Management Discussion and Analysis

This management discussion and analysis ("MD&A") of the financial condition and results of operations of SierraCol Energy Limited and its subsidiaries ("we," "our" or the "Company") should be read in conjunction with the unaudited condensed consolidated financial statements for the interim period ended 30 September 2022 and the notes thereto. Please read the full cautionary statements at the end of the document.

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3Q22 Performance Highlights

Operational

Strong quarter

- 3Q22 gross production of 80.1 kboed, up 2% vs last quarter; 9M22 gross production was 81.4 kboed, down 1% vs 9M21.
- We are introducing Share Before Royalties ("SBR") production, a metric that tracks share of production before the impact of royalties and price effects to align disclosure with industry practice and improve market disclosure.
- SBR production was 43.5 kboed in 3Q22, up 2% vs 2Q22 mainly due to production recovery in La Cira Infantas after April's events and better performance from the REX-NE wells and workover jobs in the Caño Limón area.
- 9M22 SBR production was 44.3 kboed, up 4% from 9M21.
- 3 active rigs during the quarter drilled 5 wells in the Caño Limón area and 8 wells in La Cira Infantas. 17 workovers completed in 3Q22.
- Stable operation in the Caño Limón-Coveñas ("CLC") pipeline. All crude was transported through the CLC pipeline.

Unlocking growth opportunities

- An agreement was reached in August to extend the Bolivar contract to 2035 or to its economic limit, whichever occurs first.
- An agreement was reached in September to extend the Rondón contract to 2038, pending anti-trust approval.
- After quarter-end, the COS G Norte well in the Caño Limón area discovered oil in the K2 formation. Initial flow rate of 360 boed of light oil. Well testing is ongoing.

Guidance 2022

- Re-expressed SBR production guidance of 43 – 45 kboed (equivalent to 32 – 34 kboed net).
- Capital and exploration expenditures revised up, to $205 – $215 million.

Committed to ESG goals

- SierraCol is on track to deliver an ambitious target of 50% reduction in CO_2e emissions by 2023. We anticipate a reduction in emissions of 30 – 35% in 2022 from the 2020 baseline.
- Recently created ESG Committee of the Board of Directors held its first meeting in 3Q22.
- After quarter-end, we released the 2021 Sustainability Report on 5 October.

Financial

Robust results

- Average realised price of $92.6/boe vs Brent of $97.7/bbl for 3Q22.
- Revenue from oil sales was $258.0 million, down 11% vs 2Q22 mainly due to lower realisations as a result of a lower Brent price (-13% q/q).
- Best-in-class netbacks (over net sales) with Adjusted operating netback of $75.0/boe and Operating netback of $73.4/boe for the quarter, and of $80.2/boe and $73.0/boe for 9M22, respectively.
- Adjusted EBITDAX of $204.5 million for 3Q22 and $639.2 million for 9M22.
- Free Cash Flow of $129.1 million for 3Q22 and $283.9 million for 9M22[1].

Ample liquidity and low net leverage

- Net debt of $300.7 million with cash and cash equivalents of $302.5 million.
- Lowest net leverage in record of 0.4x.
- Total available liquidity is $359.0 million as a result of cash and cash equivalents plus $56.5 million unused RCF.
- New uncollateralised bilateral bank facility of $8.0 million to issue letters of credit (contingent debt) for exploration and abandonment commitments.
- New dividend policy in place to provide clear framework of potential dividend distributions.
- Considering available liquidity, low net leverage, and meeting business requirements, the Board may decide to distribute dividends in December.

Risk management

- For the period of 4Q22-2Q23 we have hedged 40% of our production, with a weighted average long put strike price of $61.5/bbl.
- Last short call open positions in 4Q22 for 5% of hedgeable volumes in the quarter, with strike price of $70/bbl. No short calls in 2023 leaving full exposure to higher oil prices next year.

[1] Free Cash Flow for 9M22 presented before $55.0 million contingent payment to Oxy in 1Q22.

Financial and Operational Results

Key Figures

	3Q21	2Q22	3Q22	Δ q/q	Δ y/y	9M21[2]	9M22	Δ y/y
Production & Sales (kboed)								
Gross production	78.8	78.4	80.1	2%	2%	81.9	81.4	-1%
SBR production[3]	41.6	42.8	43.5	2%	5%	42.7	44.3	4%
Net production	31.6	31.2	32.0	3%	1%	33.8	32.8	-3%
Net sales	30.3	30.9	30.3	-2%	—%	32.8	32.1	-2%
Operating netback per barrel of net sales ($/boe)								
Brent price	73.2	112.0	97.7	-13%	33%	68.0	102.5	51%
Realised price	63.9	103.8	92.6	-11%	45%	62.9	95.5	52%
Lifting cost	(15.1)	(13.9)	(16.8)	21%	11%	(14.0)	(14.4)	3%
Transport cost	(0.4)	(0.9)	(0.9)	—%	150%	(0.6)	(0.9)	50%
Adjusted operating netback[3]	48.4	89.0	75.0	-16%	55%	48.4	80.2	66%
Administrative expenses	(2.1)	(3.3)	(1.9)	-42%	-11%	(3.6)	(2.8)	-22%
Realised fair value loss on derivatives	(0.4)	(10.0)	(1.0)	-90%	172%	(0.7)	(5.6)	654%
Other[4]	(0.7)	0.8	1.3	63%	nm	2.1	1.2	-44%
Operating netback[3]	45.2	76.5	73.4	-4%	62%	46.5	72.9	57%
Financial Results ($ million)								
Revenue	178.2	291.8	258.2	-12%	45%	563.8	836.0	48%
Lifting cost	(42.2)	(38.9)	(46.8)	20%	11%	(125.2)	(126.1)	1%
Transport cost	(1.0)	(2.6)	(2.5)	-4%	150%	(5.3)	(7.8)	47%
Adjusted operating netback[3]	135.0	250.3	208.9	-17%	55%	433.4	702.1	62%
Administrative expenses	(5.9)	(9.2)	(5.3)	-42%	-11%	(32.6)	(24.8)	-24%
Realised fair value loss on derivatives	(1.0)	(28.2)	(2.8)	-90%	172%	(6.6)	(48.6)	636%
Other[4]	(2.0)	2.2	3.7	68%	nm	19.2	10.4	-46%
Adjusted EBITDAX[3]	126.1	215.0	204.5	-5%	62%	413.4	639.2	55%
Capex and exploration expenditures[3]	42.9	33.0	55.9	70%	30%	102.9	127.4	24%
Free Cash Flow[3]	33.6	27.4	129.1	371%	284%	132.7	283.9	114%
Cash & cash equivalents	261.1	189.8	302.5	59%	16%	261.1	302.5	16%
Net debt[3]	347.8	414.4	300.7	-27%	-14%	347.8	300.7	-14%

[2] The consolidated financial statements for 9M21 include the results of COG from the date of acquisition, 4 May 2021; i.e. 5 months in 9M21.
[3] See "Non-IFRS Measures" section.
[4] Other include inventory fluctuation, Teca, prepaid expenses, other expenses (net) & realised foreign exchange loss.

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. The Company finalised its IFRS 3 Business Combination assessment in connection with the Oxy assets acquisition at the end of 2021. This process resulted in revisions to the previously disclosed fair value of Property, Plant and Equipment acquired, the deferred tax liability associated with the fair value uplift, the valuation of the acquired non-controlling interest and a reassessment of the acquisition date fair value of contingent consideration. As a consequence, the Income Statement line items Production and Operating expenses (as a consequence of a revised Depletion, Depreciation and Amortisation charge), Fair value remeasurement contingent consideration and Finance costs have also been revised.

Contract extensions and business developments

- In August 2022 we reached an agreement with Ecopetrol to extend the Bolívar contract term to 2035 or to its economic limit, whichever occurs first, for a cash consideration of $2 million and a 2% to 5% over-riding royalty interest. The commitments include the drilling of one exploration well, one development well and 78 km^2 of 3D seismic to be executed within 3 years after closing the deal. We hold 100% working interest in the block. The redevelopment of the Catalina field started with the Catalina-2 horizontal well, drilled from August until late October. Completion finished in early November. Well testing is ongoing.

- In September 2022 we reached an agreement with Ecopetrol to extend the Rondón contract term to 2038, with a 35% working interest in the block (previously at 50%). SierraCol agreed to an investment commitment of $30 million to be executed during the next 2 years, which includes one exploration well, 2 development wells and a workover campaign of 5 jobs. A high-price clause was included in the contract with a trigger Brent price of $100/bbl. The contract extension is subject to anti-trust approval.

- Subsequent to the quarter-end, we had successful drilling efforts in the Cosecha block that led to oil discovery from the COS G Norte new well in the Caño Limón area. The well found oil in the K2 formation. Production started in October and well is still stabilizing. Initial flow rate of 360 boed of light oil. Well testing is ongoing.

- Renewed offtake contract for the Caño Limón area crude with Ecopetrol came into effect in July 2022, with similar contractual terms to the previous agreement, and it is valid for two years until June 2024.

- During the quarter we reached an agreement to renew the offtake contract for the La Cira Infantas crude with Ecopetrol for the Barrancabermeja Refinery. The contract has similar terms to its predecessor. The contract came into effect in October 2022, and it is valid for two years until September 2024.

Committed to ESG goals

- SierraCol is on track to deliver an ambitious target of 50% reduction in CO_2e emissions by 2023: after quarter-end we received confirmation from our power supplier that electricity purchased for the Caño Limón area is 100% produced from renewable sources (compliant with I-REC Standard), which further reduces our CO_2e footprint. We anticipate a reduction in emissions of 30 – 35% in 2022 from the 2020 baseline.

• The first meeting of the recently created ESG Committee of the Board of Directors was held in 3Q22. This committee provides the Board with direct engagement with ESG related topics.

• Subsequent to the quarter-end, we released the 2021 Sustainability Report on 5 October. We have voluntarily adopted provisions of the Task Force on Climate-Related Disclosures (TCFD) framework as part of the report, further improving our ESG information.

2022 Guidance

The Company reiterates its 2022 guidance on net production of 32 – 34 kboed even under a higher oil price environment, which reduces net production share through high-price clauses, demonstrating strong operational performance.

Management has decided to introduce Share Before Royalties ("SBR") production as a key metric for analysis. As stated, SBR production disclosure aligns to industry practice and improves market disclosure of our production share before royalties and contractual price effects clauses. The table below shows a reconciliation between SBR and net production guidance. Going forward, the Company will focus on SBR guidance.

The Company is revising up its capital and exploration expenditures from $185 – $205 million to $205 – $215 million, reflecting incremental activity and capital investments in the second half of 2022 mainly related to pilots in the A&B sands in La Cira Infantas and activity in recently extended contracts.

	2022E original[5]	2022E updated[5]
Production (kboed)	Net: 32 – 34	Net: 32 – 34 | SBR: 43 – 45
Capital and exploration expenditures ($m)[6]	$185 – $205	$205 – $215

[5] Original guidance assumes $85/bbl Brent price for the full year of 2022.
[6] Guidance includes development and exploration capex plus exploration expenses.

Production

kboed	3Q21	2Q22	3Q22	Δ q/q	Δ y/y	9M21[2]	9M22	Δ y/y
Gross production	78.8	78.4	80.1	2%	2%	81.9	81.4	-1%
SBR production								
Caño Limón area	24.0	27.3	27.6	1%	15%	25.9	28.1	9%
Middle Magdalena	15.0	12.8	13.7	7%	-9%	15.3	13.6	-11%
Central Llanos	2.7	2.7	2.3	-15%	-14%	1.5	2.6	74%
SBR production	41.6	42.8	43.5	2%	5%	42.7	44.3	4%
Light and medium oil	41.0	42.3	43.0	2%	5%	42.0	43.8	4%
Heavy oil	0.3	0.3	0.4	14%	16%	0.4	0.4	6%
Gas	0.3	0.2	0.2	-4%	-54%	0.3	0.2	-44%
Royalties in kind	3.6	3.4	3.3	-3%	-8%	3.9	3.5	-10%
Price-related effects	6.4	8.3	8.3	—%	29%	5.0	8.0	60%
Net production	31.6	31.2	32.0	3%	1%	33.8	32.8	-3%

SBR production increased 2% q/q mainly as a result of 0.8 kboed from the production recovery in Middle Magdalena after April's community strike at La Cira Infantas, 0.3 kboed from better performance of the REX-NE wells and workover jobs in the Caño Limón area, partly offset by 0.4 kboed from Central Llanos due to pump failures in some wells.

SBR production in 3Q22 was up 5% when compared to 3Q21 mainly due to 3.6 kboed from strong performance in the REX-NE wells and higher volumes available for sale due to the replacement of crude-based power generation with energy from the national grid in the Caño Limón area, partly offset by lower production from La Cira Infantas and Central Llanos by 1.3 kboed and 0.4 kbopd, respectively.

Compared to 9M21, SBR production in 9M22 increased 4% mainly explained by 2.2 kboed from higher production in REX-NE wells and workovers in Caño Limón area combined with higher volumes available for sale, as explained above, 1.1 kboed from the acquisition of the COG assets, partly offset by 1.7 kboed of lower production in La Cira Infantas.

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Revenue

	3Q21	2Q22	3Q22	Δ q/q	Δ y/y	9M21[2]	9M22	Δ y/y
Revenue ($ million)								
Oil sales	177.4	291.4	258.0	-11%	45%	561.5	834.5	49%
Natural gas sales	0.6	0.3	0.3	2%	-52%	1.8	1.0	-46%
Services	0.2	0.2	0.0	nm	-117%	0.5	0.5	7%
Revenue	178.2	291.8	258.2	-12%	45%	563.8	836.0	48%
Net sales (mboe)								
Oil sales	2.8	2.8	2.8	-1%	1%	8.9	8.7	-2%
Natural gas sales	0.0	0.0	0.0	-3%	-56%	0.1	0.0	-50%
Net sales	2.8	2.8	2.8	-1%	—%	9.0	8.8	-2%
Prices								
Brent ($/bbl)	73.2	112.0	97.7	-13%	33%	68.0	102.5	51%
Vasconia differential ($/bbl)	4.0	5.1	3.8	-26%	-6%	3.1	4.2	33%
Average realised price ($/boe)	63.9	103.8	92.6	-11%	45%	62.9	95.5	52%

Revenue from oil sales decreased 11% q/q, $33.4 million, mainly due to a lower average realised price of $92.6/bbl vs $103.8/bbl, with a price impact of -$31.0 million, and a small decrease of $2.4 million from lower sales of less than 1% q/q.

Average realised price decreased 11% q/q, mainly due to the decrease in Brent. The Vasconia differential decreased by $1.3/bbl, increasing price realisation by the same amount.

Compared to 3Q21 and 9M21, revenue from oil sales increased by 45% and 49%, respectively, mainly due to rising commodity prices ($79.6 million and $284.0 million, respectively), and an effect from change in sold volumes as follows: a positive impact of $0.9 million vs 3Q21 and a negative impact of $11.0 million vs 9M21.

Operating Expenses

$ million (unless otherwise stated)	3Q21	2Q22	3Q22	Δ q/q	Δ y/y	9M21[2]	9M22	Δ y/y
Lifting cost	42.2	38.9	46.8	20%	11%	125.2	126.1	1%
Transportation cost	1.0	2.6	2.5	-5%	150%	5.3	7.8	47%
Operating expenses	43.2	41.6	49.3	19%	14%	130.5	133.9	3%
Per barrel of net sales ($/boe)	15.5	14.8	17.7	20%	14%	14.6	15.3	5%

Lifting cost increased 20% q/q mainly due to more well services executed in 3Q22 as a production recovery initiative in the Caño Limón area and La Cira Infantas and more well interventions required in Central Llanos due to well failures. During the quarter there was also an increase in energy consumption

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in line with more days under normal operation vs last quarter and an increase in energy tariffs. The increase in activity was partly offset by foreign exchange savings of around 40%.

Compared to 3Q21 and 9M21, lifting cost was 11% and 1% higher, respectively. This is mainly as a result of a higher number of well interventions, mainly in La Cira Infantas, delayed to 3Q22. During 3Q22 and 9M22 there was also higher maintenance activity vs their corresponding 2021 periods, and an increase in purchased energy given the replacement of crude-based power generation with electricity from the national grid along with an increase in energy tariffs. The increase in activity in 3Q22 and 9M22 was partly offset by foreign exchange savings of around 50% and 60%, respectively, and lower share in operating expenses due to high-price clauses.

Even though the increased activity in 2022 has an implied inflation effect, this has been more than offset by foreign exchange savings, given over 80% of these expenses are paid in pesos.

Transportation cost remained essentially flat q/q. Compared to 3Q21 and 9M21 transportation cost increased 150% and 47%, respectively, mainly due to a higher availability of CLC pipeline during 2022.

Absolute operating expenses increased 19% and 14% vs 2Q22 and 3Q21, respectively. The cost per barrel increased in line with the absolute value, as net sales remained essentially flat over the comparative periods.

Comparing 9M22 vs 9M21 cost per barrel increased 5%, higher than the increase of 3% in absolute operating expenses, as net sales contracted by 2%.

Adjusted Operating Netback

$/boe of net sales	3Q21	2Q22	3Q22	Δ q/q	Δ y/y	9M21[2]	9M22	Δ y/y
Realised price	63.9	103.8	92.6	-11%	45%	62.9	95.5	52%
Operating expenses	(15.5)	(14.8)	(17.7)	20%	14%	(14.6)	(15.3)	5%
Adjusted operating netback	48.4	89.0	75.0	-16%	55%	48.4	80.2	66%

Adjusted operating netback decreased 16% q/q, as a result of the lower realised price and the increase in operating expenses.

Compared to 3Q21 and 9M21, Adjusted operating netback per barrel increased 55% and 66%, respectively, mainly as a result of higher realised prices.

Administrative Expenses

$ million	3Q21	2Q22	3Q22	Δ q/q	Δ y/y	9M21[2]	9M22	Δ y/y
Administrative expenses	5.9	9.2	5.3	-43%	-11%	32.6	24.8	-24%

Administrative expenses decreased 43% q/q mainly due to lower personnel expenses as during 2Q22 the Company incurred in one-off adjustments.

Compared to 9M22, administrative expenses decreased 24% mainly as a result of one-off expenses associated with the separation from Oxy in 2021.

Capital Expenditures

$ million	3Q21	2Q22	3Q22	Δ q/q	Δ y/y	9M21[2]	9M22	Δ y/y
Caño Limón area	20.5	12.7	13.6	8%	-33%	55.8	40.4	-28%
Middle Magdalena	11.6	8.2	28.4	244%	145%	27.5	49.5	80%
Central Llanos	7.5	2.3	4.8	110%	-36%	9.6	8.0	-16%
Development capex	39.6	23.2	46.8	102%	18%	93.0	97.9	5%
Less: Teca	(0.2)	0.2	0.7	260%	nm	—	—	nm
Adjusted Capex	39.4	23.4	47.4	103%	20%	92.7	98.9	7%
of which development	29.6	20.3	40.7	100%	38%	67.0	87.0	30%
of which maintenance	9.8	3.1	6.7	118%	-32%	25.7	11.9	-54%
Exploratory drilling*	2.4	8.8	7.6	-14%	209%	3.1	26.0	744%
Total capex	41.8	32.2	55.0	71%	32%	95.8	124.9	30%
Exploration expenses**	1.1	0.8	0.9	24%	-14%	7.1	2.5	-65%
Capex and exploration expenditures	42.9	33.0	55.9	70%	30%	102.9	127.4	24%

* 9M22 include a 2021 carry over of $8.7 million of the Caño Caranal project

** Exploratory expenses are presented net of dry hole costs.

Adjusted Capex increased 103% q/q, mainly due to increased activity in the Middle Magdalena: drilling of the Catalina-2 horizontal well in the Bolivar block and higher drilling activity in La Cira Infantas (13 wells vs 7 wells), some of which corresponds to carry commitments (100% working interest) from the development of the A&B sands, along with increased workover jobs. In addition, Central Llanos drilling program initiated during 3Q22, and in the Caño Limón area there were 5 additional workover executed vs last quarter.

Compared to 3Q21 and 9M21 Adjusted Capex increased 20% and 7%, respectively, mainly due to the increased activity in the Middle Magdalena, partly offset by lower drilling in the Caño Limón area and one-off investments in Information Technology infrastructure incurred as a result of separation from Oxy in 2021.

Exploratory drilling increased vs 3Q21 mainly as a result of the drilling of the COS G Norte well in the Caño Limón area, which resulted in a discovery.

Exploratory drilling increased vs 9M21 as a result of the Caño Caranal project execution in 2022, in addition to the COS G Norte well.

Adjusted EBITDAX and Free Cash Flow

$ million	9M22
Net income for the period	**253.1**
Financial income and financial expenses	26.9
Depreciation, depletion and amortisation	82.3
Income tax expense	211.0
Exploration and seismic expenses and dry hole cost	59.0
Foreign exchange (income) / loss	(0.8)
Accretion of decommissioning liability	4.5
Prepaid expenses and bond cost amortisation	9.5
Property, plant and equipment retirement	0.1
Inventory impairment	0.1
Unrealised fair value gain on derivatives	(6.7)
Other income	(0.2)
Fair value remeasurement contingent consideration	3.9
Teca	(3.5)
Adjusted EBITDAX	**639.2**
Exploration drilling*	(26.6)
Exploration and seismic expense	(2.4)
Tax payments	(132.1)
Capital expenditures*	(95.9)
Acquisition of PUT-36	(10.0)
Inventory of capitalizable parts/components	(5.8)
Change in working capital*	(78.4)
Realised foreign exchange rate	(0.9)
Lease payments	(3.2)
Free Cash Flow	**283.9**

* Figures before accruals adjustments

Adjusted EBITDAX for 9M22 was $639.2 million, resulting in an Operating netback of $73.0/boe. Free Cash Flow totalled $283.9 million before the Oxy contingent payment of $55.0 million in 1Q22.

Cash Flows

The table presents our primary sources and uses of cash and cash equivalents for 9M22:

$ million	9M22
Net cash flows from operating activities	335.2
Net cash flows used in investing activities	(91.3)
Net cash flows from financing activities	(55.6)
Increase in cash and cash equivalents during the period	**188.3**
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	(5.1)
Cash and cash equivalents at the end of the period	**302.5**

Cash flows from operating activities for 9M22 of $335.2 million is presented net of cash taxes paid of $132.1 million and the contingent payment to Oxy of $55.0 million. Cash flows used in investing activities include cash additions of $69.9 million to PPE and $21.5 million to exploration and evaluation assets, the closing of the PUT-36 acquisition for $10.0 million and the proceeds from assets sold for $8.0 million. Cash flows from financing activities include dividends paid to non-controlling interest of $35.0 million, interest and financial expenses paid of $19.8 million and lease payments of $3.2 million.

Cash and cash equivalents for 9M22 were $302.5 million increasing 154% from the beginning of the period.

Liquidity and Capital Resources

$ million (unless stated)	**9M22**
2028 senior notes @ 6%	600.0
Capital lease obligations	3.2
Total indebtedness	603.2
Net debt	300.7
LTM Adjusted EBITDAX	802.1
Net leverage (x)	0.4x
Cash and cash equivalents	302.5
RCF (available amount)[7]	56.5
Total liquidity	359.0

We ended 9M22 with an ample liquidity, closing at $359.0 million, and the lowest net leverage since SierraCol's inception at 0.4x.

We have recently obtained an $8.0 million stand-by letters of credit ("SBLC") uncollateralised bilateral bank facility to guarantee the abandonment obligations and contractual commitments. New letters of credit will be issued during November 2022 for a total of $21.3 million (currently under negotiation).

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.

As of the date of this document, for the period of 4Q22-2Q23 we have hedged 40% of our production, with a weighted average long put strike price of $61.5/bbl. The following table shows the percentage of hedged volumes and weighted average long put strike price per quarter:

	4Q22	**1Q23**	**2Q23**	**4Q22-2Q23**
Hedged volumes (%)	52%	36%	30%	40%
Weighted average strike ($/bbl)	62.0	61.9	60.0	61.5

[7] The original amount of the RCF was $80.0 million of which 37.5% is peso-denominated. The current available amount of the RCF reflects the COP/USD exchange rate as of 30 September 2022 and used $18.2 million towards letters of credit.

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

Some of our long put positions include short puts, with a weighted average short put strike price of $49.3/bbl over 30% of hedgeable volumes for 4Q22-2Q23.

A small portion of short call positions remain open, with a short call strike price of $70/bbl over 5% of hedgeable volumes for 4Q22. We have not entered into new short call positions beyond 4Q22, leaving full exposure to higher oil prices in 2023.

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 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 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.

Capex and exploration expenditures: calculated as Adjusted Capex plus exploratory drilling plus exploration expenses (net of dry hole costs).

Net debt: calculated as total financial indebtedness minus cash and cash equivalents. Total financial indebtedness includes the nominal value of the 2028 senior notes 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, cash capital expenditures, decommissioning funding, changes in working capital, realised foreign exchange income or loss, lease payments and non-recurring costs.

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

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" or the "Company") should be read in conjunction with the unaudited condensed consolidated financial statements for the interim period ended 30 June 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. 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 license 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 license 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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