Management Discussion and Analysis

The following management discussion and analysis ("MD&A") of SierraCol Energy Limited and its subsidiaries ("the Company") financial condition and results of operations should be read in conjunction with the Condensed Consolidated Financial Statements for the interim period ended 31 March 2022 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. 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.

1Q22 Performance Highlights

Operational

- **Strong first quarter**
  - 1Q22 gross production of 85.8 kboed, net production of 35.3 kboed, up 3% vs 4Q21 mainly due to incremental production from the REX-NE new wells and strong performance of workover jobs in the Caño Limón area.
  - Gross and net production increased 4% and 0.5% vs 1Q21 respectively. The latter reflects a price impact of -4.0 kboed, which was offset by the new REX-NE wells and COG acquisition.
  - 3 active rigs during the quarter drilled 16 wells: 14 in La Cira Infantas, and 2 in the Caño Limón area. In addition, 21 workovers were completed.
  - Stable operation in the Caño Limón-Coveñas ("CLC") pipeline. Only one batch evacuated through Bicentenario ("OBC") pipeline on 31 March.
  - Separation from Oxy finalized successfully and below budget.
  - Labour negotiations with the trade union took place during March and early April. Agreement reached with the labour union on 12 April, and is valid for 4 years until 2026.
- **Progressing in ESG goals**
  - Replaced additional 4 MW of crude-based power generation with energy from the national grid (mainly hydro generation), for a total of 41 MW. This represents a reduction of 161 mtCO_2e per year. On track to deliver a 50% reduction in emissions by 2023.

Financial

- **Robust results**
  - Average realised price of $90.7/boe vs Brent of $97.9/bbl.
  - Revenue from oil sales was $285.1 million, up 27% vs 4Q21 as a result of higher realisations ($64.4 million) partly offset by lower volumes ($3.4 million).
  - Best-in-class netbacks with Adjusted Operating netback of $77.0/boe and Operating netback of $69.7/boe, up 38% and 40% respectively vs 4Q21 due to rising commodity prices and strong production performance.
  - Adjusted EBITDAX of $219.7 million for 1Q22.
  - Free Cash Flow of $127.3 million, before $55.0 million contingent payment to Oxy.
  - Total capex & exploration activities of $38.5 million.
- **Ample liquidity and low net leverage**
  - Net debt of $421.6 million with cash and cash equivalents of $178.4 million.
  - Net leverage of 0.6x.
  - Total available liquidity is $240.2 million as a result of cash and cash equivalents plus $61.8 million unused RCF.
- **Risk management**
  - We are actively managing Brent price hedging programme.
  - For the 1Q22-4Q22 period, 53% of our volumes are hedged with a weighted average long put strike price of $54/bbl and a net premium of $1.07/bbl.
  - Weighted average call strike price of $83/bbl over 36% of hedgeable volumes, winding down throughout the year.
  - For the 2Q22-1Q23 and 3Q22-2Q23 periods we have hedged 43% and 35% of our production, with an average long put strike price of $56/bbl and $59/bbl, respectively.

Financial and Operational Results

From 1Q22 onwards, all financial information is based on the Consolidated Financial Statements of the Company. 1Q22 is the first reporting period with comparative Consolidated Financial Statements. Until 4Q21 , the comparative historical financial information in the MD&A was based on the Combined Financial Statements of the Colombian Branches. Hence, some of the 4Q21 results presented here may differ to those reported in the 4Q21 MD&A.

Key Figures

	1Q21	4Q21	1Q22	Δ q/q	Δ y/y
Production & Sales (kboed)					
Gross production	82.6	83.6	85.8	3%	4%
Net production	35.1	34.3	35.3	3%	0.5%
Net sales	31.5	34.8	35.0	1%	11%
Operating netback per barrel ($/boe)					
Realised price	59.5	70.2	90.7	29%	52%
Lifting cost	(15.1)	(14.0)	(12.8)	-9%	-15%
Transport cost	(0.8)	(0.4)	(0.8)	89%	2%
Adjusted Operating netback[1]	43.6	55.7	77.0	38%	77%
Administrative expenses	(4.0)	(5.0)	(3.3)	-35%	-19%
Realized fair value loss on derivates	(1.1)	(2.4)	(5.6)	128%	396%
Other[2]	0.8	1.6	1.4	-11%	79%
Operating netback[1]	39.3	49.9	69.7	40%	77%
Financial Results ($ million)					
Revenue	168.8	224.7	286.0	27%	69%
Lifting cost	42.8	45.0	40.4	-10%	-6%
Transport cost	2.3	1.4	2.6	86%	13%
Adj. Operating Netback[1]	123.7	178.3	242.9	36%	96%
Administrative expenses	11.4	16.1	10.2	-36%	-10%
Realized fair value loss on derivatives	3.2	7.8	17.5	125%	452%
Adjusted EBITDAX[1]	111.4	159.7	219.7	38%	97%
Capex & exploration activities	19.5	64.0	38.5	-40%	97%
Free Cash Flow[1]	4.3	136.3	127.3	47%	>1000%
Cash & cash equivalents	111.0	119.3	178.4	50%	61%
Net debt[1]	489.0	480.7	421.6	-12%	-14%

Free Cash Flow is presented before a $55.0 million contingent payment to Oxy.

[1] See "Non-IFRS Measures" section on page 8

[2] Other include inventory fluctuation, Teca, prepayment amortization, other expenses (net) & realized foreign exchange loss

2022 Guidance

	2022E
Net production (kboed)	32 – 34
Capital and exploration expenditures[3] ($m)	185 – 205

This guidance assumes $85/bbl Brent price for the full year of 2022. We expect FY22 net production and capital and exploration expenditures to be within the stated guidance range.

Production

Kboed	1Q21	4Q21	1Q22	Δ q/q	Δ y/y
Gross production	82.6	83.6	85.8	3%	4%
Net production					
Caño Limón area	22.3	21.1	22.5	7%	1%
Middle Magdalena	12.8	10.2	10.2	-1%	-21%
Central Llanos	0.0	3.0	2.6	-13%	100%
Net production	35.1	34.3	35.3	3%	0.5%
Oil	34.9	34.1	35.1	3%	0.5%
Gas	0.2	0.2	0.2	2%	0.2%

Net production increased 3% q/q mainly as a result of incremental production from two new REX-NE wells and better-than-expected performance from the workover campaign in the Caño Limón area. La Cira Infantas had a minor impact by unplanned electrical events, and remained essentially flat q/q. Central Llanos was affected by an increased number of well failures compared with the last quarter.

Net production was also affected by 0.4 kboed as a result of the Price Premium Adjustments ("PPA") from the high-price clauses in the Cravo Norte contract, which led to a lower share of production.

Net production in 1Q22 was up 0.5% when compared to 1Q21. Production in the Caño Limón area was 1% higher as a result of strong performance in the REX-NE wells more than offsetting the price impact; La Cira Infantas was down by 21% as a result of -2.2 kbod impact from high-price clauses and -0.5 kbod due to lower performance. Central Llanos added 2.6 kbod in 1Q22 as a result of the COG acquisition.

On 6 March 2022, the licence of the Bocachico block, a non-producing asset, was terminated upon reaching its contractual term.

[3] The guidance includes development and exploration capex plus exploration expenses

Revenue

	1Q21	4Q21	1Q22	Δ q/q	Δ y/y
Revenue ($ million)					
Oil sales	168.4	224.2	285.1	27%	69%
Natural gas sales	0.4	0.4	0.4	11%	10%
Services	0.0	0.1	0.4	191%	>1000%
Revenue	168.8	224.7	286.0	27%	69%
Net sales					
Oil sales (million bbl)	2.8	3.2	3.1	-2%	11%
Natural gas sales (million boe)	0.0	0.0	0.0	0%	0%
Net sales (million boe)	2.8	3.2	3.2	-2%	11%
Prices					
Brent ($/bbl)	61.3	79.7	97.9	23%	60%
Vasconia differential ($/bbl)	2.4	4.8	3.6	-24%	50%
Average realised price ($/boe)	59.5	70.2	90.7	29%	52%

Revenue from oil sales increased 27% q/q, $60.9 million, mainly due to a higher average realised price of $90.7/bbl vs $70.2, with a positive impact of $64.4 million, partially offset by -$3.4 million due to a slight 2% decrease in net sales volume.

Average realised price increased 29% q/q, the largest proportion due to the increase in Brent, and also due to a lower Vasconia differential and the fact that only one batch was evacuated through the OBC pipeline during 1Q22[4] (on 31 March 2022). This had a minor impact of $0.2/bbl on realised price vs a $2.5/bbl impact in the last quarter.

Compared to 1Q21, revenue from oil sales increased by 69%, due mainly to rising commodity prices ($97.8 million), and an increase in net sales volume ($18.9 million).

Operating Expenses

$ million (unless stated)	1Q21	4Q21	1Q22	Δ q/q	Δ y/y
Lifting cost	42.8	45.0	40.4	-10%	-6%
Transportation cost	2.3	1.4	2.6	86%	13%
Operating expenses	45.1	46.4	43.0	-7%	-5%
Per unit ($/boe)	15.9	14.5	13.6	-6%	-14%

Lifting cost decreased 10% q/q, despite an increase in production, both of which led to a reduction in unit costs of 6%. This was mainly driven by: i) rescheduled downhole and production activities and ii) decrease in energy costs as a result of lower facilities maintenance during the quarter.

[4] OBC pipeline costs are accounted for in the realised price as an offset to Brent

Lifting cost was 6% lower in 1Q22 vs 1Q21 due to lower wellwork activity in La Cira Infantas and Caño Limón area. Unit costs decreased 14% y/y due to the decrease in lifting cost and higher sales volumes.

Transportation cost increased by $1.2 million q/q as a result of higher use of CLC pipeline in 1Q22 which is accounted for under operating expenses (>90% CLC pipeline availability in 1Q22 vs ~30% during 4Q21).

Transportation cost 1Q22 vs 1Q21 was slightly higher, $0.3 million, as a result of higher transport volumes.

Adjusted Operating Netback

$/boe	1Q21	4Q21	1Q22	Δ q/q	Δ y/y
Realised price	59.5	70.2	90.7	29%	52%
Operating expenses	(15.9)	(14.5)	(13.6)	-6%	-14%
Adj. Operating netback	43.6	55.7	77.0	38%	77%

Adjusted operating netback increased 38% q/q due to: i) a higher realised price (+29%) caused by a higher Brent, and a lower total discount to Brent; ii) the decrease in operating expenses per barrel as a result of the increase in production and the decrease in operating expenses in absolute terms.

1Q22 vs 1Q21 Adjusted operating netback per barrel increased 77%, mainly as a result of higher realised prices and lower operating expenses.

Administrative Expenses

$ million	1Q21	4Q21	1Q22	Δ q/q	Δ y/y
Administrative expenses	11.4	16.1	10.2	-36%	-10%

Administrative expenses in 1Q22 decreased 36% q/q, mainly due to higher recovered costs from partners and delayed execution on activities mostly related to IT licenses. Comparing 1Q22 vs 1Q21, administrative expenses decreased $1.1 million as a result of higher recovered costs from partners.

Capital Expenditures

$ million	1Q21	4Q21	1Q22	Δ q/q	Δ y/y
Caño Limón area	13.6	27.5	14.1	-49%	4%
Middle Magdalena	2.6	17.4	12.9	-26%	403%
Central Llanos	0.0	7.0	1.0	-86%	0%
Development capex	16.2	51.9	27.9	-46%	73%
Less: Teca	0.0	2.1	0.2	-93%	298%
Adjusted Capex	16.2	54.0	28.1	-48%	74%
of which development activities	12.6	40.5	26.0	-36%	107%
of which maintenance activities	3.6	13.5	2.1	-84%	-41%
Exploratory drilling	0.4	8.4	9.6	14%	>1000%
Total capex	16.6	62.4	37.7	-40%	128%

(Capital expenditures – continued)

Exploration expenses*	2.9	1.6	0.8	-50%	-74%
Capex & exploration activities	19.5	64.0	38.5	-40%	97%

*In 1Q22, exploratory expenses are presented net of dry hole costs of $18.1 million

Adjusted Capex decreased 48% q/q, mainly due to: i) lower drilling activity in the Caño Limón area (1 well 1Q22 vs 2 wells in 4Q21) ii) lower facilities and maintenance activities in La Cira Infantas in 1Q22 iii) Central Llanos lower workover activity (1 job in 1Q22 vs 2 in 4Q21). Adjusted Capex increased 74% y/y, mainly due to higher activity in La Cira Infantas since no wells were drilled in 1Q21 and Caño Limón area performed higher workover activities (16 jobs in 1Q22 vs 9 in 1Q21).

Exploratory drilling in 4Q21 and 1Q22 reflects the investments made in Caño Caranal (two wells), in the Caño Limón area. These wells did not find commercial volumes of hydrocarbons.

Adjusted EBITDAX and Free Cash Flow

$ million	**1Q22**
Net income for the period	**86.6**
Financial income and financial expenses	8.8
Depreciation, depletion and amortization	29.6
Income tax expense	46.2
Exploration and seismic expenses and dry hole cost	18.9
Foreign exchange (income) / loss	6.1
Accretion of decommissioning liability	1.6
Non-recurring costs	0.0
Prepayment and bond cost amortization	3.0
Property, plant and equipment retirement	0.1
Inventory impairment	(0.3)
Unrealized fair value gain on derivates	16.2
Fair value remeasurement contingent consideration	3.9
Teca	(1.0)
Adjusted EBITDAX	**219.7**
Exploration drilling[5]	(9.6)
Exploration and seismic expense	(0.8)
Tax payments	(19.4)
Cash capital expenditures[5]	(27.9)
Decommissioning funding	0.0
Change in working capital[5]	(34.1)
Non-recurring costs	0.0
Realised foreign exchange rate	0.7
Lease payments (principal + interest)	(1.3)
Free Cash Flow	**127.3**

Adjusted EBITDAX for 1Q22 was $219.7 million, resulting in an Operating netback of $69.7/boe. Free Cash Flow totalled to $127.3 million before the Oxy contingent payment of $55.0 million.

[5]Figures before accruals adjustments

Cash Flows

The table presents our primary sources and uses of cash and cash equivalents for 1Q22:

$ million	**1Q22**
Net cash flows from operating activities	87.1
Net cash flows used in investing activities	(12.2)
Net cash flows from financing activities	(15.0)
Increase in cash and cash equivalents during the period	**59.8**
Cash and cash equivalents at the beginning of the period	119.3
Effect of foreign exchange on cash and cash equivalents held in foreign currencies	(0.7)
Cash and cash equivalents at the end of the period	**178.4**

Cash flows from operating activities is presented net of cash taxes paid of $19.4 million and after the contingent payment to Oxy of $55.0 million. Cash flows used in investing activities include additions to PPE of $9.3 million and additions to exploration and evaluation assets of $3.2 million. Cash flows from financing activities include dividends paid to minorities of $13.8 million and lease payments of $1.2 million.

Cash and cash equivalents for 1Q22 were $178.4 million increasing 50% from the beginning of the period.

Liquidity and Capital Resources

$ million (unless stated)	**1Q22**
2028 senior notes @ 6%	600.0
Net debt	421.6
LTM Adjusted EBITDAX	684.6
Net leverage (x)	0.6x
Cash and cash equivalents	178.4
RCF (available amount)	61.8
Total liquidity	240.2

We ended 1Q22 with an ample liquidity, closing at $240.2 million, and a prudent leverage of 0.6x.

Risk Management Contracts

Our commodity hedging program 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.

For the 1Q22-4Q22 period, 53% of our volumes are hedged. The weighted average long put strike price is $54/bbl and net premium of $1.07/bbl. The weighted average short call strike price of $83/bbl over 36% of hedgeable volumes, winding down throughout the year.

For the 2Q22-1Q23 and 3Q22-2Q23 periods we have hedged 43% and 35% of our production, with an average long put strike price of $56/bbl and $59/bbl, respectively. We expect to be back towards our indicative level of 50% of our production hedged for the next twelve months as we move through the year, exercising our judgement in evaluating the market.

Subsequent events

We experienced labour union blockades in Caño Limón area from 4 to 12 April which had a minor impact on production (approximately 0.1 kboed deferred net production – average for FY22). These actions were carried out as part of the labour negotiation with the trade union. Negotiations were successful and an agreement was reached, which is valid for 4 years until 2026.

A communities strike also took place at La Cira Infantas from early April over an increase in gas prices. An agreement was reached and blockades were lifted on 29 April, with minor impact on production (approximately 0.2 kboed deferred net production – average for FY22).

Non-IFRS Measures

This MD&A contains non-IFRS financial measures and ratios, including Adjusted EBITDAX, Free Cash Flow and Adjusted Capex 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 amortization, 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 average realised price minus operating expenses per barrel

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

Adjusted Capex: consists of net cash used in investing activities adjusted to remove the impact of exploration drilling and dry hole expenses and certain other items, and excluding the contribution from the Teca license to net cash used in investing activities.

Net debt: calculated as total debt minus cash and cash equivalents.

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

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