SierraCol Energy Limited

Condensed Consolidated Financial Statements

For the interim period ended 30 September 2021

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Statement of directors' responsibilities in respect of the financial statements

The directors confirm that these condensed interim financial statements for the nine months ended 30 September 2021, which are prepared specifically for the purpose of fulfilling an obligation to the Loan Note Holders as per instrument dated 15 June 2021, have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting', except for:

- the condensed consolidated statement of income and comprehensive income is presented for the nine-month interim period ended 30 September 2021; the cumulative period to date since the date of incorporation is not presented;
- the condensed consolidated statement of cash flows is presented for the nine-month interim period ended 30 September 2021, rather than the cumulative period to date since the date of incorporation; and
- the condensed consolidated statement of changes in equity is presented for the nine-month interim period ended 30 September 2021, rather than the cumulative period to date since the date of incorporation.

PricewaterhouseCoopers LLP ("**PwC**") review report. To read it, please download and open the correspondent file in the "Financial statements (inclusive of independent review report)" section. Please note that that document needs to be downloaded and viewed in a pdf reader.

PricewaterhouseCoopers LLP (“**PwC**”) review report.

CONDENSED CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME (Reviewed, unaudited)
For the interim period ended 30 September 2021.
(Thousand of United States dollars)

	Note		Nine-months ended 30 September 2021
Revenue			
Oil and natural gas sales			563,327
Service revenue			501
Total revenues and other income	5	**$**	**563,828**
Operational expenses			
Production and operating expenses	6		195,163
Exploration expenses			7,064
General and administrative expenses			28,561
Fair value remeasurement contingent consideration	3		57,588
Total operational expenses		**$**	**288,376**
Net Income from operations		**$**	**275,452**
Finance costs	7		(48,069)
Finance income			321
Other expenses			(2,292)
Other income			1,113
Net income before tax		**$**	**226,525**
Income tax expense	22		(135,607)
Net income for the period		**$**	**90,918**
Attributable to:			
Shareholders of the Company		$	87,849
Non-controlling interest		$	3,069

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

The financial statements on pages [6] – [36] were approved by the Board of Directors on 15 December 2021, and signed on their behalf by:

Parminder Singh (Signed)
Director

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Reviewed, unaudited)
For the interim period ended 30 September 2021.
(Thousand of United States dollars)

	Note	30 September 2021	1 January 2021 [1]
Assets			
Non-current assets			
Property, plant, and equipment	8	837,830	719,408
Other-long term assets	11	4,652	4,652
Goodwill	3,4	166,199	163,549
Trade and other receivables	10	1,387	498
Investments	9	19,360	20,025
		$ 1,029,428	$ 908,132
Current assets			
Prepaid expenses	12	3,691	9,672
Income tax receivable	10	40,477	10,212
Trade and other receivables	10	88,221	34,312
Inventory	13	33,630	31,443
Investments	9	152	-
Cash and cash equivalents		261,119	109,485
		$ 427,290	$ 195,124
Total assets		**$ 1,456,718**	**$ 1,103,256**
Liabilities and Shareholders' Equity			
Non-current liabilities			
Long-term notes	15	591,961	-
Deferred tax liability	22	275,760	235,251
Decommissioning and environmental liabilities	14	150,314	140,920
Other borrowings	16	-	194,993
Lease liabilities	17	4,097	7,577
Employee benefits	19	192	215
Pension liabilities	18	1,735	1,750
Accounts payable and accrued liabilities	20	70,118	65,680
		$ 1,094,177	$ 646,386
Current liabilities			
Decommissioning and environmental liabilities	14	8,668	5,360
Lease liabilities	17	4,821	5,134
Derivative financial instruments	21	15,210	-
Income tax payable	22	91,754	52,541
Employee benefits	19	7,410	10,019
Accounts payable and accrued liabilities	20	157,821	110,960
		$ 285,684	$ 184,014
Total liabilities		**$ 1,379,861**	**$ 830,400**
Share capital	24	427	369,910
Retained earnings		71,216	(121,699)
Equity attributable to the shareholders of the Company		**71,643**	**248,211**
Non-controlling interest		5,214	24,645
Total equity		**76,857**	**272,856**
Total liabilities and equity		**$ 1,456,718**	**$ 1,103,256**

The accompanying notes are an integral part of these consolidated finance

[1] As part of the Company's presentation of the Condensed Consolidated Interim Financial results as of 1 January 2021 and Nine months ended 30 September 2021, certain line items in the Company's financial position as of 30 September 2021 have changed since the interim results presented as of 30 June 2021, including trade and other receivables, prepaid expenses, other borrowings, and income tax payable. In addition, certain pension plan liabilities have been presented net of plan assets, resulting in a commensurate decrease in non-current assets and non-current liabilities. The Company has updated its financial position presentation in order to provide additional clarity around certain line items that it believes will enhance understanding of its financial position. As a result of the change in financial position presentation for the current period, the Company is also presenting a revised Condensed Consolidated Financial Position as of 1 January 2021 in order to provide comparable information for the periods presented. The Company has progressed the provisional IFRS 3 fair value assessment presented previously. This has included revising the discount rate applied in calculating the fair value of Property, Plant and Equipment, recalculating the deferred tax liability associated with the fair value uplift, and reassessing the acquisition date fair value of contingent consideration, as disclosed in Note 3. The updated fair value assessment results in the recognition of goodwill and the Company is also presenting a revised Depreciation, depletion, and amortization charge in the statement of income and a revised retained earnings at 1 January 2021.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Reviewed, unaudited)
For the interim period ended 30 September 2021.
(Thousand of United States dollars)

	Share Capital	Share Premium	Retained (Losses) Earnings	Total Equity Shareholders of the Company	Non-Controlling Interest	Total Equity
1 January 2021	**$ 369,910**	**$ -**	**$ (121,699)**	**$ 248,211**	**$ 24,645**	**$ 272,856**
Capital contributions and result from COG acquisition	53,173	3,190	27,186	83,549	-	83,549
Other share capital contributions	4,400	-	-	4,400	-	4,400
Reduction in capital	(427,056)	(3,190)	430,246	-	-	-
Dividends paid to equity holders	-	-	(350,200)	(350,200)	-	(350,200)
Dividends paid to non-controlling interests	-	-	-	-	(22,500)	(22,500)
Dividend withholding tax adjustment	-	-	(2,166)	(2,166)	-	(2,166)
Net income and comprehensive income	-	-	87,849	87,849	3,069	90,918
30 September 2021	**$ 427**	**$ -**	**$ 71,216**	**$ 71,643**	**$ 5,214**	**$ 76,857**

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Reviewed, unaudited)
For the interim period ended 30 September 2021.
(Thousand of United States dollars)

	Note		Nine-months ended 30 September 2021
Cash and cash equivalents provided from:			
Operating Activities			
Net income before tax		$	**226,525**
Adjustments for non-cash items:			
Depreciation, depletion, and amortization	6		68,903
Property, Plant and Equipment retirement	9		65
Unrealized fair value loss on derivatives	7, 21		15,210
Unrealized foreign exchange gain	7		4,090
Financial income			(321)
Financial expenses	7		15,153
Accretion of decommissioning liability	7		6,031
Amortization of prepaid expenses	12		7,796
Amortization of bond issuance cost	7, 17		927
Fair value remeasurement contingent consideration	3		57,589
		$	**401,968**
Changes in assets and liabilities:			
Changes in trade and other receivables			(77,130)
Changes in inventories			(1,722)
Changes in trade and other payables			(33,967)
		$	**(112,819)**
Income tax payments			(56,281)
Net cash flows provided from operating activities		$	**232,868**
Investing activities			
Expenditures on Property, Plant and Equipment	8	$	(92,279)
Expenditures on exploration and evaluation assets	8		(3,086)
Financial income			289
Cash acquired from COG	4		5,973
Net cash flows used in investing activities		$	**(89,103)**
Financing activities			
Long term notes issuance	15		600,000
Notes issuance costs	15		(19,066)
Dividends paid			(372,700)
Borrowing's payments	16		(194,993)
Financial expense			(5,152)
Lease payments	17		(4,324)
Proceeds from issuance of common shares	24		4,400
Net cash flows provided from financing activities		$	**8,165**
Net cash increase in cash and cash equivalents			151,930
Cash and cash equivalents at the beginning of the period			109,485
Effect of foreign exchange on cash and cash equivalents held in foreign currencies	7		(296)
Cash and cash equivalents at the end of the period		$	**261,119**

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Reviewed, unaudited)
For the interim period ended 30 September 2021
(Thousand of United States dollars)

1. Reporting Entity

SierraCol Energy Limited (**"the Company" or "SCE"**) is a private limited company incorporated in England on 28 July 2020 and is engaged, via several of its subsidiaries, in the exploration for, and the acquisition, development, and production of hydrocarbons in Colombia. The Company is located at 1 St James's Market, London, United Kingdom SW1Y 4AH. These consolidated financial statements include the financial statements of the Company and its subsidiaries (**"The Group" or "Group"**).

There was no trading activity between the date of incorporation and 18 December 2020.

On 18 December 2020, a transaction between Occidental Petroleum Company ("**OPC**") and Carlyle was effected (the "Transaction"), whereby SCE, acquired the entire share capital of SierraCol Energy Holder Ltd (formerly Oxycol Holder Ltd, hereinafter "Holder") and SierraCol Energy Andina, LLC (formerly Occidental Andina, LLC, hereinafter "Andina"), registered in Bermuda and Delaware, respectively, from Oxy Colombia Holdings, Inc. and Occidental International Holdings, Ltd, respectively, both subsidiaries of OPC, and thus acquired the interest of Holder and Andina, and their subsidiaries (and their respective branches in Colombia, SierraCol Energy Arauca, LLC (Colombian branch, "**Arauca Branch**") SierraCol Energy Andina, LLC (Colombian branch, "**Andina branch**") and SierraCol Energy Condor, LLC (Colombian branch, "**Condor Branch**"). Before the transaction, both Holder and Andina and their subsidiaries and their branches in Colombia (Arauca Branch, Andina Branch and Condor Branch), were controlled by OPC.

SierraCol Energy Arauca, LLC is 75% owned by Holder and 25% owned by Repsol International Finance B.V. ("Repsol"). For consolidation purposes, Repsol interest is included as a non-controlling interest ("**NCI**") in accordance with IFRS 10 within the condensed consolidated statement of changes in equity.

On 4 May 2021, a transaction between Flamingo Midco Limited ("**Flamingo**", the sole shareholder of SCE) and Andes Colombia Holding Limited ("**Andes**", a UK based limited liability company ultimately controlled by the Carlyle Group) was effected ("Andes Transaction"). In this Andes Transaction, Flamingo acquired COG Energy Ltd ("**COG**"), a limited company registered in the Cayman Islands, and its subsidiaries and their respective branches in Colombia, Colombia Energy Development Co. (Colombian branch, "**Cedco**"), Global Energy Management Resources - Colombia Inc. (Colombian Branch, "**Global**"), Cinco Ranch Petroleum Colombia Inc. (Colombian Branch, "**Cinco Ranch**") and Lagosur Petroleum Colombia Inc. (Colombian branch, "**Lagosur**"), from Andes. COG was assigned to SCE and prior to the Andes transaction, COG and its subsidiaries and their branches in Colombia (Cedco, Global, Cinco Ranch and Lagosur), were controlled by Andes.

The Company through its subsidiaries aims to carry out exploration, exploitation, and sale of oil and gas, as described below:

- Arauca is the operator partner for the Cravo Norte, Rondon, Chipirón and Cosecha association contracts signed with Ecopetrol S.A. ("Ecopetrol"). The aforementioned contracts are located in the Arauca Basin and all are in the exploitation stage.
- Andina is the capex operator partner for the La Cira Infantas ("LCI"), and Teca-Cocorná collaboration agreements signed with Ecopetrol, both contracts are located in the Middle Magdalena Basin and are in the exploitation phase. In addition, Andina is a non-operator partner in the Cravo Norte, Rondon and Chipirón contracts which Arauca operates. Recently, Andina entered into Exploration & Production ("E&P") contracts with Amerisur located in the Putumayo area (Mecaya, Tacacho, Terecay, Put - 9 and Put -8) as a non-operator partner. The Amerisur contracts in the Putumayo area are in the exploration phase.
- Condor is the operator partner in the Llanos 52 and Llanos 39 E&P contracts signed with the National Hydrocarbons Agency ("ANH"), currently the contracts are in the exploration phase.
- Cedco is the operator in Río Verde, Los Hatos, Llanos 23 E&P contracts signed with the ANH and Alcaraván association contract signed with Ecopetrol.
- Cinco Ranch is the operator in the Bocachico association contract.
- Lagosur is the operator in the Bolívar association contract.

As of 30 September 2021, the interest of the Group in the following oil and gas assets:

Basin	Contract	Group´s Interest		Operator	Partners	Stage
		Capital Investments	Production and Expenditures			
Middle Mag.	La Cira Infantas	52%	48% (*)	Ecopetrol	Andina, Ecopetrol	Exploitation
Middle Mag.	Teca – Cocorná	60%	40%	Ecopetrol	Andina, Ecopetrol	Exploitation
Middle Mag.	Bolivar	100%	100%	Lagosur	Lagosur, Ecopetrol	Exploitation
Middle Mag.	Bocachico	100%	100%	Cinco Ranch	Cinco Ranch, Ecopetrol	Closing in Progress
Llanos (Northern)	Cravo Norte	50%	45% (*)	Arauca	Arauca, Andina, Ecopetrol	Exploitation
Llanos (Northern)	Rondon	50%	50%	Arauca	Arauca, Andina, Ecopetrol	Exploitation
Llanos (Northern)	Chipirón	70%	70%	Arauca	Arauca, Andina, Ecopetrol	Exploitation
Llanos (Northern)	Cosecha	70%	70%	Arauca	Arauca, Ecopetrol	Exploitation
Llanos (Northern)	LLA39	50%	50%	Condor	Condor, Ecopetrol	Exploration
Llanos (Northern)	LLA52	48%	48%	Condor	Condor, Ecopetrol	Exploration
Llanos (Northern)	Villanueva	50%	50%	Perenco	Andina, National Hydrocarbons Agency	Closing in Progress
Llanos (Central)	Rio Verde	100%	100%	Cedco	Cedco	Exploitation
Llanos (Central)	Alcaravan	100%	100%	Cedco	Cedco	Exploitation
Llanos (Central)	Los Hatos	100%	100%	Cedco	Cedco	Exploitation
Llanos (Central)	LLA23	100%	100%	Cedco	Cedco	Exploitation
Putumayo	Mecaya	50%	50%	Amerisur	Andina, Amerisur	Exploration
Putumayo	Tacacho	50%	50%	Amerisur	Andina, Amerisur	Exploration
Putumayo	Terecay	50%	50%	Amerisur	Andina, Amerisur	Exploration
Putumayo	Putumayo-8	50%	50%	Amerisur	Andina, Amerisur	Exploration
Putumayo	Putumayo-9	50%	50%	Amerisur	Andina, Amerisur	Exploration

[*] Group's share is affected by crude oil benchmark in accordance with the Price Premium Adjustments (PPA) adjustment clause.

2. Basis of Preparation and Significant Accounting Policies

Basis of Preparation

The Condensed Consolidated Interim Financial Statements ("**Interim Statements**") of the Company and its subsidiaries (collectively referred to as "**the Group**") for the nine months ended 30 September 2021, which are prepared specifically for the purpose of fulfilling an obligation to the Loan Note Holders as per instrument dated 15 June 2021, have been prepared in accordance with IAS 34 Interim financial reporting adopted by the UK except for:

- the condensed consolidated statement of income and comprehensive income is presented for the nine month interim period ended 30 September 2021, the cumulative period to date since the date of incorporation is not presented;
- the condensed consolidated statement of cash flows is presented for the nine month interim period ended 30 September 2021, rather than the cumulative period to date since the date of incorporation; and
- the condensed consolidated statement of changes in equity is presented for the nine month interim period ended 30 September 2021, rather than the cumulative period to date since the date of incorporation;

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law.

Basis of Measurement

These interim statements have been prepared on a historical cost basis, except for certain financial assets and liabilities, which are measured at fair value with changes in fair value recorded in profit or loss ("**FVTPL**").

The interim statements have been prepared assuming that the Group is a going concern and that the Group will realize its assets and discharge its liabilities in the normal course of business.

Cash forecasts are regularly produced, and sensitivities run for different scenarios including, but not limited to, changes in commodity prices and the impact that downward movements in commodity prices could have on the Group's production, including temporarily halting production if prices drop significantly.

Principles of Consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern an entity's financial and operating policies to obtain benefits from its activities. In assessing control, potential

voting rights that currently are exercisable are considered. The results of subsidiaries acquired or disposed of during the period are included in the interim statements from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Company.

These interim statements include the financial statements of SCE and its controlled subsidiaries. Intercompany balances, transactions, revenues, and expenses are eliminated on consolidation.

The purchase method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS 3. The cost of an acquisition is measured at fair value, the consideration paid, allocates the cost to the acquired identifiable assets and liabilities on the basis of their fair values; allocates the rest of the cost to goodwill; and recognises any excess of acquired assets and liabilities over the consideration paid (a 'bargain purchase') in profit or loss immediately. Acquisition-related costs, other than share issue costs, are expensed as period costs.

The Company also uses the predecessor accounting method when acquiring a Company or Group of companies under common control that meet the following criteria:

- Nonexistence of non-controlling interests
- The fair value for an entity or a business is not paid in full in cash.
- If combining entities were or will be managed together before or after the combination.
- If the transaction is undertaken to effect an internal simplification, or it is driven by internal tax planning strategies.

The cost of the acquired assets and liabilities are stated at predecessor carrying values, and fair value measurement is not required. No new goodwill arises in this method of accounting. Any difference between the consideration given and the aggregate carrying value of the assets and liabilities of the acquired entity at the date of the transaction is included in equity in retained earnings or a separate reserve.

Joint Operations

Under IFRS 11, oil and gas operations are usually conducted by the Company as co-licensees in unincorporated joint operations with other companies.

A joint operation is an arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The Company recognizes its proportionate share of assets, liabilities, revenues, and expenses in the joint operation.

Foreign Currency Translation

The United States dollar is the functional currency of the Company and its significant subsidiaries.

The Company converts monetary assets and liabilities denominated in a currency other than the functional currency at the exchange rate in effect at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognized immediately in the consolidated statement of comprehensive income. Non-monetary assets and liabilities denominated in a currency other than the functional currency are converted at the exchange rate prevailing on the transaction date. Revenues and expenses are converted at transaction date exchange rates. All differences are recognized in consolidated statement of comprehensive income in foreign exchange as appropriate.

Fair Value Measurements

When measuring the fair value of an asset or a liability, the Group uses observable market data as much as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- **Level 1**: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (e.g., prices) or indirectly (e.g., derived from prices).
- **Level 3**: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Assuming that the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between the fair value hierarchy levels at the end of the reporting period during which the change has occurred.

Revenue Recognition

Revenues from the sale of crude oil and gas are recognized when the title has been transferred to the buyer by means of the bill of lading document. Payments for the sale of the oil and gas are received at the end of the following month or in advance. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for oil and gas products in the normal course of business, net of discounts, customs duties, sales, taxes, and royalties

Revenue measurement is based on the considerations established in the contracts with customers. The Group recognizes revenues when it transfers risk and control over the oil and gas to the customer. The following table provides information on the nature and the opportunity to fulfil performance obligations in contracts with customers, including significant payment terms and related revenue recognition policies.

The Company applies the practical expedient described in paragraph 121 of IFRS 15 and does not disclose information on pending performance obligations since it recognizes revenue from continuing operations by the amount that corresponds to the value of the performance obligation with the customer that the Group has completed to date (the oil delivered, and the services rendered).

Service revenues corresponds to ad hoc services that are billed monthly related to the use of the equipment, payment is made 30 days after invoicing.

Transportation Costs

Transportation costs include trucking and pipeline tariffs to transport crude oil from the wellhead to the point of title transfer from the wellhead to offloading stations and are recognized at the same time as the revenue.

Exploration and Evaluation ("E&E") Assets

The exploration and evaluation assets represent expenditures in connection with the exploration and evaluation phase that are recognized as assets according to the accounting policies of the Group.

Costs directly associated with an exploration well are initially capitalized as work in progress asset until the drilling of the well is complete, and the results have been evaluated. These costs include employee remuneration, materials, rig costs and payments made to contractors. If potentially commercial quantities of hydrocarbons are not found, the exploration well costs are written off. If hydrocarbons are found and, subject to further appraisal activity, are likely to be capable of commercial development, the costs are capitalised. Upon internal approval for development and recognition of proved or sanctioned probable reserves, the relevant expenditure is transferred to PP&E. If development is not approved and no further activity is expected to occur, then the costs are expensed. The determination of whether potentially economic oil and natural gas reserves have been discovered is usually made within one year of well completion, but can take longer, depending on the complexity of the geological structure.

Geological and geophysical exploration costs are recognized as an expense as incurred.

Property, Plant and Equipment ("PP&E")

PP&E owned by the Group is stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of any decommissioning obligation, if applicable, and, for assets that necessarily take a substantial period of time to get ready for their intended use, directly attributable general or specific finance costs.

The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Expenditure on major maintenance refits or repairs comprises the cost of replacement

assets or parts of assets, inspection costs and overhaul costs. Workover costs for major maintenance programmes, and all other maintenance costs are expensed as incurred. Oil and gas assets, excluding construction in progress, are depleted using a unit-of-production method. The cost of producing wells is amortized over proved developed reserves. Facilities and future decommissioning costs are amortized over total proved reserves. The unit-of-production rate for the depletion of facilities takes into account expenditures incurred to date, together with estimated future capital expenditure expected to be incurred relating to as yet undeveloped reserves expected to be processed through these common facilities. Information on the carrying amounts of the Group’s oil and gas assets, together with the amounts recognized in the income statement as depreciation, depletion and amortization is contained in Note 8.

The impact of changes in estimated proved reserves is dealt with by amortizing the remaining carrying value of the asset over the expected future production. Other PP&E is depreciated on a straight-line basis over its expected useful life.

The Group utilizes the successful efforts method where it recognises an asset when its commercial viability and technical feasibility has been determined.

Recognition and Measurement:

The Group recognizes PP&E if it is probable that it obtains future economic benefits associated with the asset and the cost of the item can be reliably measured. The items of PP&E are measured at cost less the accumulated depreciation and accumulated impairment losses.

The initial cost of an asset includes expenses that are directly attributable to the acquisition of the asset to make it suitable for its use as well as the costs of dismantling, removing the items and restoring the site on which they are located. The capitalized value of right-of-use assets (lease contracts) is also included in PP&E.

The cost of the additions or upgrades to existing assets shall be capitalized if its useful life increases by more than a year or its original specifications such as capacity, efficiency, or economical operation. The works of wells services activities are capitalized, only if the proven reserves are increased.

The costs incurred in repair and maintenance of the existing assets are recorded as expenses of the period. The costs incurred in major maintenance are capitalised.

Amortization:

Oil and gas assets are depleted using the units of production method (UOP). Land is not depleted. Other PP&E is depreciated using the straight-line method over the acquisition cost, according to the estimated useful life of each asset, as follows:

Other PP&E	Useful life in years
Bogota building	33
Buildings and constructions; aqueducts, plants, and networks	15-30
Equipment and office equipment	10-15
Computers and communication equipment and vehicles	5-10

The depreciation and residual values methods are revised in each fiscal year and adjusted if necessary. As of 30 September 2021, and December 31, 2020, no residual values have been estimated.

Cash Generating Units (CGU):

The Group assesses assets or groups of assets, called cash-generating units (“CGUs”), for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or CGU may not be recoverable; changes in the group’s business plans, plans to dispose rather than retain assets, changes in the Group’s assumptions about commodity prices, evidence of physical damage or significant downward revisions of estimated reserves is taken into account. If any such indication of impairment exists, the group makes an estimate of the assets or CGU’s recoverable amount. Individual assets are grouped into CGUs for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. A CGU’s recoverable amount is the higher of its fair value less costs of disposal and its value in use. Where the carrying amount of a CGU exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount. Various assumptions regarding market conditions, such as oil prices, natural gas prices, and cost inflation rates are set by the Group. In assessing value in use, the estimated

future cash flows are adjusted for the risks specific to the asset group that are not reflected in the discount rate and are discounted to their present value. Where discounted cash flow analyses are used to calculate fair value less costs of disposal, estimates are made about the assumptions would use when pricing the asset.

Impairment:

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to the lower of its recoverable amount and the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Impairment reversals are recognized in profit or loss. After a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate the recoverable amount of the group of CGUs to which the goodwill relates should be assessed. In assessing whether goodwill has been impaired, the carrying amount of the group of CGUs to which goodwill has been allocated is compared with its recoverable amount. Where the recoverable amount of the group of CGUs is less than the carrying amount (including goodwill), an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period. Determination as to whether, and by how much, an asset, CGU, or group of CGUs containing goodwill is impaired involves management estimates on highly uncertain matters such as the effects of inflation and deflation on operating expenses, discount rates, capital expenditure, production profiles, reserves and resources, and future commodity prices.

Leases

The Group leases various offices, facilities, machinery, and equipment. Lease contracts are typically made entered into for fixed periods of 1 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at on which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance expenses. Both are recognized at the commencement date based on the present value of lease payments over the lease term. The finance expense is charged to the consolidated statement of comprehensive income over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is subsequently depreciated using the straight-line method from the initial date until the end of the lease term, unless the lease transfers the ownership of the underlying asset to the Group at the end of the lease term or the cost of the right-of-use asset reflects that the Group exercise is going to exercise a purchase option. In such case, the right-of-use asset shall be depreciated throughout the useful life of the underlying asset, which is determined upon the same basis of those in PP&E.

Additionally, the right-of-use asset is periodically reduced by impairment losses, if applicable, and it is adjusted for certain new measurements of the lease liability.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable,
- variable lease payments that are based on an index or a rate,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee is going to exercise that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.
Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,

- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

The Group has decided not to recognize right-of-use assets and lease liabilities for short-term leases and low value assets. The Group recognizes lease payments associated with such leases as a current expenditure during the term of the lease. Low-value assets include IT equipment, tools, and small office furniture items.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in banking institutions and cash on hand.

Inventory

Inventories are assets that are:

a) Possessed to be sold under normal operational conditions.
b) In production process aimed to be sold.
c) In the form of materials or supplies, to be consumed in the production process, or the provision of services.

The Group recognizes its inventories from the moment their risk and benefits are transferred, or they are consumed in the production process.

The Group handles the following inventories:

a) Crude oil inventory
b) Materials and supplies stock

Crude oil inventory is measured based on the cost per barrel of production, determined by the sum of operational costs and depreciation, depletion and amortization divided by the total number of produced barrels. Cost per barrel is then used to measure the final crude inventory volumes.

The cost of materials and supply stock is measured based on the weighted average valuation method and includes the expenditures for the acquisition of inventories and other costs incurred in the transportation and distribution to final location.

Inventories are measured at the lower cost and net realizable value. Underlifts and overlifts are valued at market value and are included in accrued income and prepayments, and accrued liabilities, respectively. Changes in crude oil inventories, underlifts and overlifts are adjusted through cost of sales.

Assets Held for Sale

Assets held for sale are classified as held for sale if carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is met when the sale is highly probable, and the asset is available for immediate sale in its present condition. For the sale to be highly probable management must have implemented a plan to sell the asset. The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value and the sale should be expected to be completed within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell, with impairments recognized in the consolidated statement of comprehensive income (loss) in the period measured. Non-current assets held for sale are presented in current assets and liabilities within the balance sheet. Assets held for sale are not depleted, depreciated, or amortized. Income and expenses related to discontinued operations are classified as income (loss) from discontinued operations within the consolidated statement of comprehensive income (loss) and the consolidated statement of cash flows.

Financing Income and Cost

Interest comprises interest on bank deposits and loans. Interest income and cost is recognized in the statement of comprehensive income as it accrues, using the effective interest method.

Financial Instruments

a) Classification and measurement

Financial assets

It is the Group's policy to initially recognize financial assets at fair value plus transaction costs, except in the case of financial assets recorded at FVTPL which are expensed in the statement of comprehensive income.

Classification and subsequent measurement are dependent on the Group's business model for managing the asset and the cash flow characteristics of the asset. On this basis, the Group may classify its financial instruments at amortized cost, fair value through statement of comprehensive income and at fair value through other comprehensive income ("**FVTOCI**").

All the Group's financial assets as of 30 September 2021 satisfy the conditions for classification at amortized cost under IFRS 9.

The Group's financial assets include cash and cash equivalents, deposits, long-term investments, accounts receivable, and if any, derivative financial instruments (risk management contracts). They are included in current assets, except for maturities greater than 12 months after the reporting date. Interest income from these assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in the statement of comprehensive income and presented in finance income/costs.

Financial liabilities

Financial liabilities of the Group are classified and measured at fair value on initial recognition and subsequently at amortized cost net of directly attributable transaction costs, except for derivatives which are classified and subsequently recognized at fair value through the statement of comprehensive income.

The remaining amount of change in the fair value of the liability is presented in the statement of comprehensive income. The Group's financial liabilities include accounts payable, accrued liabilities, lease liabilities, derivatives, and borrowings.

b) Impairment of financial assets

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss ("**ECL**") model. The ECL model is applicable to financial assets classified at amortized cost and contract assets under IFRS 15: Revenue from Contracts with Customers. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions, and forecasts of future economic conditions.

The Group applies the simplified approach or the three-stage general approach to determine impairment of receivables depending on their respective nature.

The simplified approach requires expected lifetime losses to be recognized from initial recognition of receivables. This involves determining the expected loss rates using a provision matrix that is based on the Group's historical default rates observed over the expected life of the receivable and adjusted forward-looking estimates. This is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

The three-stage approach assesses impairment based on changes in credit risk since initial recognition using the past due criterion and other qualitative indicators such as increase in political concerns or other macroeconomic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance. Financial assets classified as stage 1 have their ECL measured as a proportion of their lifetime ECL that results from possible default events that can occur within one year, while assets in stage 2 or 3 have their ECL measured on a lifetime basis.

Under the three-stage approach, the ECL is determined by projecting the probability of default ("**PD**"), loss given default ("**LGD**") and exposure at default ("**EAD**") for each ageing bucket and for each individual exposure. The PD is based on default rates determined by external rating agencies for the counterparties. The LGD is determined based on management's estimate of expected cash recoveries after considering the historical pattern of the

receivable, and it assesses the portion of the outstanding receivable that is deemed to be irrecoverable at the reporting period. The EAD is the total amount of outstanding receivable at the reporting period.

These three components are multiplied together and adjusted for forward-looking information, such as crude oil prices, to arrive at an ECL which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognized in the statement of comprehensive income.

c) Significant increase in credit risk and default definition

The Group assesses the credit risk of its financial assets based on the information obtained during periodic review of publicly available information, industry trends and payment records. Based on the analysis of the information provided, the Group identifies the assets that require close monitoring.

Furthermore, financial assets that have been identified to be more than 45 days past due for accounts receivable on contractual payments are assessed to have experienced significant increase in credit risk. These assets are grouped as part of Stage 2 financial assets where the three-stage approach is applied.

In line with the Group's credit risk management practices, a financial asset is defined to be in default when contractual payments have not been received at least 90 days after the contractual payment period. After being deemed in default, the Group carries out active recovery strategies to recover all outstanding payments due on receivables. Where the Group determines that there are no realistic prospects of recovery, the financial asset and any related loss allowance is written off either partially or in full.

b) Derecognition

Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset, and the transfer qualifies for derecognition. Gains or losses on derecognition of financial assets are recognized as finance income/costs.

Financial liabilities

The Group derecognizes a financial liability when it is extinguished (i.e., when the obligation specified in the Contract is discharged or cancelled or expires). When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized immediately in the statement of comprehensive income.

c) Modification

When the contractual cash flows of a financial instrument are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial instrument, the Group recalculates the gross carrying amount of the financial instrument and recognizes a modification gain or loss immediately within finance income/costs-net at the date of the modification. The gross carrying amount of the financial instrument is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial instrument's original effective interest rate.

f) Offsetting of financial assets and financial liabilities

Offsetting can be applied when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right is not contingent on future events and is enforceable in the normal course of business, and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

g) Derivatives

The Group may use derivative financial instruments to manage economic exposure to market risk relating to commodity prices, foreign exchange rates and interest rates. However, such contracts are not accounted for as

designated hedges. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value at the end of each reporting period. Any gains or losses arising from changes in the fair value of derivatives are recognized within finance income/costs for the period.

h) Fair value of financial instruments

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using valuation techniques. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, and discounted cash flow analysis. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

Inputs to valuation techniques reasonably represent market expectations and measure the risk-return factors inherent in the financial instrument. The Group calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

Employee Benefits and Post-employment Benefits

Employee benefits wages, salaries, bonuses, social security contributions and sick leave are accrued in the period in which the associated services are rendered by employees of the Group. Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or employment termination.

Benefits to employees in the short-term, long-term and post-employment as well as termination benefits, which are recognized in accordance with IAS 19, are as follows:

<u>Defined Contribution Plans:</u> The defined contribution plans' values are undiscounted and recognized when the employee has rendered his services during the accounting period, as liability, after deducting any already satisfied value.

<u>Other Long-term Employee Benefits:</u> The Group recognizes the long-term benefits for its obligations with each of its workers as a consequence of their acquired right, according to the current law and the existing employment agreements, in the liability against the profit or loss of the period.

<u>Defined Benefit Plans:</u> The Group recognizes as defined benefit plans, its obligations with each one of its workers as a consequence of their acquired right, in accordance with the current law and the existing employment agreements.

Remeasurements of the defined benefit liability and asset, comprising actuarial gains and losses, and the return on plan assets are recognized within other comprehensive income in the period in which they occur and are not subsequently reclassified to profit and loss. The defined benefit pension plan surplus or deficit recognized on the balance sheet for each plan comprises the difference between the present value of the defined benefit obligation (using a discount rate based) and the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and, in the case of quoted securities, is the published bid price. Defined benefit pension plan surpluses are only recognized to the extent they are recoverable, either by way of a refund from the plan or reductions in future contributions to the plan. Contributions to defined contribution plans are recognized in the income statement in the period in which they become payable.

Termination Benefits: The Group recognizes the benefits for the termination of the labour contract without just cause, as a liability and as an expense.

Decommissioning and Environmental Liabilities

The Group recognizes the estimated fair value of decommissioning liabilities associated with E&E and oil and gas assets in the period in which they are incurred, normally when the asset is purchased or developed. The fair value is capitalized and amortized over the same period as the underlying asset. The Group estimates the liability based on the estimated costs to abandon and reclaim the wells and well sites that are required to be abandoned under the terms of oil and natural gas contracts. Wells and well sites that the Group has acquired, constructed, drilled, completed workovers on, or performed enhancements to, are included in the estimate. This estimate is evaluated on a yearly basis and any adjustment to the estimate is applied prospectively. The liability is estimated by discounting expected future cash flows required to settle the liability using a risk-free rate. The liability accretes for the effect of time value of money until it is expected to settle. Actual decommissioning liabilities settled during the period reduce the decommissioning liability.

Environmental liabilities are recognized when the Group has a present legal or constructive obligation as a result of past events and the amount can be reliably estimated. These liabilities are in addition to the decommissioning liabilities due to government regulations that require the Group to perform additional mitigation of environmental issues attributed to water usage and deforestation from oil and gas activities. In addition, the timing of the expected settlement of the environmental liabilities differs from the timing of the expected settlement of the decommissioning liabilities. These are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as a financial expense.

Tax

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

Income Taxes

Income tax expense comprises current and deferred income taxes. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the primary financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Deferred income tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable Entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

Critical Accounting Estimates and Judgments

The preparation of the financial statements in accordance with the principles of IFRS, as described in the basis of preparation paragraph requires management to make judgments, estimates and assumptions that impact the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the reporting date as well as the reported amounts of revenue and expenses during the periods presented. Such estimates relate

primarily to unsettled transactions and events as of the date of the financial statements and actual results could differ materially from estimated amounts.

i. Oil and Gas Accounting – Reserves Determination

The process of estimating reserves is complex and requires significant estimates based on available geological, geophysical, engineering, and economic data. To estimate the economically recoverable crude oil and natural gas reserves and related future net cash flows, the Group incorporates many factors and assumptions including the expected reservoir characteristics, future commodity prices and costs and assumed effects of regulation by governmental agencies. Reserves are used to calculate the depletion of the capitalized oil and gas costs and for fair value purposes.

ii. Determination of CGU

The determination of CGUs requires judgment in defining a Group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks. The determination of asset allocations into CGUs requires significant judgment with respect to the integration between assets, existence of active markets, similar exposure to market risks, shared infrastructure, and the way management monitors operations.

iii. Asset Fair Value Calculations

In assessing the fair value of oil and gas properties, each CGU's carrying amount is compared to its recoverable amount, defined as the greater of its fair value less cost of disposal and value in use. In assessing fair values, the estimated future cash flows are discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value amount is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves.

In addition to estimates of oil and gas reserves as discussed above, key input estimates used in the determination of future cash flows for assessing asset fair value include the following:

a) *Petroleum and natural gas prices* – Forward price estimates of the petroleum and natural gas prices are used in the cash flow model. Commodity prices have fluctuated in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, exchange rates, weather, economic and geopolitical factors.

b) *Discount rate* – The discount rate used to calculate the net present value of cash flows is based on estimates of an approximate industry peer Group weighted average cost of capital. Changes in the general economic environment and/or rates of return expected by market participants could result in significant changes to this estimate.

iv. Exploration and Evaluation Assets

The application of the Group's accounting policy for E&E expenditures requires judgment in determining the likelihood of a future economic benefit existing when activities have not reached a stage at which technical feasibility and commercial viability can be reasonably determined. Factors such as drilling results, future capital programs, future operating expenses, as well as estimated reserves and resources are considered. In addition, Management uses judgment to determine when E&E assets are reclassified to oil and gas assets. In making this determination, various factors are considered, including the existence of reserves, and whether appropriate approvals have been received from regulatory bodies and the Group's internal approval process.

v. Decommissioning and environmental liabilities

The ultimate decommissioning and restoration costs are estimates, cost can vary in response to many factors including changes to legal, contractual, and regulatory requirements. The expected timing and amount of expenditure can also change in response to changes in reserves, production curves, commitments, laws and regulations, timing and likelihood of the settlement of the obligation, discount rates, and future interest rates. Additionally, the impact of climate change and the energy transition could bring forward the date of decommissioning of the group’s producing oil and gas assets, thereby increasing the net present value of the associated provision. As a result, significant adjustments to the provisions established could affect future financial

results. The Company uses a risk-free discount rate based on forecasted Colombia inflation and interest rates and risk premiums.

Environmental liabilities are an addition to the decommissioning liabilities, some regulations require the Group to perform additional mitigation against the environmental issues related to water usage and deforestation from oil and gas activities performed. Timing of expected settlement of the environmental liabilities differs from the timing of expected settlement of the decommissioning liabilities.

Changes in Accounting Policies

New Standards, Interpretations and Amendments Adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for reporting periods commencing on 1 January 2021 and have not been adopted early by the Group. Accordingly, these standards are not expected to have a material impact on the Group.

Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 were adopted on 1 January 2021. None of the Group's hedging relationships or financial instruments were impacted by the changes

3. Oxy Assets Acquisition

On 1 October 2020 it was announced that OPC and Carlyle had entered into an agreement associated with the sale of OPC onshore assets in Colombia to Carlyle for a total consideration of approximately $825 million, with $700 million paid up front, subject to customary closing adjustments resulting a cash payment of $532.4 million and the remainder payable subject to a gross production base target and average realised prices across three contingent payment periods. Management have fair valued the contingent consideration based on the expected cash outflow based on conditions at the acquisition date.

The provisional workings of the fair value of the assets and liabilities identified in the assignment agreement is determined as follows:

Thousands	**Holder**	**Andina**	**Total**
Current Assets	65,116	110,813	175,929
Other Long-Term Assets	9,063	15,461	24,525
Property, Plant, and equipment [(1)]	86,329	633,079	719,408
Total Assets	**160,508**	**759,353**	**919,861**
Current Liabilities	64,247	102,666	166,913
Long-term Liabilities	36,603	285,376	321,979
Total Liabilities	**100,850**	**388,042**	**488,892**
Net Assets	**59,658**	**371,311**	**430,969**
Cash payment			**532,404**
Contingent Consideration [(4)]			62,114
Total Consideration			**594,518**
Goodwill [(2)] [(3)]			**163,549**

The Company has progressed the provisional IFRS 3 fair value assessment presented previously. This has included revising the discount rate applied in calculating the fair value of Property, Plant and Equipment, recalculating the deferred tax liability associated with the fair value uplift, and reassessing the acquisition date fair value of contingent consideration.

[(1)] The valuations presented above are based on information on the fair values as at the acquisition dates. The fair value of Property, Plant and Equipment is based on estimates of future cashflows which are dependent on the Group´s current best estimate of commercially recoverable reserves, along with future commodity price assumptions and an appropriate discount factor.
[(2)] Goodwill of $164 million on the acquisition, mainly as a result of technical accounting goodwill, which is non-cash, which is recognised as a result of deferred tax liabilities on the fair value uplift on property, plant and equipment based on the fair value calculated at the acquisition date in accordance with the requirements of IFRS 3.
[(3)] Deferred tax impact due to the Goodwill was a higher liability of $57 million (Note 24).
[(4)] The contingent consideration was remeasured on 30 September 2021, the fair value of the liability discounted at 6% increased as a result of increased forecast commodity prices, from $62 million to $120 million, this remeasurement resulted in a charge to the consolidated statement of comprehensive income of $57.6 million.

A second close of the transaction associated with the PUT-36 interests will take place once the approval from the ANH is received associated with the change in control. Management expects to complete the process before Q1 2022 ends.

4. COG Acquisition

On 4 May 2021, Flamingo acquired COG, its subsidiaries and their respective branches that are oil & gas operating companies in Colombia (Colombia Energy Development Co "**Cedco**", Global Energy Management Resources Colombia Inc. "**Global**", Cinco Ranch Petroleum Colombia Inc "**Cinco Ranch**" and Lagosur Petroleum Colombia Inc "**Lagosur**"). Flamingo transferred its acquired shares in COG to the Company, which issued shares as consideration.

This acquisition has been accounted for as a combination among same group entities or businesses under common control using the predecessor accounting method.

Thousands	COG
Current Assets	10,955
Cash and Cash Equivalents	5,973
Long-Term Investments	1,486
Goodwill	2,650
Property, Plant, and Equipment	96,840
Total Assets	**117,904**
Current Liabilities	20,464
Long-term Liabilities	13,891
Total Liabilities	**34,355**
Net Assets	**83,549**
Total Consideration (1)	**56,363**

(1) The difference between the cost of the transaction and the carrying value of the net assets has been recorded through equity (Included in Consolidated Statement of Changes in Equity).

The purchase consideration was new shares of Flamingo (Jersey) Limited (a Jersey limited company, established by funds controlled by The Carlyle Group and the immediate parent entity of Flamingo).

5. Revenue

The Group recognizes revenue from crude oil sales, gas Sales and services.

The following table provides the disaggregation of revenue from contracts with customers for the nine months ended 30 September 2021:

Thousands	Nine-months ended 30 September 2021
Sale of oil (1)	$ 561,509
Sale of natural gas	1,818
Service revenue	501
Total revenues and other income	**$563,828**

(1) Revenue for the period ended 30 September 2021 is the net between sales of oil for $561.7 million and the overriding royalty paid of ($0.2) million.

Management believes that the Group has only one reportable operating and geographic segment. All operations are classified as continuing operations.

The board of directors monitors the operating results of its operating segment for the purpose of making decisions and performance assessments. The board of directors acts as the "Chief operating decision-maker" (**CODM**).

Detail of the oil revenue per customer is as follows:

Thousands	Nine-months ended 30 September 2021
Ecopetrol	$ 540,075
Goam 1 CI SAS	21,694
Total sales of oil	**$561,769**

6. Production and Operating Expenses

As of 30 September 2021, production and operating expenses are detailed below:

Thousands		Nine-months ended 30 September 2021
Depreciation, depletion, and amortization	$	68,903
Production costs [1]	$	10,017
Well services [2]		37,085
Maintenance costs [3]		21,123
Support costs [4]		28,452
Energy costs [5]		28,487
Total lifting cost and depreciation		**$194,067**
Pipeline tariff	$	4,737
Trucking		547
Lifting, depreciation and transportation		**$199,351**
Inventory fluctuation [6]		(4,188)
Total Production and Operating Expenses		**$195,163**

(1) Production costs includes related cost in the field required to operate, lift to surface, treat, and store the production.
(2) Well services include inspection services, materials, chemicals, and others related to the well services included in the annual development plan.
(3) Maintenance costs includes contractors, materials and other services related to programmed maintenance as well as periodical cost.
(4) Support costs mainly relates to payroll, insurance, and communication costs.
(5) Energy costs corresponds to public grid related cost to operate the fields.
(6) This amount relates to the valuation of crude oil inventory.

7. Finance Costs

As of 30 September 2021, finance costs are summarized below:

Thousands		Nine-months ended 30 September 2021
Fair value loss on derivatives [1]		21,814
Financial expenses [2]	$	15,153
Accretion of decommissioning liability		6,031
Foreign exchange loss [3]		4,144
Bond issuance cost amortization		927
Total	**$**	**48,069**

(1) Includes unrealized fair value loss by $15.2 million and realized fair value loss by $6.6 million.
(2) Includes accrued interest, paid interest, and other bank expenses.
(3) Includes unrealized foreign exchange by $4.0 million and realized fair value loss by $0.1 million.

8. Property, Plant and Equipment

Additions and Transfers

For the nine months ended 30 September 2021, PP&E additions are mainly related to assets acquired for production and development assets, environmental costs, civil works, and production facilities for the Cravo Norte, La Cira Infantas, Chipirón, Rondon, Cosecha, Teca, Rio Verde, Alcaraván, Hatos, Llanos 23 and Bolivar contracts.

Management completed a review of potential indicators of impairment at the reporting date and identified no indicators of impairment. The detailed PP&E movement is as follows:

Thousands		Lands	Buildings	Administrative Assets [1]	Exploration assets	Oil & Gas Assets [2]	Rights of use assets	Total
Cost								
Balance at 1 January 2021	$	**4,191**	**41,706**	**63,293**	**8,061**	**3,437,977**	**33,351**	**3,588,578**
COG Acquisition		-	131	121	4,820	166,868	2,078	174,018
Additions		-	-	15,169	3,086	77,110	-	95,365
ARO change in estimate		-	-	-	-	(4,284)	-	(4,284)
Transfers		-	126	73	-	(199)	-	-
Impairment						67		67
Retirement		-	-	-	-	(204)	-	(204)
Right of use cancellations [3]		-	-	-	-	-	(489)	(489)
Balance at 30 September 2021	**$**	**4,191**	**41,963**	**78,656**	**15,967**	**3,677,335**	**34,940**	**3,853,051**
Accumulated Depreciation								
Balance at 1 January 2021	$	**-**	**(39,283)**	**(52,507)**	**-**	**(2,750,940)**	**(26,440)**	**(2,869,170)**
COG Acquisition		**-**	(5)	(81)	(699)	(75,051)	(1,342)	(77,178)
Depreciation		**-**	(273)	(3,508)	(97)	(138)	(3,996)	(8,012)
Amortization		**-**	-	-	-	(60,891)	-	(60,891)
Retirement		**-**	-	-	**-**	30	**-**	30
Balance at 30 September	**$**	**-**	**(39,561)**	**(56,096)**	**(796)**	**(2,886,990)**	**(31,778)**	**(3,015,221)**
Net book value at 1 January 2021		**4,191**	**2,423**	**10,786**	**8,061**	**687,037**	**6,911**	**719,408**
Net book value at 30 September 2021		**4,191**	**2,402**	**22,560**	**15,171**	**790,345**	**3,162**	**837,830**

[1] This balance includes computer and communication equipment, office equipment, vehicles and other equipment.
[2] Includes materials inventory and supplies, constructions in progress, development assets, pipelines and it also includes Branches' Asset Retirement Obligation (ARO).
[3] Corresponds to the cancellation of electric-submersible pumps contracts with Baker Hughes de Colombia, Alkhorayef Petroleum Colombia, and Schlumberger Surenco S.A.

9. Short and Long- Term Investments

Short-term investments include tax return certificates of $0.2 million as a result of a VAT refund, such certificates can be used to off-set future VAT and income tax returns or can be sold in the public market at a discounted rate.

The following table provides details of the long-term investments as of 30 September 2021:

Thousands	30 September 2021	1 January 2021
Cravo Norte abandonment trust portfolio	11,973	13,640
LCI abandonment trust portfolio	5,794	6,385
Alcaravan collective investment fund	557	-
Los Hatos collective investment fund	530	-
Tilodiran collective investment fund	454	-
Boral collective investment fund	52	-
Long-Term Investments	**$ 19,360**	**$ 20,025**

The above assets correspond to either of the below:

a. The participation of the Group in the trust funds maintained for the joint operations of Cravo Norte, Bogota office and LCI, for the future settlement of pensions and abandonment liabilities. The trust funds are managed by a qualified third party (Fiduprevisora S.A.) and are invested in portfolio alternatives (including bonds of the manufacturing sector, bonds of entities supervised by the Superintendency of Financial Entities in Colombia, Term Deposit Certificates and TES) as agreed with the trust fund managers; or
b. Trust funds maintained to meet the future abandonment obligations in the Rio Verde (Tilodirán and Boral), Alcaraván, and Los Hatos contracts.

Trust fund valuation is completed at market value (level 2), which is informed by the Trust managers (Fiduprevisora, Fidubogotá and Credicorp).

10. Trade and Other Receivables

Trade and other receivables include trade receivables that consist primarily of oil sale receivables related to the Group's oil sales and the joint operations receivables associated with oil licences. Other receivables correspond to VAT, and advances to suppliers:

Thousands	30 September 2021	1 January 2021
Trade receivables (1)	73,258	23,236
Joint operations	5,660	8,269
Value added taxes (VAT) (2)	4,108	89
Loans to Employees	274	306
Others	4,921	2,412
Short-Term Total	**$ 88,221**	**$ 34,312**
Loans to employees, directors, and officers	1,387	498
Long-Term Total	**$ 1,387**	**$ 498**

(1) Trade receivables balance as of 30 September 2021 increased by $42.9 million, equivalent to 643KBO at an average price of $66.71 per barrel, compared with 31 December 2020, due to a higher oil volume sold which is yet to be collected at the reporting date. The balance also includes the associated VAT.
(2) Nine-month period includes VAT returns that are in the process of being returned or offset with the tax authorities (DIAN-Dirección de Impuestos y Aduanas nacionales). The VAT credit balance is expected to be received in Q4 2021.

Tax receivable of $40.5 million corresponds to the income tax receivable as a result of withholding tax incurred in Colombia for oil sales and the income tax paid in advance during 2021 that should be applied to the 2022 income tax return. The receivable balance as of 1 January 2021 corresponds to Andina.

Thousands	30 September 2021	1 January 2021
Withholding and Income tax receivable	40,477	10,212
Total	$ **40,477**	**$ 10,212**

All tax receivables are expected to be received within the next 12 months and are thus recognized as current assets

11. Other Long-Term Assets

The $4.7 million corresponds to 297,655 barrels valued at a rate of $ 15.63/bbl equivalent amount to be received upon the closure of the transport agreement executed with Ecopetrol in October 2010. The barrels will be received from Ecopetrol at the end of the transportation contract which occurs upon expiry of the Cravo Norte Association Contract (economic life).

12. Prepaid Expenses

The following table provides a detail of the prepaid expenses as of 30 September 2021 and 1 January 2021:

Thousands	30 September 2021	1 January 2021
Prepaid insurance [1]	2,045	9,279
Prepaid software [2]	983	-
Other prepayments [3]	663	393
Total	**$ 3,691**	**$ 9,672**

[1] Insurance premiums paid in connection with the new risk management program which have been amortized over the nine months of 2021.
[2] Landmark (G&G Software) and SAP software licenses payments made at the beginning of the period to be amortized over the period.
[3] Energy infrastructure payment to Intercolombia which will be amortized in one year.

Amortization of prepaid expenses during the period of $7.8 million were included in consolidated statement of income and comprehensive income.

13. Inventory

The following table provides a detail of inventory as of 30 September 2021 and 1 January 2021:

Thousands	30 September 2021	1 January 2021
Crude oil inventory [1]	8,328	4,020
Materials and supplies stock [2]	25,302	27,423
Total	$ **33,630**	**$ 31,443**

[1] Crude oil inventory consists of crude oil in field tanks and transit at the balance sheet date and is valued at the lower of cost, using the weighted average cost method, and net realizable value.
[2] Materials and supplies to be used in the maintenance of wells, workovers, and facilities.

14. Decommissioning and Environmental Liabilities

As of 30 September 2021, the estimated future discounted decommissioning liability is summarized below:

Thousands	Decommissioning	Environmental	Total
As of 1 January 2021	**$ 139,165**	**$ 7,115**	**$ 146,280**
COG acquisition	9,372	2,000	11,372
Additions of the period	-	27	27
Change in estimate	(3,438)	(846)	(4,284)
Usage of provision	(1,762)	-	(1,762)
Exchange rate effect	1,374	(56)	1,318
Accretion expense	5,763	268	6,031
As of 30 September 2021	**$ 150,474**	**$ 8,508**	**$ 158,982**

Asset retirement obligations represent the present value of decommissioning and environmental liability costs related to oil and gas properties, expected to be incurred between 2022 and 2037 in Colombia.

Cash flows are expected to occur in either COP or US dollar. Discount and inflation rates are selected in association with the currencies in which the liabilities are expected to be settled. Future decommissioning costs and environmental liabilities are discounted to arrive at the present value using:

- A risk-free rate between 1.41% and 5.91% and an inflation rate between 1.02% and 1.46% for cash flows expected to be settled in U.S. dollar.
- A risk-free rate between 1.53% and 6.71% and an inflation rate between 1.02% and 1.62% for cash flows expected to be settled in COP.

15. Long Term Notes

On 14 June 2021, the Company, through SierraCol Energy Andina, LLC, issued $600 million of senior notes with a 6.00% coupon (the "**Notes**"). The interest is payable semi-annually in arrears on 15 June and 15 December each year and will mature on 15 June 2028, unless redeemed or repurchased earlier. The notes were rated by Fitch as B+ and by Moody's as B1.

The Notes rank equal in right of payment with all the Group's existing and future senior debt and are guaranteed by the Company's principal subsidiaries.

Thousands	30 September 2021	1 January 2021
Long term notes issued	600,000	-
Capitalized costs [1]	(19,066)	-
Amortization of the costs	927	
Accrued interest	10,100	-
Total	$ **591,961**	**$ -**

[1] Transaction costs primarily related to underwriter, legal and other professional fees.

16. Other Borrowings

The following table provides a detail of other borrowings as of 30 September 2021 and 1 January 2021:

Thousands	30 September 2021	1 January 2021
Other borrowings [1]	-	194,993
Total	$ **-**	**$ 194,993**

[1] On 1 October 2020, SCE entered into a revolving credit facility. As of 1 January 2021, the balance of this facility was $195 million. The facility plus interest of $0.5 million was repaid on 22 June 2021.

17. Lease Liabilities

In the normal course of business, The Group has entered into arrangements and incurred obligations that will impact the Group's future operations and liquidity. These commitments include leases for office space, facilities, machinery, equipment, and others.

The following table provides a detail of lease liabilities as of 30 September 2021 and 1 January 2021:

Thousands	30 September 2021	1 January 2021
Short term lease liability [1]	4,821	5,134
Long term lease liability [1]	4,097	7,577
Total	$ **8,918**	**$ 12,711**

[1] The payment of principal for these leases during the nine-month period ended 30 September 2021 is $4.1 million and interest payment of $0.2 million.

The existing minimum lease payments on 30 September 2021 are as follows:

Thousands	2021	2022	2023	**Total**
Lease payments	$ 1,351	4,433	3,134	**8,918**

18. Pension Liabilities

The liability presented below corresponds to the net value of the pension benefit obligation calculated annually by an independent actuary using the projected unit credit method, less the fair value of the assets intended to cover such obligations.

Thousands	30 September 2021	1 January 2021
Current Pension liability	7,127	7,962
Long-term Pension liability	17,484	20,514
Pension liabilities [1]	**$ 24,611**	**$ 28,476**
Bogotá pension trust portfolio	(17,658)	(20,658)

Thousands	30 September 2021		1 January 2021	
Cravo Norte pension trust portfolio		(5,218)		(6,068)
Pension funds	$	**(22,876)**	$	**(26,726)**
Long-term pension liabilities	**$**	**1,735**	**$**	**1,750**

(1) This benefit applies to eligible employees who met the conditions established in the Colombian Legislation before passing Law 100/93. The Group pays the contributions according to its share of each association contract for which the 58 employees who have obtained a pension worked. The benefit plan provides for the payment of between thirteen (13) and fourteen (14) pension instalments (depending on the legal regime) per year, as well as pre-paid healthcare, educational aid, and contributions to the fund of employees ("FODESI"). Some of the pensioners also get an additional benefit related to the mandatory health care plan which is covered by the Group.

19. Employee Benefits

The following table provides a detail of employee benefits as of 30 September 2021 and 1 January 2021:

Thousands	30 September 2021		1 January 2021	
Salaries, bonuses, and other benefits		7,056		9,655
Severance (1)		354		364
Short-term benefits and liabilities	**$**	**7,410**	**$**	**10,019**
Severance (1)		192		215
Long-term benefits and liabilities	$	**192**	**$**	**215**

(1) This balance includes short-term liabilities for prior periods severance package, this is settled for those employees who belong to the labour regime that predates Law 50/90 and did not embrace the regime change, to whom this social benefit is settled for all the time worked based on the last earned salary.

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

20. Short and Long Term Accounts Payable and Accrued Liabilities

Accounts payable primarily consists of capital, operating and administrative expenses incurred but not yet settled. All accounts payable and accrued liabilities are expected to be settled within one year.

The following table provides details of the trade accounts payable and accrued liabilities as of 30 September 2021 and 1 January 2021:

Thousands	30 September 2021		1 January 2021	
Trade and other payables		70,965		79,184
Contingent consideration (1)		55,000		-
Accounts payable related to withholding tax		14,330		21,575
Miscellaneous payables (2)		8,712		-
Guarantee withholding		4,950		5,317
Joint operations		3,079		4,545
Overlifting		785		339
Short – Term Total	**$**	**157,821**	**$**	**110,960**
Contingent consideration (1)		66,402		62,114
Withholding tax from foreign vendors		3,716		3,006
Accrued liabilities		-		560
Long – Term Total	**$**	**70,118**	**$**	**65,680**

(1) The Sale and Purchase Agreement ("SPA") executed between OPC and SCE includes a contingent component of the consideration which is payable to OPC subject to certain production and commodity price targets. The contingent consideration recognized as short-term liability is associated with the first contingent payment period and the remaining value is recognized as a long-term liability, The contingent consideration was remeasured on 30 September 2021, the fair value of the liability discounted at 6% increased as a result of increased forecast commodity prices, from $62 million to $120 million (Note 3).This amount also includes a contingent consideration creditor related to the Bolivar earnout in respect of the Nautilus acquisition whereby COG would have to pay an additional $1.7 million to Nautilus in the event of an extension of Lagosur's exploration and/or production rights to the Bolivar block beyond the current termination date of the contract.

(2) The Company, through one of its subsidiaries in Colombia, has entered into certain contracts with customers for the sale of crude oil. Through these contracts, customers pay a series of advances in exchange for the delivery of crude oil during the term of each Contract. During December 2020, a new contract with GOAM 1 C.I SAS ("GOAM") was started, balance of advances

is $5.5 million, also, the Group received $3.3 million of prepayments GOAM. The term of the agreement will not exceed 31 January 2023.

21. Financial Risk Management Contracts

The Company, through its subsidiary in Switzerland, has entered into certain financial derivative contracts to manage its exposure to market risks associated with fluctuations in the crude oil price. The Company has not applied hedge accounting for these financial derivative contracts. As a result, all derivative contracts are classified at fair value through profit or loss and are recorded in the consolidated statements of financial position at fair value.

	Volume		$/Bbl			
Tenor	**(Bpm)**	**Average (Bpd)**	**Sold Put**	**Purchased Put**	**Purchased Call**	**Sold Call**
2H 2021	275,000	8,970	40.0-45.0	50.0-55.0	-	70.0-78.0
4Q 2021	300,000	10,007	-	-	80.0	90.0
1Q 2022	160,000	5,346	40.0	60.0	-	90.0
1H 2022	240,000	7,965	37.5-45.0	50.0-55.0	-	75.0-91.0
2Q3Q 2022	80,000	2,624	35.0	55.0	-	90.0

The market value of derivative financial instruments as of 30 September 2021 is $15.2 million.

22. Income Tax Expense

The Company is subject to taxation in the UK and Colombia. UK holding entities are subject to UK tax law obligations including Company tax returns submissions. All branches located in Colombia, are subject to Colombian tax law.

The Company does not expect to pay any UK taxes.

The standard Colombian income tax rate for 2021 is 31% and will be increased to 35% from 2022 onwards. The standard UK tax rate for 2021 is 19%. In the Spring Budget of 2021, the UK Government announced that the rate of corporation tax will increase from 1 April 2023 to 25% on profits over £250,000. UK and Colombia operate under a tax treaty where taxable profits are not subject to additional taxes than the source of operations.

Tax expense for 2021 is as follows:

Thousands		30 September 2021
Current income tax	$	95,229
Deferred Income tax		36,764
Dividend tax expense (1)		14,768
Dividend tax provision reversal (2)		(11,154)
Total	**$**	**135,607**

(1) Dividend tax expense related to Arauca tax dividend under existing jurisdiction law up to the date of this report.
(2) Dividend tax provision reversal initially booked under the assumption that Andina was obligated to withhold the dividend tax. The reversal was booked once the tax migration from the US to the UK was fully accepted which due to the double taxation treaty between Colombia and UK requires no payment.

The movement in income tax payable during the reported period is as follows:

Thousands		Income Tax	Dividend Tax	**Total Income Tax**
Balance as of 1 January 2021	$	19,163	33,378	52,541
COG acquisition		67	-	67
Additions		95,229	14,768	109,997
Provision reversal		-	(11,154)	(11,154)
Payments		(30,789)	(25,492)	(56,281)
Exchange rate effect		(3,779)	363	(3,416)
Total Income tax payable	**$**	**79,891**	**11,863**	**91,754**

Deferred tax liability recognizes the temporary differences using the balance sheet method, including Property, Plant and Equipment of previous years and additions of 2021, along with the effect of foreign exchange and decommissioning liability accretion as follows:

Thousands		30 September 2021
Others	**$**	13,183
Inventory		2,389
Loss – carry forwards		593
Total Deferred tax assets	$	16,165
PP&E and E&E assets		(234,683)
Goodwill		(57,242)
Total Deferred tax liability	$	(291,925)
Net Deferred tax liability	**$**	**(275,760)**
Deferred tax expense		
Decommissioning liability		(8,121)
Inventory		7,045
Loss - carry forwards		1,173
Deferred tax assets	$	**97**
Property, plant and equipment		36,657
Deferred tax liability		**36,657**
Deferred Income tax expense	**$**	**36,754**

Deferred tax asset generated by Lagosur, Cinco Ranch, Global and Condor branches is not recognized, given that there is reasonable uncertainty of future profits.

Loss - carry forwards

Condor, Cedco, Lagosur, Global and Cinco Ranch Colombian branches, due to the fiscal losses, have no impact in current and presumptive income tax, therefore there is no income tax expense. The following table provides a summary of the value of tax losses and excess of presumptive income as of 30 September 2021:

Branch		**Net Tax Losses**
Condor		1,881
Cedco		1,694
Lagosur		2,581
Global		2,328
Cinco Ranch		1,471
Total	$	**9,955**

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

23. SCE Subsidiaries

The consolidated financial statements include the financial statements of SCE and its subsidiaries as of 30 September 2021. The following is a list of the SCE's direct subsidiaries:

Subsidiary	**Country of Incorporation**	**Principal Activities**	**Ownership**	**Address**
Flamingo Swissco AG (Swissco)	Switzerland	Financial and consulting services	100%	C/O BK-Services AG Baarerstrasse 8 6300 Zug
SierraCol Energy Holder Ltd (Holder)	Bermuda	Holding	100%	Citco (Bermuda) Limited O'Hara House, 3 Bermudiana Road, Hamilton, Hm08, Bermuda

Subsidiary	Country of Incorporation	Principal Activities	Ownership	Address
SierraCol Energy Andina, LLC (Andina)	Delaware	Oil & Gas	100%	C/O The Company Trust Company Company Trust Center, 1209 Orange Street, Wilmington, Delaware 19801
COG Energy Limited (COG)	Cayman Islands	Oil & Gas	100%	C/O Maples Corporate Services Limited Ugland House 121 South Church Street PO BOX 309 Cayman Islands

24. Share Capital and Contributed Surplus

As of 30 September 2021, Carlyle owned 99.14% of the outstanding shares of the Company.

Common shares	Number	$
Balance as of 1 January 2021	**369,910,003**	**369,910**
Proceeds from issuance of common shares	4,400,067	4,400
Equity contribution (1)	53,172,858	56,363
Capital reduction (2)	-	(430,246)
Balance as of 30 September 2021	**427,482,928**	**427**

(1) The Andes Transaction was settled using COG´s equity as consideration (Note 4), shares were issued to Flamingo by the Company in exchange for the full share capital of COG.
(2) This capital reduction to pay dividends was approved by ordinary resolution on 22 June 2021. The capital reduction also cancelled $3.2 million of share premium which was initially created in the shares issued to Flamingo for the COG acquisition.

25. Related Party Disclosures

Significant Subsidiaries

The interim statements include the financial statements of the subsidiaries listed in Note 25. Transactions between subsidiaries are eliminated upon consolidation.

Parent and Significant Influence entities

The following transactions were carried out with related parties:

Thousands		30 September 2021		1 January 2021
Management Services Expense (1)	$	2,000	$	-
Loans to related parties (2)		1,191		-

(1) During the nine months ended 30 September 2021, the Company booked $2 million in fees for management services received from The Carlyle Group.
(2) Accounts receivable loans with directors and officers.

26. Financial Instruments and Financial Risk Management

The carrying amounts and respective fair values of financial assets and liabilities as of 30 September 2021 and 1 January 2021 are summarized as follows:

	Carrying Amount				Fair Value			
Financial assets at amortized cost:		30 September 2021		1 January 2021		30 September 2021		1 January 2021
Cash and cash equivalents	$	261,119	$	109,485	$	261,119	$	109,485
Trade and other receivables		88,221		34,312		88,221		34,312
Financial liabilities at amortized cost:								
Accounts payable and accrued liabilities	$	157,821	$	110,960	$	157,821	$	110,960

The Group's financial instruments have been assessed in accordance with the fair value hierarchy described above. Long-term investments are classified as Level 2. There has been no reclassification of financial instruments into

or out of each fair value hierarchy during the period ended 30 September 2021. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level.

The board of directors has overall responsibility for the establishment and oversight of the Group's financial risk management framework and monitors risk management activities. Management identifies and analyses the risks facing the Group and may make use of financial instruments to mitigate risks identified.

The Group has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, foreign currency risk, commodity price risk and interest rate risk. Information about the Group's exposure to each of the above risks, and the Group's objectives, policies, and processes for measuring and managing risk is presented below.

Credit Risk

Credit risk is the risk that the Group will not be able to collect amounts owed to it as they fall due. The Group has credit risk on cash and cash equivalents, short and long-term investments and trade and other receivables. The Group manages the credit exposure related to short and long-term investments by selecting counterparties based on credit ratings and monitors all investments.

Crude oil production is sold using market-based prices adjusted for quality differentials and for transportation costs when sold at the wellhead. The Group currently has contracts in place with two main counterparties. Management does not anticipate non-performance by any of the counterparties and therefore any expected credit loss is immaterial and not booked.

The Group’s largest customer accounted for approximately 96% of net sales., The highest amount of trade receivables outstanding is with the same customer which is the most important oil & gas company in the country. There is no other significant concentration of customer credit risk.

The Group's policy to mitigate credit risk associated with the above-mentioned areas of risk is to establish marketing relationships with large purchasers and negotiate early payment or weekly payments on oil delivery. Historically, the Group has not experienced any collection issues with its crude oil customers. As of 30 September 2021, none of the crude oil receivables are impaired or past due.

Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

Financial assets at amortized cost
- Cash and cash equivalents
- Accounts receivable
- Long-term investments

Cash and cash equivalents

Thousands	30 September 2021	1 January 2021
Cash and bank balances AAA (Fitch ratings)	$ 261,119	$ 109,485

Trade and other receivables

The Group applies IFRS 9’s simplified approach, which uses a lifetime expected loss allowance for all trade receivables, to measure the expected credit losses. All other receivables are short-term, and therefore expected credit losses are measured over the remaining life of term.

To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due.

Account receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of over 90 days.

Long-term investments

Thousands		30 September 2021		1 January 2021
Long-term investments (Fitch ratings)	$	19,360	$	20,025
AAA (Col)				

While long-term investments are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial due to the strong external credit ratings noted above.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, within reasonable means, sufficient liquidity to meet its liabilities when due, under both normal and unusual conditions.

The Group prepares annual capital expenditure budgets, which are monitored regularly and updated as necessary. Crude oil production is monitored daily to provide current cash flow estimates and the Group utilizes authorizations for expenditures on projects to manage capital expenditures.

The following table provides a maturity analysis for the Group's current and non-current liabilities as of 30 September 2021:

Thousands	**Less than 1 year**	**1-2 years**	**Greater than 1-2 years**	**Total**
Accounts payable and accrued liabilities	157,821	-	70,118	227,939
Total	**157,821**	**-**	**70,118**	**227,939**

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates. The Group is exposed to foreign currency fluctuations as certain expenditures are denominated in Colombian pesos. As of 30 September 2021, the Group had no foreign exchange derivative contracts in place.

Commodity Price Risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in commodity prices. Commodity prices for crude oil are impacted by world economic events that dictate the levels of supply and demand. From time to time the Group may attempt to mitigate commodity price risk using financial derivatives.

The table below summarizes the expense paid on the commodity risk management contracts that were in place during the nine months ended 30 September 2021:

Thousands		30 September 2021
Premium paid	$	5,629
Anticipated cancellation (1)		975
Total	**$**	**6,604**

(1) Corresponds to the unwinding of the Natixis hedges originally intended to cover 1H22

Interest Rate Risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Group is exposed to interest rate cash flow risk on its investments.

The Group's exposure to interest rate risk is considered low because the Group has debt at a fixed rate.

27. Capital Management

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

The Group's working capital, calculated as current liabilities less current assets, and share capital are summarized in the following table:

Thousands	30 September 2021	1 January 2021
Current liabilities	$ (285,684)	$ (184,014)
Less: current assets	427,290	195,124
Working capital surplus	**141,606**	**11,110**
Share capital and share premium	$ 427	$ 369,910

28. Commitments and Contingencies

Exploratory Commitments

The Company has net "Exploratory Commitments" for the contracts listed below, which are not included in the financial statements as liabilities:

Contract	Concept	US$
Putumayo-8	(*) Phases 1 and 2) 3D Seismic acquisition 112 km² and three exploratory wells	$13.1 million
Putumayo-9	(*) Phase 1) 3D Seismic acquisition 127 km²2 and two exploratory wells Phase 2) Two exploratory wells	$10.6 million
Putumayo-36	(*) This license, which we will acquire from Oxy pending ANH approval, is currently in the preliminary phase of the exploration period in which the applicable prior consultation process with the local communities must first be completed. The license has outstanding investment commitments to acquire 105.6 km² of 3D seismic and to drill two wells,	$9.5 million
Mecaya	(*) Phase 1 & 2) 3D Seismic acquisition 52 km² The exploration program is currently suspended while the required consultations with communities in the area are carried out.	$2.0 million
	Phase 3) 3D Seismic acquisition 31.25 km² *Phase 4) One Exploratory well*	*$0.5 mm* *$2 mm*
Terecay	(*) Phase 1) 2D Seismic acquisition 476 km² The exploration program is currently suspended due to *force majeure*.	$4.0 million
	Phase 2) Two exploratory wells *Phase 3) Two exploratory wells*	*$5.5 mm* *$5.5 mm*
Tacacho	(*) Phase 1) 2D Seismic acquisition 480 km² The exploration program is currently suspended due to *force majeure*.	$4.1 million
	Phase 2) Two exploratory wells *Phase 3) Two exploratory wells*	*$5.5 mm* *$5.5 mm*
Llanos 39	(*) Phase 1) 3D Seismic acquisition 370 km² and two exploratory wells	$10.4 million
	Phase 2) Two exploratory wells or one exploratory well and the withdrawal of 50% of the remaining area	$3 mm or $1.5 mm, respectively
Llanos 52	(*) Phase 1) 3D Seismic acquisition 292 km² and two exploratory wells	$9.4 million
	Phase 2) Two exploratory wells or one exploratory well and the withdrawal of 50% of the remaining area	*$3 mm or $1.5 mm, respectively*
Llanos 23	(*) Phase 1 and 2) 3D Seismic acquisition 138 km²	$6.5 million

(*) After the end of the current phase the Group can decide to continue with the next phase. Letters of credit are issued to support current phase commitments.

Other Commitments

The Group is involved in various claims and litigation arising in the normal course of business. Since the outcome of these matters is uncertain, there can be no assurance that such matters will be resolved in the Group's favour. The Group does not currently believe that the outcome of adverse decisions in any pending or threatened

proceedings related to these and other matters or any amount which it may be required to pay by reason thereof would have a material impact on its financial position, results of operations, or cash flows.

29. Post Balance Sheet Events

The Company has received confirmation of the dissolution of SierraCol Energy Block LLA 52 Ltd and SierraCol Energy Block LLA 39 Ltd, two wholly owned subsidiaries. The asset interest held in both entities was contributed at the end of the process to SierraCol Energy Condor, LLC. No accounting impacts to the consolidated financial statements.

In addition, the Group is working with Ecopetrol to complete the steps required to end all obligations acquired by Cinco Ranch Petroleum Colombia Inc, Sucursal Colombia in connection with the Association Contract Bocachico. According to the contract, the expiration date is 2022 and management has decided not to request any extension.

The Company declared and paid a dividend of $251 million on 10 December 2021 to Flamingo Midco Limited. This payment was permitted under Companies Act and under the offering memorandum dated on 14 June 2021 for the senior notes due 2028.

30. Ultimate Controlling Party

SCE is controlled by its immediate parent entity – Flamingo Midco Limited. The ultimate parent company of Flamingo Midco Limited is The Carlyle Group.