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", "SCE" or the "Company") should be read in conjunction with the audited consolidated financial statements for the period ended 31 December 2022 and the notes thereto. Please read the full cautionary statements at the end of the document.

FY22 & 4Q22 Performance Highlights

Operational

Strong performance

- FY22 Share Before Royalties ("SBR") production of 44.3 kboed, up 2% from last year, within SBR production guidance of 43 – 45 kboed.
- SBR production was 44.2 kboed in 4Q22, up 1% vs 3Q22 mainly due to production increases in Middle Magdalena and in the Caño Limón area.
- December 2022 exit rate of 47.1 kboed, after completing a successful drilling program.
- Operational activity increased in 4Q22 with 46 workovers and 19 wells drilled and completed. In FY22, we drilled 64 wells (of which 62 were completed): 13 wells in the Caño Limón area, 49 wells in Middle Magdalena and 2 wells in Central Llanos. In addition, 94 workovers were completed in FY22.
- Stable operation in the Caño Limón-Coveñas ("CLC") pipeline. 100% production shipped via CLC pipeline since April 2022.
- Certified 2P reserves of 116 million boe, with a reserves-to-production (''R/P") ratio of 10.1 years and a reserves replacement ratio ("RRR") of 102%.
- Certified 1P reserves stand at 83 million boe, with an R/P ratio of 7.2 years and a RRR of 121%.

Guidance 2023

- SBR production guidance for 2023 of 43 – 45 kboed.
- Capital and exploration expenditures guidance for 2023 of $190 – $210 million.

Committed to ESG goals and safe operations

- In December 2022, SCE obtained an ESG Risk Rating from Sustainalytics of 27.3, medium risk, ranking SierraCol as the 1st oil-weighted company in the Oil & Gas E&P sector in Latam, highlighting our robust management processes and systems.
- 40% reduction in net CO_2e emissions by year-end 2022, vs 2020 baseline[1]. SierraCol is on track to deliver an ambitious target of 50% reduction in net CO_2e emissions by 2023.
- Net emissions intensity factor improved from 33 to 20 kg CO_2e/boe.
- 2022 Total Recordable Injury Rate ("TRIR") at 0.61, the lowest level in 5 years, and a 31% improvement vs 2021.

Financial

Robust results

- Average realised price of $91.9/boe vs Brent of $99.0/bbl for FY22.
- Revenue from oil sales in FY22 was $1,073.4 million, up 37% vs FY21 mainly due to higher realisations ($315.1 million) partly offset by lower volumes ($27.4 million).
- Best-in-class netbacks with Adjusted operating netback of $76.1/boe (over net sales) and Operating netback $69.2/boe for FY22, respectively.
- Adjusted EBITDAX of $810.4 million for FY22, up 41% y/y, with a 40% increase in Brent y/y.
- FCF of $397.8 million for FY22[2], up 46% y/y.
- Capital and exploration expenditures of $77.7 million for 4Q22, up 39% q/q in line with increased operational activity. For FY22, the total was $205.1 million, in line with guidance of $205 – 215 million.

Ample liquidity and low net leverage

- Net debt of $494.8 million with cash and cash equivalents of $106.2 million for FY22.
- Net leverage of 0.6x for year-end 2022.
- Total available liquidity is $163.3 million (cash and cash equivalents plus $57.1 million unused RCF).
- SBLC credit lines for $57.9 million to support exploration and abandonment commitments (as of the date of this document).
- Dividend payments of $268.0 million to the equity holder and $67.5 million to non-controlling interest during 2022.
- After year-end, the second payment of the Oxy contingent consideration of $45 million was effected.

Risk management

- For the period of 1Q23-3Q23 we have hedged 44% of our production, with a weighted average long put strike price of $62.9/bbl.
- For 1H23, to remove put spread floors, we have entered into new zero-collar options with a weighted average call strike price of $120.2/bbl.
- After year-end, we entered into currency hedging positions to manage volatility in the foreign exchange rate of Colombian peso to US dollar. We currently employ zero-cost collar options.

[1] Net emissions include offsets obtained from electrical power supplier Isagen. Gross emissions reduction was 33% in 2022 vs 2020 baseline.
[2] Free Cash Flow for FY22 presented before $55.0 million contingent payment to Oxy in 1Q22.

Financial and Operational Results

Key Figures

	4Q21	3Q22	4Q22	Δ q/q	Δ y/y	FY21[3]	FY22	Δ y/y
Production & Sales (kboed)								
Gross production	83.6	80.1	81.4	2%	-3%	82.3	81.4	-1%
SBR production[4]	45.1	43.5	44.2	1%	-2%	43.3	44.3	2%
Net production	34.3	32.1	33.0	3%	-4%	33.9	32.9	-3%
Net sales	34.8	30.3	32.1	6%	-8%	33.3	32.1	-4%
Operating netback per barrel of net sales ($/boe)								
Brent price	79.7	97.7	88.6	-9%	11%	70.9	99.0	40%
Realised price	70.2	92.6	81.3	-12%	16%	64.8	91.9	42%
Lifting cost	(14.0)	(16.8)	(16.5)	-2%	18%	(14.0)	(14.9)	6%
Transport cost	(0.4)	(0.9)	(0.8)	-11%	100%	(0.6)	(0.9)	50%
Adjusted operating netback[4]	55.8	74.9	64.0	-15%	15%	50.2	76.1	52%
Administrative expenses	(3.8)	(1.9)	(4.4)	132%	16%	(3.7)	(3.2)	-14%
Realised loss on derivatives	(2.4)	(1.0)	(0.3)	-70%	-88%	(1.2)	(4.2)	250%
Other[5]	1.3	1.4	(1.4)	nm	nm	2.1	0.5	-76%
Operating netback[4]	50.9	73.4	57.9	-21%	14%	47.4	69.2	46%
Financial Results ($ million)								
Total revenue	224.7	258.2	240.2	-7%	7%	788.5	1,076.2	36%
Lifting cost	(45.0)	(46.8)	(48.7)	4%	8%	(170.1)	(174.8)	3%
Transport cost	(1.4)	(2.5)	(2.5)	–%	76%	(6.7)	(10.3)	53%
Adjusted operating netback[4]	178.3	208.9	189.0	-10%	6%	611.7	891.1	46%
Administrative expenses	(12.1)	(5.3)	(12.9)	144%	7%	(44.7)	(37.6)	-16%
Realised loss on derivatives	(7.8)	(2.8)	(1.0)	-66%	-88%	(14.4)	(49.6)	244%
Other[5]	4.5	3.7	(3.9)	nm	nm	23.7	6.5	-73%
Adjusted EBITDAX[4]	162.9	204.5	171.2	-16%	5%	576.3	810.4	41%
Capex and exploration expenditures[4]	64.0	55.9	77.7	39%	21%	166.8	205.1	23%
Free Cash Flow[4]	135.8	129.1	114.0	-12%	-16%	268.5	397.8	48%
Cash & cash equivalents	119.3	302.5	106.2	-65%	-11%	119.3	106.2	-11%
Net debt[4]	488.4	300.7	494.8	65%	1%	488.4	494.8	1%

[3] The consolidated financial statements for FY21 include the results of COG from the date of acquisition, 4 May 2021; i.e. 8 months in FY21.
[4] See "Non-IFRS Measures" section.
[5] Other include inventory fluctuation, Teca, prepaid expenses, other expenses (net) & realised foreign exchange loss.

2022 year-end reserves audit results

The Company is providing the results of its annual independent reserves assessment, certified by DeGolyer and MacNaughton ("D&M")[6], as at 31 December 2022, prepared in accordance with the Petroleum Resources Management System ("PRMS").

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

2022 certified 2P reserves of 116 million boe, 99% oil, with an R/P ratio[7] of 10.1 years, extending the reserve life index vs 2021 (9.7 years), and an RRR of 102%. Certified 1P reserves stand at 83 million boe, with an R/P ratio of 7.2 years and an RRR of 121%.

PDP reserves: Proven developed producing reserves of 53 million boe, with an R/P ratio of 4.6 years.

PD Reserves: Proven developed reserves of 68 million boe, with an R/P ratio of 5.9 years.

1P Reserves: Proven reserves of 83 million boe, with an R/P ratio of 7.2 years.

2P Reserves: Proven plus probable reserves of 116 million boe, with an R/P ratio of 10.1 years.

3P Reserves: Proven plus probable plus possible reserves of 147 million boe, with an R/P ratio of 12.7 years.

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

million boe	1P	2P
31 December 2021	80.7	116.2
Production	-11.6	-11.6
Net additions	14.0	11.8
31 December 2022	83.1	116.4
R/P (years)	7.2	10.1
RRR (%)	121%	102%

The following table provides an overview of SCE's 1P and 2P reserves as at 31 December 2022 by area:

million boe	1P	2P
Caño Limón area	26.8	33.9
Middle Magdalena	49.1	65.9
Central Llanos	7.3	16.6
SCE	83.1	116.4

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

As at 31 December 2022	1P	2P
Reserves (million boe)	83.1	116.4
NPV10 after tax ($ billion)	1.6	1.9

[6] Reserves assessment of the Bolivar block was carried out by Beicip-Franlab, accounting for 1% of certified 2P reserves.
[7] For reserves reporting production numbers are net sales entitlement volumes.

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

	2023	2024	2025	2026
Brent ($/bbl)	98.0	88.0	85.0	82.1

For 2027 forward prices were escalated 2% per year, as well as the costs.

2023 Guidance

The following table presents the Company's 2023 production and capital and exploration expenditures guidance:

	2023
SBR production (kboed)	43 – 45
Capital and exploration expenditures ($m)[8]	$190 – $210

Production

kboed	4Q21	3Q22	4Q22	Δ q/q	Δ y/y	FY21[3]	FY22	Δ y/y
Gross production	83.6	80.1	81.4	2%	-3%	82.3	81.4	-1%
SBR production								
Caño Limón area	27.5	27.6	27.8	1%	1%	26.3	28.0	7%
Middle Magdalena	14.4	13.7	14.1	3%	-3%	15.1	13.7	-9%
Central Llanos	3.2	2.3	2.3	–%	-28%	1.9	2.5	32%
SBR production	45.1	43.5	44.2	1%	-2%	43.3	44.3	2%
Light and medium oil	44.4	43.0	43.4	1%	-2%	42.6	43.7	3%
Heavy oil	0.5	0.4	0.5	34%	15%	0.4	0.4	9%
Gas	0.2	0.2	0.2	48%	2%	0.3	0.2	-36%
Royalties in kind	3.8	3.2	3.5	9%	-8%	3.9	3.5	-11%
Price-related effects	7.1	8.3	7.7	-7%	8%	5.5	7.9	44%
Net production	34.3	32.1	33.0	3%	-4%	33.9	32.9	-3%

SBR production was 44.3 kboed in FY22, within the 43 – 45 kboed production guidance. SBR production was up 2% vs FY21 mainly explained by 1.8 kboed from the Caño Limón area drilling and workovers, and 0.6 kboed from base production optimization jobs in Central Llanos, partly offset by 1.4 kboed of lower production in the Middle Magdalena in connection with April events at La Cira Infantas.

SCE achieved a December 2022 exit rate of 47.1 kboed. The Company implemented a successful drilling program that resulted in strong activity execution in 4Q22 and a high exit rate.

SBR production was 44.2 kboed in 4Q22, 1% higher than the previous quarter mainly due to 0.3 kboed from increased production due also to strong performance in the Caño Limón area and 0.4 kboed in the Middle Magdalena from La Cira Infantas production increase. Production in Central Llanos was stable between quarters.

Compared to 4Q21, SBR production was down 2% mainly due to: i) a lower production of 0.4 kboed in Middle Magdalena, and ii) 0.9 kboed in Central Llanos from lower base production due to downhole failures in certain wells and delays in drilling activity. This was partly offset by 0.3 kboed of increased production in the Caño Limón area.

[8] Guidance includes development, green and exploration capex plus exploration expenses.

Revenue

	4Q21	3Q22	4Q22	Δ q/q	Δ y/y	FY21[3]	FY22	Δ y/y
Revenue ($ million)								
Oil sales	224.2	258.0	238.9	-7%	7%	785.7	1,073.4	37%
Natural gas sales	0.4	0.3	0.4	34%	-2%	2.2	1.4	-38%
Services	0.1	0.0	0.9	nm	557%	0.6	1.4	121%
Total revenue	224.7	258.2	240.2	-7%	7%	788.5	1,076.2	36%
Net sales (mboe)								
Oil sales	3.2	2.8	2.9	6%	-8%	12.1	11.7	-3%
Natural gas sales	0.0	0.0	0.0	48%	-1%	0.1	0.1	-41%
Net sales	3.2	2.8	3.0	6%	-8%	12.2	11.7	-4%
Prices								
Brent ($/bbl)	79.7	97.7	88.6	-9%	11%	70.9	99.0	40%
Vasconia differential ($/bbl)	4.8	3.8	7.5	99%	58%	3.5	5.0	42%
Average realised price ($/boe)	70.2	92.6	81.3	-12%	16%	64.8	91.9	42%

Revenue from oil sales decreased 7% q/q, $19.0 million, mainly due to a lower average realised price of $81.3/bbl vs $92.6/bbl, with a price impact of -$34.1 million, partly offset by $15.1 million from an increase in sales volume of 6% q/q.

Average realised price decreased 12% q/q, mainly due to the decrease in Brent. The Vasconia differential increased by $3.7/bbl, decreasing price realisation by the same amount.

Compared to 4Q21 and FY21, revenue from oil sales increased in 4Q22 and FY22 by 7% and 37%, respectively, mainly due to rising commodity prices ($32.1 million and $315.1 million, respectively), partly offset by lower sold volumes ($17.4 million and $27.4 million, respectively).

Operating Expenses

$ million (unless otherwise stated)	4Q21	3Q22	4Q22	Δ q/q	Δ y/y	FY21[3]	FY22	Δ y/y
Lifting cost	45.0	46.8	48.7	4%	8%	170.1	174.8	3%
Transportation cost	1.4	2.5	2.5	–%	76%	6.7	10.3	53%
Operating expenses	46.4	49.3	51.2	4%	10%	176.9	185.1	5%
Per barrel of net sales ($/boe)	14.5	17.7	17.3	-2%	20%	14.5	15.8	9%

Lifting cost increased 4% q/q mainly due to an increased activity of well services and maintenance during the last quarter. The increase in activity was partly offset by foreign exchange benefit.

Compared to 4Q21, lifting cost was 8% higher. This is mainly as a result of: i) a higher number of well interventions in the Caño Limón area and La Cira Infantas, ii) higher equipment maintenance activities, iii) higher expenditures related to the Company's social programme, and iv) an increase in energy tariffs. These increases were partly offset by foreign exchange benefit.

Compared to FY21, lifting cost was 3% higher. This is mainly as a result of: i) difference in the number of months included of Central Llanos' lifting cost (8 months in FY21)[3], ii) higher expenditures related to the Company's social programme, iii) 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, and iv) a higher number of well interventions. These increases were partly offset by foreign exchange benefit and lower share in operating expenses due to high-price clauses.

Even though the increased activity in 2022 has an implied inflation effect, it has been more than offset by foreign exchange benefit, given that over 80% of outflows are paid in Colombian pesos.

Transportation cost remained essentially flat q/q. Compared to 4Q21 and FY21 transportation cost increased $1.1 million and $3.6 million, respectively, mainly due to a higher availability of CLC pipeline during 2022.

Absolute operating expenses increased 4% vs 3Q22 while the cost per barrel decreased by 2%, as net sales increased 6% q/q.

Absolute operating expenses increased 10% and 5% in 4Q22 and FY22 vs 4Q21 and FY21, respectively. The cost per barrel increased 20% and 9%, respectively, higher than the increase in absolute operating expenses, as net sales contracted by 8% and 4%, respectively.

Adjusted Operating Netback

$/boe of net sales	4Q21	3Q22	4Q22	Δ q/q	Δ y/y	FY21[3]	FY22	Δ y/y
Realised price	70.2	92.6	81.3	-12%	16%	64.8	91.9	42%
Operating expenses	(14.5)	(17.7)	(17.3)	-2%	20%	(14.5)	(15.8)	9%
Adjusted operating netback	55.7	75.0	64.0	-15%	15%	50.3	76.1	51%

Adjusted operating netback decreased 15% q/q, as a result of the lower realised price partly offset by a 2% decrease in operating expenses.

Compared to 4Q21 and FY21, Adjusted operating netback per barrel increased 15% and 51%, respectively, mainly as a result of higher realised prices.

Administrative Expenses

$ million	4Q21	3Q22	4Q22	Δ q/q	Δ y/y	FY21[3]	FY22	Δ y/y
Administrative expenses	12.1	5.3	12.9	144%	7%	44.7	37.6	-16%

Administrative expenses increased 144% q/q mainly due to seasonality of professional fees, which are typically lower in the third quarter of the year, and one-off adjustments in the fourth quarter.

Compared to last year, FY22 administrative expenses decreased by 16%, mainly as a result of one-off expenses associated with separation costs from Oxy in 2021 and a foreign exchange benefit.

Capital Expenditures

$ million	4Q21	3Q22	4Q22	Δ q/q	Δ y/y	FY21[3]	FY22	Δ y/y
Caño Limón area	27.5	13.6	22.7	66%	-18%	83.3	63.1	-24%
Middle Magdalena	17.4	28.4	31.8	12%	83%	44.9	81.3	81%
Central Llanos	7.0	4.8	17.2	260%	145%	16.6	25.2	52%
Development capex	51.9	46.8	71.6	53%	38%	144.8	169.5	17%
Less: Teca	2.1	0.7	(0.8)	nm	nm	1.9	0.2	-89%
Adjusted Capex	54.0	47.4	70.8	49%	31%	146.7	169.7	16%
of which development	40.5	40.7	66.9	64%	65%	107.5	153.9	43%
of which maintenance	13.5	6.7	4.0	-40%	-70%	39.3	15.9	-60%
Exploratory drilling	8.4	7.6	5.2	-32%	-38%	11.4	31.1	172%
Total capex	62.4	55.0	76.0	38%	22%	158.2	200.9	27%
Exploration expenses*	1.6	0.9	1.7	79%	9%	8.6	4.2	-51%
Capex and exploration expenditures	64.0	55.9	77.7	39%	21%	166.8	205.1	23%

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

Adjusted Capex increased 49% q/q, mainly due to higher drilling and workover activity in the Caño Limón area and Central Llanos. In addition, some of the activity in La Cira Infantas corresponds to carry commitments (100% working interest) from the development of the A&B sands.

Compared to 4Q21 and FY21 Adjusted Capex increased 31% and 16%, respectively, mainly due to increased activity in the Middle Magdalena (with more 100% working interest activity during 2022) and Central Llanos, partly offset by a foreign exchange benefit, lower drilling activity 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 FY21 as a result of the Caño Caranal project and the COS G Norte well in 2022.

FY22 capex and exploration expenditures totalled $205.1 million, in line with 2022 guidance of $205 – 215 million.

Adjusted EBITDAX and Free Cash Flow

$ million	FY22
Net income for the period	298.7
Financial income and financial expenses	35.8
Depreciation, depletion and amortisation	114.4
Income tax expense	281.1
Exploration and seismic expenses and dry hole cost	65.8
Foreign exchange (income) / loss	(4.1)
Accretion of decommissioning liability	4.1
Prepaid expenses and bond cost amortisation	12.3
Property, plant and equipment retirement	7.2
Inventory impairment	(1.2)
Unrealised fair value gain on derivatives	(7.4)
Fair value remeasurements	2.5
Other non-cash items	4.5
Teca	(3.4)
Adjusted EBITDAX	810.4
Exploration drilling*	(31.1)
Exploration and seismic expense	(4.2)
Tax payments	(132.1)
Capital expenditures*	(169.5)
Acquisition of PUT-36	(10.0)
Inventory of capitalizable parts/components	(2.9)
Decommissioning funding	(2.3)
Change in working capital*	(49.7)
Non-recurring costs	(1.5)
Realised foreign exchange rate	(5.4)
Lease payments	(3.7)
Free Cash Flow	397.8

* Figures before accrual adjustments

Adjusted EBITDAX for FY22 was $810.4 million, resulting in an Operating netback of $69.2/boe. Free Cash Flow totalled $397.8 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 FY22:

$ million	FY22
Net cash flows from operating activities	595.3
Net cash flows used in investing activities	(234.3)
Net cash flows from financing activities	(375.2)
Increase in cash and cash equivalents during the period	(14.1)
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	1.0
Cash and cash equivalents at the end of the period	106.2

Cash flows from operating activities for FY22 of $595.3 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 $150.8 million to PPE and $29.7 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 Company shareholders of $268.0 million, dividends paid to non-controlling interest of $67.5 million, interest and financial expenses paid of $38.3 million and lease payments of $3.7 million.

Cash and cash equivalents at year end were $106.2 million.

Liquidity and Capital Resources

$ million (unless stated)	FY22
2028 senior notes @ 6%	600.0
Capital lease obligations	1.0
Total indebtedness	601.0
Net debt	494.8
LTM Adjusted EBITDAX	810.4
Net leverage (x)	0.6x
Cash and cash equivalents	106.2
RCF (available amount)[9]	57.1
Total liquidity	163.3

We ended FY22 with an ample liquidity, closing at $163.3 million, and maintaining a low net leverage at 0.6x.

As of the date of this document, we had obtained Standby Letter of Credit ("SBLC") credit lines for $57.9 million to support exploration and abandonment commitments.

Risk Management Contracts

Brent hedging programme

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 1Q23-3Q23 we had hedged 44% of our production, with a weighted average long put strike price of $62.9/bbl. The following table shows the percentage of hedged volumes and weighted average long put strike price per quarter:

	1Q23	2Q23	3Q23	1Q23-3Q23
Hedged volumes (%)	50%	50%	33%	44%
Weighted average strike ($/bbl)	62.8	63.1	62.5	62.9

Some of our long put positions include short puts. The following table shows the percentage of hedged volumes and weighted average short put strike price per quarter:

	1Q23	2Q23	3Q23	1Q23-3Q23
Hedged volumes (%)	12%	16%	33%	21%
Weighted average strike ($/bbl)	50.0	50.0	45.0	47.2

To remove put spread floors, we entered into new zero-collar options with a weighted average short call strike price of $120.2/bbl for 1H23. We have not entered into call positions in 3Q23.

[9] The original amount of the RCF was $80.0 million of which 37.5% is peso-denominated. As of 31 December 2022, the available amount of the RCF reflects the COP/USD exchange rate as of that date and $16.1 million used 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.

Currency hedging programme

After year-end, we entered into currency hedging positions to manage volatility in the foreign exchange rate of Colombian peso to US dollar.

The following table shows zero-cost collar options of our current programme:

	1Q23	2Q23	1Q23-2Q23
Hedged volumes ($ million)	2	48	50
Weighted average call strike (COP/USD)	$5,070	$5,131	$5,128
Weighted average put strike (COP/USD)	$4,900	$4,825	$4,828

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", "SCE" or the "Company") should be read in conjunction with the audited consolidated financial statements for the period ended 31 December 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.

www.sierracolenergy.com
ir@sierracol.com