activity, in connection with the successful exploration well REX NE North in the Caño Limón area, as well as drilling activity in the Chipiron West well (declared as dry hole at the end of the quarter). In 1Q23 there was no exploration drilling activity.

Capital and exploration expenditures totalled $36.7 million in 1Q24.

Adjusted EBITDAX and Free Cash Flow

$ million	1Q24	4Q23	1Q23	Δ q/q	Δ y/y
Total comprehensive income	75.2	88.4	75.8	-15%	-1%
Financial income and financial expenses	9.0	6.1	8.8	48%	2%
Depreciation, depletion and amortisation	34.0	33.1	32.0	3%	6%
Income tax expense	59.2	24.4	48.2	143%	23%
Exploration expenses and dry hole cost	6.8	13.1	2.5	-48%	175%
Foreign exchange (income) / loss	(1.0)	(20.4)	6.9	-95%	nm
Accretion of decommissioning liability	0.8	0.3	1.0	185%	-18%
Prepaid expenses and bond cost amortisation	1.3	3.2	3.3	-60%	-60%
Unrealised fair value gain on derivatives	3.8	(0.7)	(0.4)	nm	nm
Inventory fluctuation	(8.6)	0.4	(5.2)	nm	65%
Fair value remeasurements	–	3.1	–	-100%	–%
Other non-cash items	–	19.4	–	-100%	–%
Adjusted EBITDAX	180.5	170.4	172.8	6%	4%
Exploration drilling(1)	(8.9)	(6.5)	(0.1)	38%	>1000%
Exploration and seismic expense (2)	(0.7)	(1.2)	(2.1)	-42%	-65%
Tax payments	(42.7)	–	(18.2)	–%	134%
Capital expenditures(1)	(27.0)	(56.1)	(27.0)	-52%	–%
Inventory of capitalizable parts/components	0.4	0.6	–	-31%	–%
Decommissioning funding	–	–	–	–%	–%
Change in working capital(3)	(95.5)	31.4	(66.5)	nm	44%
Non-recurring costs	–	(1.8)	–	-100%	–%
Realised FX rate gain (loss)	3.4	(3.6)	4.5	nm	-24%
Lease payments	(0.2)	(0.2)	(0.6)	-2%	-73%
Free Cash Flow	9.3	133.0	62.8	-93%	-85%

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

Inventory fluctuation totalling $8.6 million income in 1Q24 is attributed to a higher inventory position at the end of the quarter.[1]

Adjusted EBITDAX for 1Q24 was $180.5 million, resulting in an Operating netback of $55.6/boe.

Adjusted EBITDAX increased by 6% q/q, mainly driven by a 13% decrease in lifting costs and a 41% decrease in administrative expenses, along with a 3% increase in revenue.

In 1Q24, Free Cash Flow totalled $9.3 million, following tax payments of $42.7 million, capital and exploration expenditures of $36.7 million, and a working capital variance q/q mainly attributed to: i) an increase in accounts receivable of $51 million, ii) higher supplier payments of $49 million in 1Q24 resulting from increased activity during 4Q23 and, iii) lower VAT collected in sales of $20 million.

Tax payments up $24.5 million y/y mainly driven by increase in advanced income tax payment.

[1] Inventory balance to be sold in the next quarters. See note 13 of the consolidated financial statements for the period ended 31 March 2024.

Cash flows

The table summarises the classification of our cash flows for 1Q24 and 1Q23:

$ million	**1Q24**	**1Q23**
Net cash flows from operating activities	35.5	82.1
Net cash flows used in investing activities	(23.6)	(61.2)
Net cash flows from financing activities	10.6	(9.3)
Increase in cash and cash equivalents during the period	22.6	11.7
Cash and cash equivalents at the beginning of the period	88.7	106.2
Effect of foreign exchange on cash and cash equivalents held in foreign currencies	(0.5)	(2.6)
Cash and cash equivalents at the end of the period	110.8	115.2

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

Cash flows from operating activities for 1Q24 of $35.5 million are presented net of cash taxes paid of $42.7million. Cash flows used in investing activities include an impact of $20.0 million related to additions in property, plant and equipment ("PPE") and $6.0 million of exploration and evaluation assets, partly offset by a financial income of $2.5 million.

Cash flow from operating activities decreased $46.6 million y/y mainly due to working capital variance attributed to accounts receivable collections deferred to the next quarter and higher tax payments in connection with increased advanced payment.

Cash and cash equivalents at 1Q24 were $110.8 million.

Liquidity and capital resources

The following table shows our total liquidity for 1Q24 and 1Q23:

$ million (unless stated)	**1Q24**	**1Q23**
RCF	120.0	80.0
Short-term credit lines	25.0	20.0
Total committed credit lines	145.0	100.0
Drawn amount of the RCF	(13.0)	–
Drawn amount of short-term credit lines	(20.0)	–
Total drawn amounts of committed credit lines	(33.0)	–
Amount used towards letters of credit	–	(11.1)
COP devaluation effect[2]	(0.9)	(5.8)
Available amount of committed credit lines	111.1	83.1
Cash and cash equivalents	110.8	115.2
Total liquidity	221.9	198.4

The following table shows total indebtedness, net debt and net leverage for 1Q24 and 1Q23:

$ million (unless stated)	**1Q24**	**1Q23**
2028 senior notes @ 6.00%	600.0	600.0
Drawdown of credit lines	33.0	–
Capital lease obligations	6.5	6.1
Total indebtedness	639.5	606.1
(-) Cash & cash equivalents	110.8	115.2
(=) Net debt	528.7	490.8
LTM Adjusted EBITDAX	654.7	767.5
Net leverage (x)	0.8x	0.6x

We ended 1Q24 with an ample liquidity, closing at $221.9 million, and maintaining a low net leverage at 0.8x.

Grupo Bancolombia loan: During the quarter, Cedco entered into a $74.0 million bilateral unsecured credit agreement 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.

Revolving Credit Facility: During the quarter, $13.0 million was drawn down to support working capital requirements and also, the Company cancelled a letter of credit amounting to $5.0 million. The available amount as of today is $106.1 million.

BTG short-term loan: By the end of the quarter, the loan was extended for another 6 months and increased by an additional $5.0 million for a total amount of $25.0 million. After quarter-end, the additional amount was drawn.

[2] 25% of the current aggregate principal amount under the RCF is peso-denominated.

Summary of quarterly results[1]

	1Q24	4Q23	3Q23	2Q23	1Q23	4Q22	3Q22	2Q22
Production & sales (kboed)								
Gross production	82.7	80.0	77.1	77.9	83.2	81.4	80.1	78.4
SBR production[2]	45.7	43.9	41.7	41.9	44.6	44.2	43.5	42.8
Net production	38.1	34.2	33.4	33.2	34.9	33.0	32.0	31.2
Net sales	35.7	33.3	33.7	31.3	34.0	32.1	30.3	30.9
Operating netback per barrel of net sales ($/boe)								
Brent price	81.8	82.9	85.9	77.7	82.1	88.6	97.7	112.0
Realised price	76.1	78.7	81.3	70.4	74.2	81.3	92.6	103.8
Lifting cost	(16.9)	(20.6)	(22.8)	(18.9)	(14.8)	(16.5)	(16.8)	(13.9)
Transport cost	(0.8)	(1.1)	(1.0)	(0.6)	(0.7)	(0.8)	(0.9)	(0.9)
Adjusted operating netback per boe[2]	58.4	56.9	57.6	50.9	58.6	64.0	74.9	89.0
Administrative expenses	(2.6)	(4.7)	(2.8)	(3.0)	(3.3)	(4.4)	(1.9)	(3.3)
Realised loss on oil derivatives	(0.6)	(0.4)	(0.5)	(0.5)	(0.4)	(0.3)	(1.0)	(10.0)
Other[3]	0.4	3.7	1.2	(1.3)	1.4	(1.6)	1.9	2.0
Operating netback[2]	55.6	55.6	55.6	46.1	56.4	57.7	73.9	77.7
Adjusted EBITDAX ($ million)								
Total revenue	247.2	241.2	252.5	200.5	227.3	240.2	258.2	291.8
Lifting cost	(55.0)	(63.2)	(70.7)	(53.9)	(45.4)	(48.7)	(46.8)	(38.9)
Transport cost	(2.7)	(3.5)	(3.1)	(1.6)	(2.2)	(2.5)	(2.5)	(2.6)
Adjusted operating netback[2]	189.6	174.5	178.7	144.9	179.7	189.0	208.9	250.3
Administrative expenses	(8.4)	(14.3)	(8.5)	(8.6)	(10.1)	(12.9)	(5.3)	(9.2)
Realised loss on oil derivatives	(2.0)	(1.3)	(1.5)	(1.3)	(1.2)	(1.0)	(2.8)	(28.2)
Other[3]	1.3	11.5	3.7	(3.6)	4.4	(4.7)	5.0	5.6
Adjusted EBITDAX[2]	180.5	170.4	172.4	131.4	172.8	170.5	205.8	218.5
Adjusted EBITDAX margin (%)[2]	73%	71%	68%	66%	76%	71%	80%	75%
Key financial results ($ million)								
Net income	75.2	88.4	76.8	56.6	75.8	45.6	80.9	85.6
Capex and exploration expenditures[2]	36.7	63.9	50.8	44.5	29.2	78.5	55.3	32.8
Free Cash Flow[2]	9.3	133.0	(34.2)	9.2	62.8	112.4	131.6	129.9
Cash & cash equivalents	110.8	88.7	107.3	173.2	115.2	106.2	302.5	189.8
Net debt[2]	528.7	538.0	539.5	497.8	490.8	494.8	300.7	414.4

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

Risk management contracts

Brent hedging

Our commodity hedging programme seeks to protect the oil price downside risk on a significant portion of our underlying cash flows, while avoiding speculative positions and leaving room for potential upside. The Company's target is to hedge between 40% to 60% of its expected hedgeable production, six to twelve months ahead.

The table below provides a summary of the current commodity hedging positions as of the date of this document:

Type of Instrument	Term	Benchmark	Volume (bbl)	Avg. long put strike price ($/bbl)
Put	Apr-24 to Aug-24	Brent	2,607,581	65.0
Put	Sep-24 to Dec-24	Brent	2,049,578	60.0

As of the date of this document, we have hedged 56% of our hedgeable production until December 2024, with a weighted average long put strike price of $63/bbl.

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

Currency hedging

We have currently open currency hedging positions to manage volatility in the foreign exchange rate of Colombian peso to US dollar, hedging approximately 60% of the Company's cash needs in Colombian peso.

The table below provides a summary of the current currency hedging positions as of the date of this document:

Type of Instrument	Term	Benchmark	Volume ($ million)	Avg. Put / Call	Avg. Forward rate
Zero-cost collar	Apr-24 to Jun-24	COP / USD	$45.0	4,183 / 4,778	–
	2Q24	COP / USD	$45.0	4,183 / 4,778	–
Forward	Apr-24	COP / USD	$51.5	–	4,360
Forward	Jun-24	COP / USD	$51.0	–	4,410
	2Q24	COP / USD	$102.5	–	4,385

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

Non-IFRS Measures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cautionary Statements

This management discussion and analysis ("MD&A") of the financial condition and results of operations of SierraCol Energy Limited and its subsidiaries ("we," "our", "SCE" or the "Company") should be read in conjunction with the audited consolidated financial statements for the period ended 31 March 2024 and the notes thereto. This MD&A includes statements regarding industry outlook, our expectations regarding the performance of our business and other forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to numerous risks and uncertainties, many of which are beyond our control. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

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

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

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

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