SierraCol energy

ESG INDUSTRY TOP RATED

SierraCol Energy Limited 2022 Annual Report

For the year ended 31 December 2022

Registered number: 12773957

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STRATEGIC REPORT FOR THE PERIOD ENDED 31 DECEMBER 2022

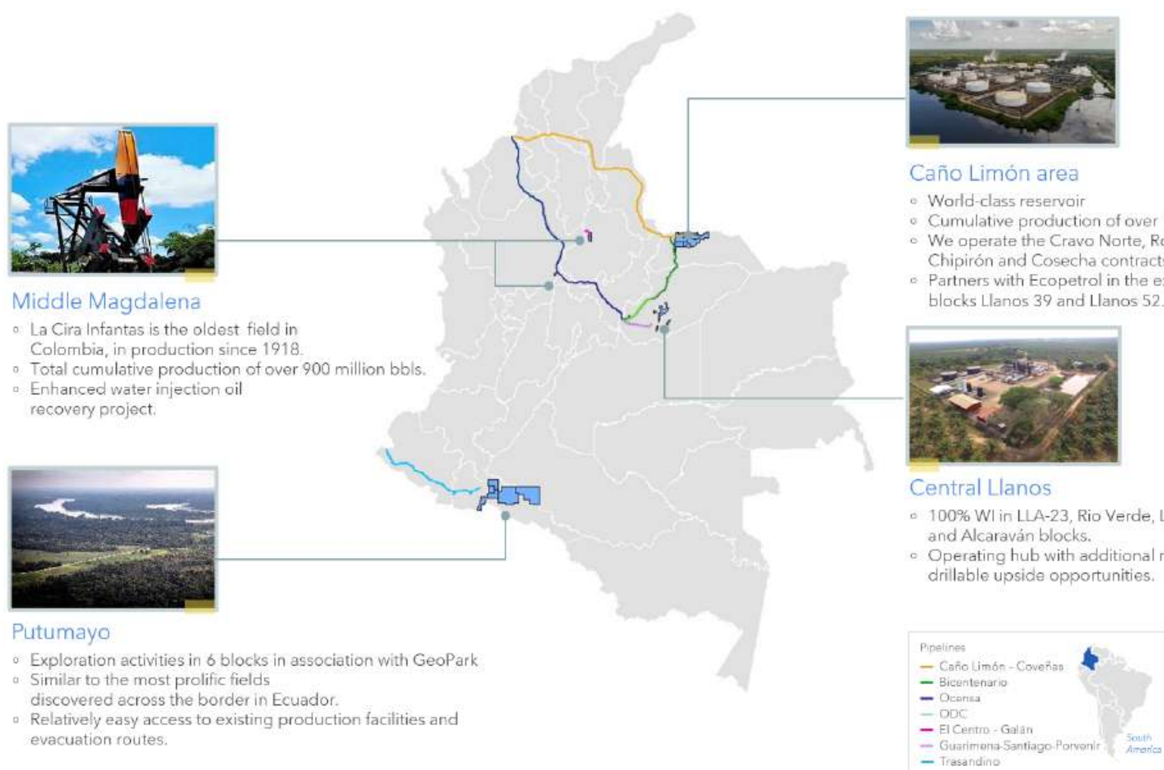
Company overview

SierraCol Energy Limited ("**the Company**", "**SCE**", "**SierraCol**", "**we**" or "**Parent Company**") is a private limited company, limited by shares, incorporated in England. The Company's registered address is Suite Lg, 11 St. James's Place, London, England, SW1A 1NP. The Company is wholly owned by Flamingo Midco Limited ("**Midco**"), which is a direct, wholly owned subsidiary of Flamingo (Jersey) Limited (**"Flamingo Jersey**"). Flamingo Jersey is controlled by Carlyle International Energy Partners ("**CIEP**"), a fund managed by The Carlyle Group ("**Carlyle**"). SCE is engaged, via several of its subsidiaries, in the exploration for, the acquisition, development, and production of hydrocarbons in Colombia.

- On 18 December 2020, a transaction between Occidental Petroleum Company ("**OPC**") and Carlyle was effected, whereby SCE acquired the entire share capital of Oxycol Holder Ltd (thereafter renamed SierraCol Energy Holder Ltd, hereinafter "**Holder**") and Occidental Andina, LLC (thereafter renamed SierraCol Energy Andina, LLC, hereinafter "**Andina**"), and thus acquired the interest of Holder and Andina, and their subsidiaries, and their respective branches in Colombia.
- On 4 May 2021, a transaction between Midco and Andes Colombia Holding Limited ("**Andes**", a UK-based limited liability company ultimately controlled by Carlyle) was effected. In this transaction, Midco acquired COG Energy Ltd ("**COG**"), and its subsidiaries, and their respective branches in Colombia.

SCE at a glance

SCE is a leading independent oil and gas company in Colombia. We are a full-cycle oil and gas exploration and production company, with headquarters in Bogotá, Colombia, and operations in conventional onshore oil assets in the Llanos, Middle Magdalena and Putumayo basins. Our assets are located near strategic processing, storage and transportation infrastructure.



94%	**116**	**B+/B1**	**76.1**
High-quality oil 25° – 35° API Low sulfur	million boe 2P reserves	Fitch / Moody's Stable outlook	$/boe Adj. operating netback

SUSTAINALYTICS ESG INDUSTRY TOP RATED 2023

Key Figures

	FY22	FY21[1]	Δ y/y
Production & Sales (kboed)			
Gross production	81.4	82.3	-1%
SBR production[2]	44.3	43.3	2%
Net production	32.9	33.9	-3%
Net sales	32.1	33.3	-4%
Operating netback per barrel of net sales ($/boe)			
Brent price	99.0	70.9	40%
Realised price	91.9	64.8	42%
Lifting cost	(14.9)	(14.0)	6%
Transport cost	(0.9)	(0.6)	50%
Adjusted operating netback[2]	**76.1**	**50.2**	**52%**
Administrative expenses	(3.2)	(3.7)	-14%
Realised fair value loss on derivatives	(4.2)	(1.2)	250%
Other[3]	0.5	2.1	-76%
Operating netback[2]	**69.2**	**47.4**	**46%**
Financial Results ($ million)			
Total revenue	1,076.2	788.5	36%
Lifting cost	(174.8)	(170.1)	3%
Transport cost	(10.3)	(6.7)	53%
Adjusted operating netback[2]	**891.1**	**611.7**	**46%**
Administrative expenses	(37.6)	(44.7)	-16%
Realised fair value loss on derivatives	(49.6)	(14.4)	244%
Other[3]	6.5	23.7	-73%
Adjusted EBITDAX[2]	**810.4**	**576.3**	**41%**

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

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

2022 operating and financial results highlights

- FY22 Share Before Royalties ("**SBR**") production of 44.3 kboed, up 2% from last year, within SBR production guidance of 43 – 45 kboed.
- Certified 2P reserves of 116 million boe, with a reserves-to-production (''**R/P**") ratio of 10.1 years, up from 9.7 years in 2021, a reserves replacement ratio ("**RRR**") of 102%, and NPV10 after tax of $1.9 billion.
- Environmental, social and governance ("**ESG**") Risk Rating from Sustainalytics of 27.3, medium risk, ranks SierraCol 1st oil-weighted company in Latam in the Oil & Gas E&P sector.
- 40% reduction in net CO_2e emissions by year-end 2022, vs 2020 baseline. On track to deliver on our 50% reduction goal by year-end 2023.
- Adjusted operating netback of $76.1/boe in FY22.
- Adjusted EBITDAX of $810.4 million for FY22, up 41% y/y, with a 40% increase in Brent y/y.
- Generated $397.8 million in Free Cash Flow for FY22, up 46% y/y.
- Low net leverage at 0.6x for year-end 2022 with $106.2 million of cash and cash equivalents in FY22. Total liquidity of $163.3 million.

Our business model and strategy

SCE's strategy is to maintain our assets' long-dated track record of stable production and cash generation, while sustainably growing free cash flow over time by efficiently developing our significant base of reserves and resources. We leverage on our structurally advantaged assets due to scale, high-quality oil and low transportation costs.

Our mission

SCE responsibly develops energy resources to create value for its stakeholders.

The main stakeholders of the Company are investors, partners, employees, communities and the government. We will seek to maximise the economic, social and environmental value of the Company, with responsibility and operational excellence.

Our vision

SCE will continue to be a premier independent energy company in Colombia.

Our vision is underpinned by:
- the application of rigorous metrics of safety, environmental protection, production, reserves and finance;
- the strategic management of our assets and leadership in technology; and
- being an operational and investment partner of choice and a premier employer, attracting the best talent.
- supporting diversity, equality and inclusion across the Company.
- our ambitious emissions reduction programme and robustness of SCE's ESG strategy.

Our Values

Integrity

We always do the right thing; we are transparent, honest and ethical.

Sustainability

We provide a safe and healthy workplace; and are committed to protecting the environment and promoting the well-being of our communities.

People

People are our greatest asset; we value and are committed to developing a diverse workforce, and everyone has an equal opportunity to learn and succeed.

Results-oriented

We seek excellence in achieving results; take measured risk; stretch to exceed expectations; leverage our strong technical capabilities and apply new technologies.

Collaboration

We accomplish more as a team than as individuals. By working together, we succeed; we support our colleagues and proactively communicate with them.

Simplicity

We work efficiently, focused on what is important; adapt to change as needed; and strive to do things right the first time.

Our strengths

- Largest independent oil producer in Colombia based on the latest gross operated and co-operated production information with a high-quality portfolio of well-understood assets, low sub-surface risk and a successful track record of stable operation.
- Our assets are structurally advantaged due to scale, high-quality oil and low transport costs, supporting industry-leading profitability.
- Robust cash flow generation underpinned by stable production base, low and flexible capital requirements, and structurally higher netbacks than peers.
- Robust capital structure and active risk management through hedging and insurance, providing enhanced cash flow stability.
- Committed to ESG excellence and continued focus on health and safety for our workers.

- Colombia has been an investor-friendly country that respects and abides by its contracts, member of the Organisation for Economic Co-operation and Development ("**OECD**"), with stable regulations and institutions.
- Experienced management team with deep understanding of the assets, further enhanced by CIEP's industry experience and support.

Environmental, social and governance

SCE is committed to the highest ESG performance, creating value for all our stakeholders. Sustainability for SCE means operating responsibly and generating economic, social and environmental value in a consistent manner.

The ESG strategy includes five pillars: Climate Action, Action for the Planet, Communities and Society, Solid Governance and Operational Excellence.

In December 2022, SCE received its first formal ESG rating from Sustainalytics. The score of 27.3 places us in a medium risk range, and positioned us well versus our peers. We are ranked as the best oil-weighted company in the E&P subindustry in Colombia and Latam. The report highlights the quality of our management and the robustness of our processes and systems.

Sustainalytics is a global leader provider of high-quality, analytical ESG research, ratings and data to institutional investors and companies. With over 30 years of experience, Sustainalytics helps institutional investors to identify, understand, and manage ESG-driven risks and opportunities. It covers more than 20,000 companies in 172 countries.

Environmental

SCE protects the environment and promotes sustainable use of natural resources in its business operations. Material environmental topics identified for SCE are: i) climate change; ii) water management; iii) circular economy; iv) spills management; and v) biodiversity.

- **Climate change**: SCE has set ambitious goals related to four pillars: energy transition, energy efficiency, gas flaring elimination, and methane measurement and mitigation:

  - Energy transition: at year-end 2022 SCE had replaced 41 MW of crude-based power generation with electricity from the national grid (exclusively hydro generation, a 100% renewable source) in the Caño Limón area. This will allow SCE to reduce 201,000 tCO_2e/year. During 2023, SCE will review alternatives to further replace crude-based power generation in its Caño Limón operations. Additionally, SCE designed a special Battery Energy Storage System ("**BESS**") to act as an uninterruptible power supply ("**UPS**") for fields in Central Llanos with low electrical reliability from the national grid. The goal is to reduce crude oil consumption by combining electricity from the national grid and the BESS. The BESS is currently under construction and will start tests during the first half of 2023.
  - Energy efficiency: the two main initiatives are i) operational control of the energy load to optimize energy consumption in the fields, preventing the emission of around 20,000 tCO_2e during 2022 and ii) implementation of permanent magnet motors in Artificial Lift Systems (''**ALS**''), which use magnets attached to the motor's rotor. The efficiency is 15 - 18% higher versus conventional alternating current (''**AC**'') motors used in ALS. This initiative reduced emissions by approximately 8,000 tCO_2e in 2022.
  - Gas flaring elimination: During 2022, SierraCol developed a plan for the elimination of flaring gas by 2025. This includes a plan for 2023 based on the transformation of gas flaring to liquids (Gas-to-liquids conversion).
  - Methane measurement and mitigation: Additionally, SCE started a pioneer project in Colombia for fugitive emissions measurement and baseline creation with advanced technology and a year ahead of the Colombian regulation requirement. The mitigation and action plan will be developed during 2023.

These decarbonization levers seek to meet the following goals:

Short-term	Medium-term	Long-term
Reduction of 50% net CO_2e emissions by year-end 2023	Gas flaring elimination by 2025	Aspiration to be carbon neutral by 2030

During 2022, SCE achieved a 40% reduction in net emissions vs the 2020 baseline. The Company's net emissions intensity factor improved 24%, from 26.6 in 2021 to 20.2 kg CO2e/boe in 2022.

Streamlined Energy and Carbon Reporting ("**SECR**"): in compliance with the Companies Act 2006 Regulations 2018, we report the greenhouse gas ("**GHG**") emissions and energy performance of the Company. The methodologies used to obtain the data are the Greenhouse Gas Protocol Corporate Standard (2005), GHG Protocol Scope 2 Guidance (2015), and American Petroleum Institute ("**API**") Compendium of GHG Emissions Estimation Methodologies for the Oil and Natural Gas Industry (2021).

The table below shows the GHG emissions and energy performance for 2022 and the comparative period.

Greenhouse gas emissions and energy performance	2022	2021(1)
Gross direct GHG emissions (scope 1) (tCO_2e)	298,817	454,226
Gross indirect GHG emissions (scope 2) (tCO_2e)	135,500	118,266
Gross scope 1 and 2 emissions (tCO_2e)	434,317	572,492
Net scope 1 and 2 emissions (tCO_2e)(2)	390,870	502,194
Net carbon intensity (kg CO_2/boe)(2)	20.2	26.6
Energy consumption (MWh)	999,109	1,001,387

(1) GHG emissions were updated with the emission factor established in Resolution 320 of 5 August 2022 by the Colombian government's Mining and Energy Planning Unit (UPME), and the new version of the API compendium 2021.
(2) Net emissions and net carbon intensity include 387,920 MWh I-REC certificates redemption for 2022 and La Cira Infantas carbon credits transfers (total credits=70,298 tCO2e) for 2021.

The 2020 GHG emissions baseline, updated with the latest emission factor, is 651,437 tCO_2e. Offsets in scope 2 emissions obtained from electrical power supplier of the national grid, which certify our energy is acquired from hydraulic sources, represented a compensation close to 44,000 tCO_2e in 2022.

As part of the Company's climate change commitment, SCE voluntarily conducted a climate risk analysis incorporating the Task Force on Climate-related Financial Disclosure ("**TCFD**") guidelines in the Caño Limón area assets. This analysis entailed the development of our first TCFD report, which is publicly available on SierraCol's website.

This report states the climate strategy, governance, identification and assessment of climate-related risks and opportunities, performance, metrics, and climate scenario analysis following TCFD recommendations. This further supports the decision-making process of actions to reduce the impacts from SCE's operations.

Additionally, the document represents SierraCol's ongoing work to communicate to the stakeholders Company's goals and progress in implementing climate change mitigation and adaptation projects. In this way, the Company is developing a 2022 report following TCFD recommendations that will include risks and opportunities, climate scenario analysis, and metrics of Central Llanos assets not included in the 2021 report. This report will also be publicly available for consultation by all stakeholders on the Company's website in the second quarter of 2023.

- **Water management:** Through SCE's Integrated Water Resources Management Programme ("**PGIRH**", as per its acronym in Spanish), which is part of our Environmental Management System, we ensure compliance and guarantee the correct use, treatment, management and disposal of water resources in all our projects. In addition, SCE have a solid programme for monitoring and controlling the quality of ground and surface water, industrial and domestic water discharges, and surface water bodies in our areas of operation. Furthermore, to preserve and make optimal use of water resources, we have a programme for an efficient use of water as an integrated management process in industrial activities. Additionally, SCE implemented an environmental control programme to include monitoring of rainwater, aligned with the standards of the World Bank's IFC.

- **Circular economy:** the circular economy allows affordable, reliable, resilient, and sustainable business development over time through three principles: eliminate waste and pollution, circulate products and materials, and regenerate nature. Responsible waste management and the efficient use of natural resources are the most important lines of action in SCE's environmental sustainability programmes.

  SCE has developed actions for a circularity pathway. The Company identified and diagnosed four phases: flow circularity analysis, map of identified opportunities, prioritisation of initiatives and strategic recommendations. With this analysis SierraCol developed the Circular Economy Programme for our Caño Limón area operations. The programme allows us to draw a circularity strategy around clear goals and to follow up on each of the prioritised initiatives. Consequently, five circular economy opportunities are being implemented: i) purchase of local products; ii) reuse of electronic waste; iii) reuse of plastic waste; iv) scrap metal utilization for social projects; and v) use of oily muds and drilling cuts.

- **Spills management:** spills prevention requires high operational efficiency and integrity of crude oil infrastructure. SCE focuses on maintaining a robust Risk Management System to prevent incidents, as well as a timely and efficient emergency response structure. During 2022 there were no significant oil spills (those events presented due to operational failure affecting natural soil or bodies of water, and that cannot be addressed with the Company's own resources).

- **Biodiversity:** SCE seeks to prevent and mitigate environmental impacts, protect sensitive ecosystems, and generate practical alternatives that help us create a balance in the development of our activities. We participate in some projects, in collaboration with various external organisations or institutions, to restore and preserve ecosystems, and to raise awareness in our neighbouring communities about the importance of the surrounding biodiversity.

  The Company applies measures based on the precautionary principle to reduce our environmental impacts. SierraCol protects sensitive ecosystems and their biodiversity, as well as generates sustainable development practices. We operate outside of protected areas.

During 2022, SCE developed the Biodiversity Management Programme (''**PGB**'', as per its acronym in Spanish) to consolidate the Company's strategy and vision in relation to compliance with national regulations and requirements for the alignment of different international standards and frameworks (IFC ND6, SDG's, Equator Principles, among others). The PGB lays out a plan to mitigate risks and improve biodiversity management in all our operations. The main implementation stages are: i) baseline; ii) involvement of local, national, and organisational stakeholders; iii) definition of goals and actions; iv) action plan; and v) evaluation, adaptation, and disclosure of results.

Social

We are focused on investing and working to improve the lives of our employees, contractors and the communities around our operations. Material social topics identified for SCE are: i) communities; ii) human rights; iii) health and safety; and iv) human talent.

SCE is creating a legacy of enduring social progress while developing energy resources responsibly. Under a long-term vision, SierraCol works with communities to build acceptance and confidence in the operational activities that we develop.

- **Communities**: We believe the viability and acceptance of our operations is based on building authentic relationships based on trust. In favor of this, SCE focuses on four intervention lines:

  1. Community investment: SierraCol generates a relationship of mutual benefit, where our presence in the territory positively impacts the life of neighbouring communities, with investments that enable opportunities.
  2. Engagement with stakeholders: we build relationships based on trust and mutual growth with our main interest groups.

3. Local content: SCE promotes local contracting opportunities in our operations to generate a synergistic development and works with our contractors to generate positive actions to enhance local development.
4. Land and resettlement: We manage the acquisition and administration of land for our operations in a fair and respectful manner.

As part of our value proposition aiding in the progress of neighbouring communities, SCE executes territorial development actions with the participation of communities and local authorities focused on the following lines: infrastructure for development, education and social inclusion, entrepreneurship and economic development, and quality of life.

The community investment is executed through El Alcaraván Foundation, which is a non-profit institution founded in 1990, and chaired by SierraCol Energy Arauca, LLC and Ecopetrol, the Colombian national oil company. During 2022, the Foundation's investment in the Caño Limón area was $7 million. SCE strengthened its presence in the Caño Limón area through the following actions:

- Improving the quality of life of more than 710 beneficiaries with low income through the construction of 194 new homes and the execution of collective productive projects, reducing critical indicators for housing.
- Improving the road infrastructure in the department of Arauca through the maintenance of 135 km of rural roads, the construction of 4 community bridges, and the delivery of materials to construct 6 more.
- Supporting more than 3,500 families from Arauca through SCE's Emergency Mitigation Plan for climate emergencies.
- Providing basic health services to more than 6,000 patients in two medical centres strategically located to increase the coverage of this service in rural areas.
- Management and closing of 98% of the requests received through SCE's Concerns Attention System.
- Participation in 136 meetings with stakeholders to strengthen our communications.
- Financial inclusion through microcredits supporting community impact projects and entrepreneurship. The Foundation granted $3 million in microcredits during 2022.

- **Human rights:** SCE develops its business respecting the human rights of its stakeholders and protecting the environment. Our internal policies, processes and procedures are guided by the Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, the International Labour Organization (''**ILO**'') Declaration on Fundamental Principles and Rights at Work, the Voluntary Principles on Security and Human Rights, the UN Global Compact Principles, as well as other international standards. As part of the due diligence, we conduct human rights impact assessments in our operations, as well as communicate our expectations regarding human rights to our contractors. SierraCol engages with multi-stakeholder initiatives that aim to support human rights and generate positive impact, not only for the communities where we operate, but more broadly in society.

- Health and safety are the fundamental pillars of SCE's practices. The Company integrates programmes aimed at preventing incidents, and mitigating risks for employees, contractors and neighbouring communities. Additionally, every year we arrange occupational health tests and epidemiological surveillance programmes to prevent or control health conditions, and we implement innovative health campaigns aimed at promoting healthy lifestyles. In 2022, SCE was certified by the Fundación Colombiana del Corazón (a Foundation of the Colombian Society of Cardiology and Cardiovascular Surgery that promotes the prevention of heart disease) as a Healthy Organization, being the first O&G company in Colombia to achieve this certification.

  Our corporate commitment to health and safety is clear in the Health, Environment and Safety (''**HES**''), Risk Management (''**RM**'') and Social Responsibility (''**SR**'') Integrated Policy (''**HES-RM-SR**''). Through the Integrated Operational Management System (''**SIGO**'', as per its acronym in Spanish) we effectively manage risks and drive continuous performance improvement in all areas of the operation.

  During 2022 the TRIR was 0.61, the lowest in 5 years and a 31% improvement compared to the 2021 result.

- Human talent: people are SCE's most valuable asset. SierraCol is committed to developing a competitive, diverse and successful workforce. At SCE, everyone has the same opportunities to learn, grow and succeed. Our main goal is to strengthen our employees' sense of commitment and belonging to the Company, based on strong corporate values.

Human talent guidelines and tools are: i) Code of Business Conduct; ii) personnel selection policy; iii) Diversity, Equity and Inclusion ("**DEI**") policy; iv) equal opportunity policy; v) integrity hotline and the labor coexistence committee; and vi) Success Factors platform. To strengthen the commitment of our human talent, SCE developed a Talent Management Strategy with five key pillars: i) career and development opportunities; ii) total compensation; iii) well-being; iv) culture and v) work environment.

To empower SierraCol's employees in the management of their own careers and strengthen their personal and professional self-knowledge through cutting-edge tools to maximize their contribution and commitment, we implemented the "Leading my Career" programme. The objective of the programme is to promote the development of skills through different experiences that lead employees to a more comprehensive professional growth and to be aware of their own accountability in the process. The leaders of the organization were also trained to guide their employees in their development process. SCE delivered 11 workshops with 93.5% of overall program approval out of 232 participants (including 75 supervisors).

Regarding culture evolution, during 2022 we developed and conducted a Culture Survey to assess how SierraCol were living our values and the results were outstanding with an average 83% of favourability. The values of Sustainability, People and Integrity are the most present in SCE.

In recent years, the oil & gas industry has made progress in the reduction of gender gap, but challenges continues. In Colombia, women represent 27% of the workforce within the energy sector, which is consistent with SCE's gender representation.

	Board of Directors[(1)]				Management team				All employees			
	2022		2021		2022		2021		2022		2021	
	#	%	#	%	#	%	#	%	#	%	#	%
Female	0	–%	0	–%	2	18%	2	18%	166	28%	167	28%
Male	2	100%	2	100%	9	82%	9	82%	421	72%	428	72%
Total	**2**	**100%**	**2**	**100%**	**11**	**100%**	**11**	**100%**	**587**	**100%**	**595**	**100%**

(1) Board of Directors of SEL. The Board of Directors of Flamingo Jersey is made up of 1 woman (17%) and 5 men (83%).

SCE regularly conducts analysis across its business to ensure that women and men are paid equally or similarly for the same or similar work. This analysis is also performed in relation to bonus payments and recognitions.

Annual salary and bonus gap:

Statistical measure	Salary gap		Bonus gap	
	2022[(1)]	2021	2022	2021
Mean	22%	14%	41%	44%
Median	2.9%	0%	26%	20%
Male headcount	382	428	334	365
Female headcount	137	167	153	166

(1) 2022 calculations include daily-role union employees' allowances as well as car maintenance allowance. Employees on maternity leave, paternity leave and sick leave of 6 or more days are excluded. 68 employees were excluded (of which 39 were women) from the 2022 report according to the guidance provided in the UK government site (Statutory guidance - Gender pay gap reporting: guidance for employers). Benefits in kind, interest loans and allowances granted upon request that depend on employees are also excluded.

Employee breakdown by quarter of the pay distribution:

Statistical measure	Male		Female	
	2022[(1)]	2021	2022	2021
Lower pay quarter	65%	80%	35%	20%
Second pay quarter	80%	64%	20%	36%
Third pay quarter	68%	64%	32%	36%
Fourth pay quarter	81%	80%	19%	20%

(1) 2022 calculations include daily-role union employees' allowances. Dollarised local payroll employees whose payments are given in COP are included.

SCE continues to make efforts to close the gender gap through the following initiatives:

- Providing opportunities for development: In 2022, 44% of the promotions were awarded to women versus 40% in 2021. The Company continues to support women's progression in 2023.
- Increasing hiring of female staff: By 2022 year-end 43% of our hirings were female compared to 36% by 2021 year-end. We are in line with the industry trend of female participation of 27%. SierraCol continue working on efforts to guarantee equal employment opportunities.
- Supporting a diversity, equality, and inclusion strategy across the organization, with gender equality being one of the main pillars. In 2022, SCE issued a diversity, equality, and inclusion statement to articulate the Company's commitment to these important pillars of the work environment. The Company published its corporate statement, where it reiterates its commitment to promoting non-discriminatory environments, where diversity is celebrated and is part of the competitive advantages to achieve results. Likewise, the Diversity, Equity and Inclusion Committee was created, which structured a strategy based on three pillars: accountability and culture, talent and measurements, and indicators. The Company put in place a Diversity, Equity and Inclusion policy, which is the guiding tool for carrying out different processes focused on personnel. In 2022, a proposal was also presented to start a Women's Leadership program for SierraCol's employees that will be implemented in 2023.

Finally, contractors and suppliers are critical for our business and have a great impact on meeting our new objectives. They are required to demonstrate good performance credentials on business and sustainability matters, and are covered by several SCE policies, management systems and strategies. In 2022, we established commercial relationships with 970 suppliers and contractors: 68% are national companies (Colombian companies outside of Arauca) and 18% are local (Araucan companies).

Governance

We are convinced of the importance of robust governance to create value and SCE work continuously to improve it. The Board of Directors is our highest governance body and is responsible for overseeing the development of the business and leading actions to ensure sustainable progress within the ESG framework.

The Board of Directors has two committees:

- **Finance and Audit Committee:** The purpose of this committee is to provide assurance and support to the Board of Directors on financial matters, oversee key financial processes and external reporting, including the audit of the consolidated financial statements. The Committee is responsible for ensuring that the company maintains appropriate systems and processes for internal controls and internal audit plan, accounting and tax matters, external audit plans and reports, cybersecurity risk, ethics and compliance, amongst other matters, serving as an independent and objective party. The Committee appoints the Company's external auditor.
- **ESG Committee:** This committee provides the Board with oversight and direct involvement with ESG related issues. It supervises the execution and performance of SCE's material ESG issues by monitoring and supporting the identification and control of non-financial risks, impacts and opportunities, and approving ESG policies.

Material governance matters identified for SCE are: i) ethics and transparency; ii) regulatory and environmental compliance; and iii) communications and stakeholder relations.

- **Ethics and transparency:** ethical and transparent principles and policies enable us to build trustworthy relationships with our stakeholders, maintain our reputation and ensure the sustainability of the business. SCE's Code of Business Conduct reflects these principles and values which serve as the basis of our compliance policies and related procedures.

  The Code addresses key issues including the integrity and respect that are intended to characterise relations between our staff and national and regional government representatives, local communities, contractors, suppliers and business partners. The Code covers business ethics including harassment, safety or environmental risks, discrimination, inaccurate financial records, theft or fraud, conflicts of interest, bribery, corruption or illegal payments.

SierraCol also has an Integrity Helpline, a confidential and anonymous reporting system that is available for all our stakeholders, including employees. It operates 24 hours a day, seven days a week, and is managed by an independent third party, which processes and forwards all reports to our Compliance Officer.

- **Regulatory and environmental compliance:** SCE honours the covenants or agreements signed by Colombia, such as OIT 169, Convention on Biological Diversity, Convention on International Trade in Endangered Species of Wild Fauna and Flora, Ramsar Convention and Stockholm Convention, amongst others. SCE strictly complies with the environmental regulations stipulated by the Colombian authorities to promote sustainable development in the country.

  We have more than 44 environmental licences and permits. In 2022, there were no material cases of non-compliance with environmental laws and regulations. On other regulatory compliance, to the best of our knowledge, there were no substantiated claims filed relating to violations of customer privacy and loss of data.

- **Communications and stakeholder relations**: we strive to provide timely and complete information and to create multiple channels and two-way communication tools, all of which aim to improve our ability to listen, understand and respond to our stakeholders' expectations.

  Through SCE's inquiries response system (CONECTEMONOS) we receive and manage the suggestions, petitions, complaints and/or claims of the communities and other stakeholders.

Key performance indicators

Our key performance indicators are categorised in four groups: safety, operations and financials, ESG, and business sustainability and growth. The performance of the key indicators for 2022 and the comparative period is described in the table below.

Safety	
2022	**2021**
• Zero fatalities at managed operations • Total Recordable Injury Rate ("**TRIR**")[1] below 1 at 0.61 • Process safety: one Tier 1 incident and two Tier 2 incidents, in line with maximum expected.	• Zero fatalities at managed operations • TRIR below 1 at 0.89
Operations and financials[2]	
2022	**2021**
• Gross operated and jointly operated production of 81.4 kboed	• Gross operated and jointly operated production of 82.3 kboed for the period 1 January 2021 to 31 December 2021; for the extended period of 18 December 2020 to 31 December 2021 the production rate was 82.4 kboed
• SBR production of 44.3 kboed	• SBR production of 43.3 kboed for the period 1 January 2021 to 31 December 2021; for the extended period of 18 December 2020 to 31 December 2021 the production rate was 43.4 kboed
• 2P reserves of 116.4 million boe as of 31 December 2022 • RRR of 102% • R/P of 10.1 years	• 2P reserves of 116.2 million boe as of 31 December 2021 • RRR of 104% • R/P of 9.7 years
ESG	
2022	**2021**
• Defined ESG gaps and implemented 2022 critical actions for being ESG rated. Achieved a top rating from Sustainalytics; closed out 96% of the Environmental and Social Action Plan ("**ESAP**") report	• Completed ESAP Report and implemented 2021 actions
• 40% reduction in net CO_2e emissions by year-end 2022, vs 2020 baseline. Net emissions intensity factor improved from 33 to 20 kg CO_2e/boe	• Established detailed plan to reduce carbon footprint
• Implemented 2022 Strategic Security Plan	• Implemented revised Security Protocols (Strategy)
• Implemented 2022 Social Responsibility Programme	• Executed investment in Social Responsibility Programme
• Developed a virtual compliance training and trained more than 97% of our employees	• Reviewed, updated and implemented compliance policies
Business sustainability and growth	
2022	**2021**
• Execution of 3 exploratory wells and initiated seismic activity in MMV- Infantas Oriente • Completed the Bolívar and Rondón contracts extension • Implementation of Culture Change Programme focused on key priorities	• Completed Enterprise Resource Planning build and cutover • Completed Transition Service Agreement with OPC • Established fit-for-purpose process, procedures and guidelines • Managed total separation costs and kept them under budget

[1]TRIR = number of recordable incidents multiplied by 106 (numerator) and divided by million hours worked.
[2]Financial highlights are listed in the following section.

Operational and financial highlights

$ million (unless otherwise stated)	Year ended 31 December 2022	Year ended 31 December 2021
Sales		
Sales of oil (mmbbl)	11.7	12.2
Operating netback per barrel		
Average realised price ($/boe)	91.9	64.8
Adjusted operating netback ($/boe)	76.1	50.3
Financial results		
Revenue	1,076	789
Operating expenses	185	177
Adjusted EBITDAX	810	576
Cash and cash equivalents	106	119
Available liquidity under Revolving Credit Facility ("**RCF**")	57	62
Total available liquidity	163	181
Net debt	495	488

During 2022 SCE approved a dividend policy in order to provide a clear framework of dividend distributions in line with our disciplined financial practice. The senior notes 2028 ("**the Notes**") include a financial covenant relating to the Company's consolidated net leverage ratio, which must be considered when the Board makes dividend distribution decisions. During 2022, the Directors approved dividends of $268 million ($601 million in 2021, which were the result of strengthening the group's operation through the liquidity obtained with the issuance of the bond) to the equity holder, and $67.5 million to non-controlling interest (2021 dividends of $33.8 million).

The Notes' financial covenants also restrict the Company from incurring new debt if the fixed charge coverage ratio is lower than 2.0 and if the consolidated net leverage ratio is greater than 2.75.

Net leverage ratio is tested at the end of each fiscal quarter. During 2022 SCE was in compliance with each covenant under the Notes.

Non-IFRS Measures

This report contains non-International Financial Reporting Standards ("**IFRS**") financial measures and ratios that are not required by, or presented in accordance with, IFRS. Management uses these measures to evaluate operating performance of the Company and as a basis for strategic planning and forecasting, as well as monitoring certain aspects of our cash flow and liquidity. We also believe they provide useful information to investors, securities analysts and other interested parties as supplemental measures of performance.

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

Adjusted operating netback: calculated as average realised price minus operating expenses per barrel. Netback does not have any standardised meaning under IFRS and, therefore, may not be comparable with the calculation of similar measures presented by other issuers. Management uses netback because it is a benchmark common in the oil and gas industry and is an important measure in evaluating operational performance, demonstrating asset profitability relative to current commodity prices.

Total available liquidity: calculated as the sum of cash and cash equivalents plus the undrawn RCF

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

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

Adjusted operating netback: calculated as average realised price minus operating expenses per barrel

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

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

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

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

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

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

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

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

Alternative performance measures

Presented below is the pro forma consolidated statement of Consolidated Statements of Income and Comprehensive Income and Consolidated Statement of Cash Flows. The comparative information presented in these pro forma tables is different to the statutory information presented in the financial statements in this Annual Report. To allow year-on-year comparison of our results we provide a 12 month period in this pro forma table, while the statutory comparative period in the financial statements is the extended period from the Company's incorporation on 28 July 2020 to 31 December 2021.

Pro Forma Consolidated Statements of Income and Comprehensive Income

(Thousands of United States dollars)

		Year ended 31 December		From 28 July to 31 December
		2022	**2021**	**2020**
Revenue				
Oil and natural gas sales		1,074,786	787,917	22,187
Service revenue		1,399	632	–
Total revenue and other income	**$**	**1,076,185**	**788,549**	**22,187**
Operational expenses				
Production and operating expenses		(305,955)	(286,745)	(14,970)
Exploration expenses		(65,822)	(8,627)	(218)
General and administrative expenses		(37,643)	(44,604)	(31,477)
Fair value remeasurement contingent consideration		(5,297)	(57,589)	–
Total operational expenses	**$**	**(414,717)**	**(397,565)**	**(46,665)**
Net income from operations	**$**	**661,468**	**390,984**	**(24,478)**
Finance cost		(88,920)	(57,024)	(652)
Finance income		7,786	10,485	(2)
Other expenses		(5,856)	(1,067)	–
Other income		4,715	2,314	739
Loss in property, plant and equipment sales		(2,207)	–	–
Net income (loss) before tax	**$**	**576,986**	**345,692**	**(24,393)**
Income tax expense		(281,053)	(186,090)	435
Net income (loss) for the period	**$**	**295,933**	**159,602**	**(23,958)**
Remeasurement of the net pension liability		2,777	2,703	–
Other comprehensive income	**$**	**2,777**	**2,703**	**–**
Total comprehensive income (loss) for the period	**$**	**298,710**	**162,305**	**(23,958)**
Attributable to:				
Shareholders of the Company	$	241,522	132,292	(24,701)
Non-controlling interest	$	57,188	30,013	421

Pro Forma Consolidated Statements of Cash Flows

(Thousands of United States dollars)

	31 December 2022	31 December 2021	From 28 July to 31 December 2020
Operating Activities			
Net income before tax	576,986	345,692	(24,715)
Adjustments for non-cash items:			
Depreciation, depletion and amortisation	114,415	97,651	6,293
Property, plant and equipment impairment	(1,170)	11,916	–
Inventory impairment	7,228	1,599	–
Write-off of E&E assets	61,625	–	–
Unrealised fair value (gain) loss on derivatives	(7,439)	9,013	–
Unrealised foreign exchange (gain) loss	(9,559)	(4,064)	5,112
Financial income	(4,658)	(134)	2
Financial expenses	40,450	24,430	974
Other income	–	(3,099)	–
Accretion of decommissioning liability	4,090	7,834	–
Prepaid expenses charged to income statement	10,085	10,768	–
Amortisation of bond issuance cost	2,244	1,342	–
Fair value remeasurement of net pension liability	(2,777)	(2,703)	–
Fair value remeasurement MIP	3,011	1,908	–
Fair value remeasurement contingent consideration	5,297	57,589	–
Adjustments for non-cash items	**$ 799,828**	**$ 559,742**	**$ (12,334)**
Changes in trade and other receivables	(12,892)	(90,530)	6,547
Changes in inventories	3,431	(773)	29
Changes in trade and other payables	(62,888)	(18,364)	32,243
Changes in assets and liabilities	**$ (72,349)**	**$ (109,667)**	**$ 38,819**
Income tax payments	(132,142)	(56,281)	–
Net cash flows provided from operating activities	**$ 595,337**	**$ 393,794**	**$ 26,485**
Investing activities			
Acquisition of Holder and Andina	–	–	(532,404)
Expenditures on property, plant and equipment	(150,784)	(109,806)	(6,076)
Expenditures on exploration and evaluation assets	(29,654)	(5,863)	28
Acquisition of PUT-36	(10,000)	–	–
Contingent Payments	(56,700)	–	–
Proceeds from asset held for sale	8,200	–	–
Interest income	4,658	134	(30)
Cash acquired from Holder and Andina	–	–	60,498
Cash acquired from COG	–	5,973	–
Net cash flows used in investing activities	**$ (234,280)**	**$ (109,562)**	**$ (477,984)**
Financing activities			
Long-term notes issuance	–	600,000	–
Notes issuance costs	–	(19,564)	–
Share capital contributions	–	–	369,910
Dividends paid (to equity holders and non-controlling interest)	(335,500)	(634,950)	(3,750)
Reserve-based lending drawdown	–	–	194,993
Reserve-based lending repayment	–	(194,993)	–
Lease payments	(3,696)	(5,315)	–
Interest and financial expenses paid	(38,301)	(23,235)	(169)
Proceeds from issuance of common shares	2,342	4,400	–
Net cash flows (used) provided in financing activities	**$ (375,155)**	**$ (273,657)**	**$ 560,984**
Net increase in cash and cash equivalents	(14,098)	10,575	109,485
Cash and cash equivalents at the beginning of the period	119,306	109,485	–
Foreign exchange impact on cash and cash equivalents	986	(754)	–
Cash and cash equivalents at the end of the period	**$ 106,194**	**$ 119,306**	**$ 109,485**

Principal risks and uncertainties

SCE operates in an industry with significant ESG and climate-related risks. SierraCol business, financial condition and results of operations could be materially and adversely affected if any of the risks described below occur. The risks and uncertainties described below are not the only risks and uncertainties that we face. Additional risks and uncertainties not known to us or that we currently deem immaterial may also impair our business operations. If any of those risks actually occur, our business, financial condition and results of operations would suffer. The risks discussed below also contain forward-looking statements, and our actual results may differ materially from those discussed in these forward-looking statements.

Business risks

Hydrocarbon reserves

Reserves estimates

Hydrocarbon reserves are annual estimates that may alter significantly when new information or techniques become available. Reported oil and gas reserves are an estimate based on periodic review of reservoir characteristics and recoverability, including production decline rates, operating performance and economic feasibility at prescribed commodity prices, future operating costs and capital expenditures, workover and remedial costs, assumed effects of regulation by governmental agencies, the quantity, quality and interpretation of relevant data, taxes and availability of funds. Economic factors beyond our control, such as world oil prices, interest rates, inflation, and exchange rates, will also impact the quantity and value of SCE's reserves.

These reserves estimations are performed by independent reserves auditors, however there are inherent uncertainties in estimating reserves and depend to some extent on interpretations, which may prove to be inaccurate because by their very nature, reserves are imprecise, and our actual reserves and resources may be lower than estimated. Actual production, revenues, expenditures, oil and natural gas prices and taxes with respect to our reserves may vary from estimates and the variance may be material.

If the assumptions upon which the estimates of our oil and gas reserves and resources have been based prove to be incorrect or if the actual reserves available to us are otherwise less than the current estimates or of lesser quality than expected, SCE may be unable to recover and produce the estimated levels or quality of oil and gas, which may materially and adversely affect our business, prospects, financial condition, and results of operations. Plus, the present value of future net revenues from proved reserves will not necessarily be the same as the current market value of our estimated oil and natural gas reserves. If SierraCol Energy were required to make significant negative reserve revisions, its results of operations and financial performance could be adversely affected.

Recovery of undeveloped reserves requires significant capital expenditures and successful drilling. The Company's reserve data assumes that the Company can and will make these expenditures and conduct these operations successfully, which assumptions may not prove to be correct. If the Company chooses not to spend the capital to develop these undeveloped reserves, or if the Company is not otherwise able to successfully develop these undeveloped reserves, the Company will be required to write-off these reserves.

All categories of reserves are continually subject to revisions based on production history, results of additional exploration and development, price changes and other factors.

Reserves replacement

Unless we are able to replace our reserves and production and develop and manage oil reserves and production on an economically viable basis, SCE's financial condition and results of operations will be adversely impacted. Future oil reserves and production, and therefore the cash flows and results of operations, are highly dependent on our success in efficiently developing and exploiting SierraCol's current reserves base and economically finding or acquiring additional recoverable reserves. SCE's ability to raise capital will be adversely impacted if we are not able to replace our reserves that are depleted by production.

Russia - Ukraine war

In February 2022, Russia invaded Ukraine. During 2022 the Company experienced an increase in lead times for materials of 2 to 3 months; however, the operation was not affected. We have long term agreements with our suppliers, which allows us to plan, sourcing ahead of time. Further adverse impacts to SCE may include, but not exclusively: increased risk of delays in delivery schedules by our suppliers due to supply chain impacts, and increased compliance risks as we abide to the sanctions imposed on these countries by the international community.

During 2022 there was an increase in commodity prices as the imposed sanctions negatively affected the supply of oil and gas globally. Geopolitical uncertainty could impact commodity prices going forward.

Exploration risk

Exploration for oil, and development of new formations, is risky and subject to operational hazards and unforeseen interruptions, including drilling, exploration and production risks and hazards that may affect our ability to produce oil at expected levels, quality and costs. Oil exploration involves a high degree of operational and financial risk beyond our control including the risk that exploration activities will not identify commercially viable quantities of oil or may become uneconomic as a result of an increase in our operating costs or as a result of a decrease in market prices for oil. These risks are more acute in the early stages of exploration, appraisal and development. Future oil exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs.

Furthermore, the marketability of any oil production from SCE's projects may be affected by numerous factors beyond our control. These factors include, but are not limited to, proximity and capacity of pipelines and other means of transportation, the availability of upgrading and processing facilities, equipment availability and government laws and regulations.

Climate change risk

Transition risk

Regulations related to emissions and the impact of any changes in climate could adversely impact our business. Governments around the world, including the Colombian and UK governments, have become increasingly focused on regulating greenhouse gas ("**GHG**") emissions and addressing the impacts of climate change in some manner. GHG emissions legislation is emerging and is subject to change. Although it is not possible at this time to predict how recent legislations or any new regulations that may be adopted to address GHG emissions would impact our business, any such future laws and regulations that limit GHG emissions could adversely affect demand for the oil and natural gas that we produce, with a resulting decrease in the value of our reserves.

Any such future laws and regulations could result in additional compliance costs or additional operating restrictions. If we are unable to recover a significant amount of the costs related to complying with climate change regulatory requirements imposed on us, it could have a material adverse impact on SCE's business, financial condition and results of operations. Our climate strategy is aligned with Colombia's Climate Change Policy. SCE recognizes its role and responsibility in quantifying, reducing, and mitigating emissions, adapting to new conditions, and reducing infrastructure vulnerability.

In addition, efforts have been made in recent years to influence the investment community to take climate change into account when investing in companies. To the extent financial markets view climate change and GHG emissions as a financial risk, this could negatively impact our cost of or access to capital. Increasing attention to the risks of climate change has resulted in an increased possibility of lawsuits brought by public and private entities against oil and natural gas companies in connection with their GHG emissions. Should SierraCol be targeted by any such litigation, we may incur liability, which, to the extent that societal pressures or political or other factors are involved, could be imposed without regard to the Company's causation of or contribution to the asserted damage, or to other mitigating factors.

Finally, although we strive to operate the business operations to accommodate expected climatic conditions, to the extent there are significant changes in the Earth's climate, such as more severe or frequent weather conditions in the markets we serve or the areas where our assets reside, SCE could incur in increased expenses, the operations could be materially impacted, and demand for our products could fall.

In the "Environmental, social and governance" section above, we laid out the Company's plan to lower GHG emissions. We are committed to reducing our carbon footprint by 50% by year-end 2023 (scope 1 and scope 2) with an aspiration to be carbon neutral by 2030.

Physical risks

To assess the physical risks that may affect SCE's operations and assets in the short (2025), medium (2030) and long term (2050) SierraCol considers the current assessment of the external environment by analyzing precipitation, temperature and vegetation cover variables to define a trend.

Type of risk	Potential business impact	SCE strategic response
• Floods • Droughts and forest fires • Temperature increase • Water availability	• Reduced production capacity and therefore reduced revenues (transportation difficulties, supply chain disruptions) • Damage to property and assets in high-risk locations • Conflicts related to water resources access	• Climate Change Adaptation Plan following the strategic lines defined by the Ministry of Mines and Energy: resilient infrastructure. • Short- and long-term planning • Environment management • Strengthening of the social strategy and communication, and disclosure campaigns

Environmental regulation

SierraCol is dependent on obtaining and maintaining permits and licences from various governmental authorities. SCE may not be able to obtain, sustain or renew such licences and permits on a timely basis or at all. SierraCol may also have licences and permits rescinded or may not be able to renew expiring licences and permits. Failure or delay in obtaining or maintaining regulatory approvals or permits could have a material adverse effect on our ability to develop and explore on our properties, and receipt of drilling permits with onerous conditions could increase our compliance costs.

Environmental legislation sets out, amongst other things, restrictions and prohibitions on discharges, releases or emissions of various substances used or produced in connection with petroleum operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed in accordance with the requirements of applicable regulatory authorities. Compliance with such legislation can require significant expenditures. Failure to comply with these laws and regulations may result in the suspension or termination of operations and expose us to administrative, civil and criminal fines and penalties. Our operations create the risk of significant environmental liabilities to the government or third parties for any unlawful discharge of oil, gas or other pollutants into the air, soil or water or for certain other environmental impacts. SCE may be exposed to challenges related to proper biodiversity management, as some operations exist in key biodiversity areas. This could delay and/ or increase the cost of our exploration and development projects. There is uncertainty around the impact of environmental laws and regulations, including those presently in force and those expected to be proposed in the future.

To guarantee regulatory compliance, SierraCol implements measures to prevent and mitigate environmental impacts, ensuring the protection of sensitive ecosystems and their biodiversity around our operations, as well as through the application of sustainable development practices. During 2022, we developed the Biodiversity Management Programme, which includes:

- Specific forest inventories and reports for harvesting
- Biodiversity monitoring plans, related to compensation and mandatory investment activities
- Ecosystem status identification and monitoring of intervened ecosystems
- Analysis of connectivity and habitat fragmentation
- Management of closed species and implementation of vector, undergrowth and invasive species control
- Evaluation of eco-reserves and monitoring of targets

In terms of water management, SCE has implemented specific water quality protection procedures that incorporate regulatory requirements governing freshwater, surface water, groundwater and wastewater. The main source of water supply in our operations is the use of groundwater, while we use surface water to a significantly lesser extent. In addition, through our Integrated Water Resources Management Programme, we ensure compliance and guarantee the correct use, treatment, management and disposal of water resources in all our projects.

SCE's integrated approach to waste management is a fundamental part of our environmental initiatives. SCE recognises the value of proper separation of waste, reduction of waste generation and proper identification, handling and disposal of waste with hazardous characteristics. Although we have our own landfill authorised by the environmental authority, we limit its use to contingency activities. SierraCol works through partnerships and contracts with transport and waste management companies to manage our waste in strict compliance with applicable regulations. Waste generation is controlled and monitored through audits from generation to final disposal, with evidence collected throughout the process, including volumetric measurements, detailed records and disposal or recycling certificates.

Given the nature of our business, there are inherent risks of oil spills at drilling or operations sites due to operational failure, accidents, sabotage, pipeline failure or tampering or escape of oil, which could have impacts on nature and biodiversity or water sources. SCE strictly complies with all applicable spill regulations. Our premise is to operate without causing adverse effects on the environment, promoting the right to a healthy environment. We work daily to prevent the occurrence of undesirable events and, should they occur, to control their potential effects in a timely and effective manner through ongoing programmes to ensure adequate safety conditions, as well as measures to prevent flow line failures. Each field has its own Risk Management Plan, which is activated based on the assessment of the emergency, the environmental sensitivity analysis and the overall damage that could be caused. In addition, through our mechanical integrity programmes, we conduct regular reviews of our flow lines and process equipment, which is critical to determine any need for replacement or repair. Our safety protocols include inspections to generate action plans linked to a predetermined alarm level.

Taking into account the right of participation of the communities, we are attentive to the development of Colombian legislation in the development and implementation of the Escazu agreement and its implications for our operations.

SCE monitors climate change, water and social related regulation with legal advice on the potential future impact on industry and our business.

Capital restriction

Our business requires significant capital expenditures. If cash flows from operations, cash on hand and available capacity under our RCF and approved contingent lines were not sufficient to fund our capital programme, we may be required to seek additional external financing or to delay or reduce our exploration and development activities, which could impact production, revenues and reserves. If we require additional capital, we may pursue sources of capital through various financing transactions or arrangements, including joint venturing of projects, debt financing or other means. SCE may not be able to access capital on favourable terms or at all.

To manage this risk, the Company’s capital spending plans are budgeted, which is made with reference to the financial performance, cash flow generation, inflationary pressures, and liquidity of the Company, among others.

Stakeholder risks

Country risk

Regulation

Our business is subject to local legal, social, political, fiscal and economic factors that are beyond our control, which could impair or delay our ability to expand our operations or operate profitably.

On 13 December 2022, Law 2277 of 2022 was approved by the Colombian Congress, containing a Tax Reform Bill (the “**Tax Reform Bill**”). The Tax Reform Bill is effective as of January 2023 and our financial planning for 2023 considered the effects of this regulation. SCE is aware that there are some constitutional lawsuits against the Tax Reform Bill, however there is no certainty of when the Constitutional Court will decide on this matter, or in which sense it will issue its decision.

The current government may adopt new policies, laws or regulations that may impact the Company's financial results, including but not limited to: the imposition of additional taxes; changes in energy or environmental policies; changes in oil pricing policies; and changes to the royalty scheme.

The National government has announced reforms to labour, health, pensions, among others, that may impact our business. The articulation of these reforms is still unclear.

Most regulatory changes need to be agreed with Congress and are subject to constitutional control which requires a certain degree of consensus between the executive, legislative and judiciary branches of power. Any changes in the oil or investment regulations and policies or a shift in political attitudes in Colombia are beyond our control and may significantly hamper our ability to expand our operations or operate our business at a profit.

2023 Colombia regional elections

Regional elections for governors, mayors, departmental assemblies, and municipal councils will be held in October 2023. The elected officials will assume their offices on January 1, 2024. As such, we do not expect material local regulatory or policies changes, however as has happened in the past, the election season may result in delays in the decision making process at the regional level, and social tension and unrest in the regions were we operate.

SCE closely monitors relevant political and economic situations, including election results and regulatory changes.

Security

Colombia has experienced several periods of violence and instability, and such instability could affect the economy and us. Colombia has experienced periods of criminal violence over the past four decades, primarily due to the activities of guerrilla groups and drug cartels. During the last quarter of 2022 President Petro sanctioned the 'Total Peace Law', and the Colombian government resumed peace negotiations with the National Liberation Army (Ejército de Liberación Nacional, or ''**ELN**''), which has yet to achieve a ceasefire between the Government Forces and the Guerrilla group.

Oil pipelines, including the Caño Limón Coveñas and El Centro – Galán-Ayacucho pipeline systems, which we rely on, have historically been primary targets of terrorist activity in Colombia. Although a Peace Agreement was ratified by the Colombian government in 2016, the result of which was the demobilization and disarmament of the FARC, there continue to be examples of violence against pipelines and other infrastructure that have been attributed to other guerrilla groups, such as the ELN, dissident members of the FARC group and other illegal armed groups. It is not currently known whether or to what degree violence will continue and whether and to what degree that violence may impact our operations, if successful.

Currently, Government peace negotiations with the ELN and with a group of former FARC members who have returned to illicit activities (dissidents) have yet to change this scenario.

For the Caño Limón area in the fields in which we are the operator, we have agreements with the National Army of Colombia, the Navy of the Republic of Colombia, the Colombian Air Force and the National Police to improve security in the area. SCE also hires private security and employ electronic security surveillance such as drones and CCTV equipment, guard and maintain perimetral infrastructure, and work with an analysis unit in charge of monitoring public information sources, developing scenarios and their correspondent responses, and updating the risk matrix.

Social and labour disruptions

Social disruptions or community disputes, such as social unrest and activism, blockades, work stoppages, social protests, strikes by local or national labour groups, or other public order situation in our areas of operations may delay production and result in lost revenue or cause an increase in costs. Failure to maintain the support and trust of local populations and governments could lead to a delay or suspension of operations, loss of permits or major impact to our reputation in these communities, which could adversely affect our business.

Additionally, the current situation of uncertainty in a sociopolitical context given by the new measures and policies that the National government has announced, such as reforms to labour, health, pensions, among others, and the unclear articulation of these reforms and uncertainty regarding the 'Total Peace' process, may generate social tension, social unrest, and an increase of social demands resulting in social disruptions.

That is why for us it is important to maintain reliable relationships and permanent dialogue with our local and regional interest groups, such as communities, authorities, associations and unions, among others, thus allowing us to anticipate complex situations that could impact the viability of the operation.

In addition, a portion of SCE's total workforce are represented by a union, trade union or works council, and those employed by our contractors are represented by labour unions that benefit from the terms of a collective bargaining agreement, which increases our operating costs. If a work stoppage or other labour disturbance occurs, we or our contractors may not be able to negotiate acceptable terms for any collective bargaining agreements or future restructuring agreements or may become subject to material cost increases or additional work rules imposed by such agreements.

In addition, we must comply with legislative requirements for prior consultation with communities and ethnic groups which are affected by our proposed projects in Colombia. Notwithstanding our compliance with these requirements, we may be sued by such communities through a writ for protection of *tutela* (judicial remedy for the purpose of protecting constitutional human rights and freedoms) in the Colombian courts for enhanced consultation, potentially leading to increased costs, operational delays or temporary suspensions and other impacts. In addition, several areas in Colombia have conducted popular consultations and essential referendums on extractive industries. The referendums were organised by opponents of the mining or oil and natural gas industries. It remains unclear to what extent such results can impact the exercise of mineral rights conferred by the national government.

We work closely with the communities to maintain the support and trust of local populations and governments. Since 1990, the Alcaraván Foundation, a non-profit institution founded and chaired by SierraCol Energy Arauca, LLC and Ecopetrol, the Colombian national oil company, has positively impacted the Caño Limón area by fulfilling commitments to support our local communities. Over the past 30 years, together with Ecopetrol, SCE has benefitted more than 66,000 people, including schoolchildren, micro entrepreneurs, teachers, farmers and women. The Foundation engages in community impact projects across 58 Araucan villages to support community development initiatives, including measures to boost agriculture, entrepreneurship, digital connectivity, education, housing and literacy in the region. Maintaining and further developing relationships with communities in our areas of impact will continue to be a pillar of our ESG strategy.

Credit risk of joint venture partners

SCE sells nearly all of crude oil production to Ecopetrol and as a result, are exposed to the credit risks of such customer and any material non-payment or non-performance could adversely affect our cash flow and results of operations. These offtake contracts have fixed terms, and while we have been able to extend these contracts previously, any further extension would be subject to Ecopetrol agreement, which is outside of our control. If Ecopetrol were to fail to pay amounts owed to us under these offtake contracts, or such arrangements were terminated or agreement to extend the term of contracts could not be reached, SCE would be forced to sell to other traders at a price that is likely lower than would have been obtained from Ecopetrol pursuant to such contracts, which may result in an adverse effect on our revenues, financial condition and results of operations.

We have a long-dated commercial relationship with Ecopetrol, which has an investment grade rating from Moody's (Baa3).

Financial risks

Commodity price risk

Our major commodity price risk exposure is to the prices received for our oil and gas production. Our results of operations and operating cash flows are affected by changes in market prices. Prices received for crude oil and gas are volatile and unpredictable and are beyond our control.

To mitigate a portion of our exposure to adverse commodity price risk associated with our underlying oil and gas business, we enter into a number of derivative instruments. Such commodity derivatives tend to be priced using benchmarks that correlate to the underlying oil and gas revenues. While such derivative contracts do not qualify for hedge accounting, management believes these contracts can be utilised as an effective component of commodity price risk management activities.

We expect to maintain a prudent commodity hedging policy. SCE does not engage in speculative hedging. Commodity hedging is normally executed over a period of up to three to four years, primarily to protect downside risk, while keeping upside exposure. This can be achieved by entering into swaps, put options, put-call collars and other option-based strategies with a general preference for using option-based strategies where practicable.

Foreign currency risk

SCE is exposed to foreign currency fluctuations as certain expenditures are incurred in Colombian pesos and US dollars. Close to 80% of our outflows are denominated in Colombian pesos, while revenues are denominated, and paid, in US dollars. This implies that the depreciation of the Colombian peso, which often occurs under lower oil price environments, acts as a natural hedge for our cash flows. We may opportunistically hedge Colombian peso exposure when the Colombian peso decouples from oil price movements, presenting attractive opportunities for us to lock in depreciation movements.

Inflation risk

SCE is exposed to inflation risk. However, we benefit from our longer-term contracting strategies with our suppliers assuring relatively stable tariffs. Also, as mentioned in the 'Foreign currency risk' section, close to 80% of our outflows are denominated in Colombian pesos, and the increase in US dollar cost has been more than offset by foreign exchange savings.

Credit risk

SCE is exposed to counterparty risk from customers, suppliers, partners, intermediaries and banks with respect to our operating and financing activities, as such parties may be unable to honour their contractual obligations. Counterparty risk results from a combination of payment risk (e.g. failure to pay for services or deliveries carried out), delivery risk (e.g. failure to deliver services or productions paid for) and the risk of replacing contracts in default, or mark-to-market exposure (i.e. the cost of replacing the contract in conditions other than those initially agreed). Credit risks related to trade receivables are analysed, monitored and managed. SierraCol also has policies in place that set out a framework for credit exposures with banks and other financial institutions. As a result, we do not believe that we have a history of significant exposure to credit effects or related losses.

We are also exposed to credit risk arising from investments of surplus cash and from our use of derivative financial instruments. Counterparty risk is taken into account when calculating the fair value of these derivatives.

Liquidity risk

Liquidity risk refers to the risk that SCE will not be able to obtain sufficient financing from lenders and the capital markets to meet our operating and project financing and refinancing requirements. SierraCol monitors the liquidity risk by reviewing its cash flow requirements on a regular basis relative to its funding sources, cash flow generation from the producing asset base plus existing bank facilities. Specifically, we ensure sufficient liquidity or committed facilities to meet our operational funding requirements and service debt and adhere to our financial covenants. We closely monitor and manage our liquidity requirements through the use of both short-term and long-term cash flow projections, supplemented by maintaining debt financing plans and active portfolio management.

Our current debt arrangements include $600 million of the Notes and an $80 million RCF (37.15% peso-denominated), raised at the time with the bond issuance in June 2021, committed for five years.

Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from our portfolio of producing fields and potential delays in development projects. In addition to our operating cash flows, portfolio management opportunities are reviewed to potentially enhance SCE's financial capacity and flexibility.

Interest rate risk

Interest rate risk refers to the risk that market interest rates will increase, resulting in higher borrowing costs under our bank borrowings, which currently have floating interest rates. There have not been disbursements under the RCF. As of 31 December 2022, a portion of the overall facility ($16.1 million) is being used to back Letters of Credit in Colombia at a fixed fee, and there is also a fixed commitment fee over the unused amounts. If the RCF is drawn, and given an analysis of market conditions, we may manage the resulting interest rate risk using certain financial derivative instruments. SCE may be affected by changes in market interest rates at the time we need to refinance any of our indebtedness. Assuming that our RCF is fully drawn (drawings will bear interest at a floating rate), each one-eighth percentage change in interest rates would result in a US$100,000 change in annual interest expense on the indebtedness under our RCF.

Cyberattack risk

The threat and impact of cyberattacks may adversely impact SCE's operations and could result in information theft, data corruption, operational disruption and/or financial loss. In the event of a cyberattack, key information and systems may be unavailable for a number of days or weeks, leading to our inability to conduct business or perform some business processes in a timely manner. We depend on digital technology, including information systems and related infrastructure and services, to store, transmit, process and record sensitive information related to our business. SierraCol's business processes depend on the availability, capacity, reliability and security of its information technology infrastructure and its ability to expand and continually update this infrastructure in response to changing needs and therefore it is critical to the business that our facilities and infrastructure remain secure.

Our strategy to mitigate impacts for these type of events considers the continuity of the National Institute of Standards and Technology framework to help to manage and reduce cybersecurity risk in our environment. During 2022, we consolidated and improved capabilities across systems and processes, such as Endpoint Detection Response ("**EDR**"), anti-malware, antivirus, vulnerability management, incident response, SOC (Security Operations Center); to increase cybersecurity awareness at all levels of the organization, training sessions and fishing campaigns have been conducted along the year. As part of the risk mitigation strategy, cybersecurity priorities have been reviewed periodically with senior management during the cybersecurity committee. After year-end, the cybersecurity 2023 annual plan was presented and approved by the Finance and Audit Committee. In 2023, SCE will prioritize actions based on the principle of continuous improvement towards a higher level of maturity. Our efforts will be focused mainly on i) the deployment of an awareness program for users accessing our systems and ii) testing and improvement of processes (updating our incident response plan and the backup strategy, the execution of penetration testing and ethical hacking exercises).

While SCE has implemented strategies to mitigate impacts from these types of events and have also purchased cybersecurity insurance to address these risks, we cannot guarantee that measures taken to defend against cybersecurity threats will be sufficient for this purpose.

Compliance risk

SCE may be exposed to liabilities under anti-bribery laws and a finding that we violated these laws could have a material adverse effect on our business. SierraCol is subject to anti-bribery laws in the United States, the United Kingdom, Colombia and other jurisdictions, and will be subject to similar laws in other jurisdictions where we may operate in the future. We may face, directly or indirectly, corrupt demands by officials, tribal or insurgent organisations, international organisations or private entities. As a result, we face the risk of unauthorised payments or offers of payments by employees, contractors, agents and partners of ours or our subsidiaries or affiliates, given that these parties are not always subject to our control or direction. It is our policy to prohibit these practices. However, the Company's existing safeguards and any future improvements to those measures may prove to be less than effective or may not be followed, and our employees, contractors, agents and partners may engage in illegal conduct for which we might be held responsible. A violation of any of these laws, even if prohibited by our policies, may result in criminal or civil sanctions or other penalties (including profit disgorgement) as well as reputational damage and could have a material adverse effect on our business and financial condition.

Companies Act 2006 – Section 172(1) statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole, while having regard to, amongst other things, those considerations listed in section 172(1). The Directors of the Company are familiar with their duty under section 172 and believe that they fulfilled this duty during 2022.

a) Likely consequences of any decision in the long term:

- The Board recognised the need to reduce the carbon footprint and established ambitious goals: we are committed to reducing our carbon footprint by 50% by 2023 (scope 1 and scope 2), eliminate the routine gas flaring by 2025, with an aspiration to be carbon neutral by 2030.

b) Interests of the Company's employees:

- In 2022, we provided career growth opportunities for 117 employees (44% female, 56% male) who assumed roles of increased responsibility within the organisation. SCE also nurtured the potential of some of its talented employees by assigning them to critical and high impact roles and by making them accountable for adding value to the organisation.
- Committed to our intent to foster a diverse and inclusive work environment, we embraced several activities in 2022: i) issued a diversity, equality, and inclusion statement to articulate the Company's commitment to these important pillars of the work environment; ii) created the DEIC; and iii) accepted proposal to implement during 2023 a Women's Leadership program for SierraCol employees. SCE had 54 new hires in 2022; 24 of them (44%) were women.
- During 2022 SCE implemented the "Leading my Career" program seeking to empower our employees in the management of their own careers and strengthen their personal and professional self-knowledge.

c) Need to foster the Company's business relationships with suppliers, customers and others:

- SCE holds the HSE-SR Committee with Managers of SierraCol's contractor companies. In 2022, more than 65 companies participated. These companies contribute to our operational excellence in all the regions where we are present. This Committee seeks to continue strengthening the discipline and appropriation of the highest standards in occupational health and safety, environmental protection and social responsibility.
- Each of the Company's assets is governed by a joint operating agreement (or its equivalent) which defines how the asset will be managed by its partners. The Company takes an active role in the meetings set up under these agreements and ensures its assets are managed in line with regulations and to the best benefit of the Company and its stakeholders.
- The customers to which we sell our hydrocarbons are limited (Ecopetrol and BP) and our relations with these customers are governed by the agreements that are put in place.
- Since the separation from Oxy and the acquisition of the COG assets, SCE has implemented a series of actions to integrate and consolidate the operation through the appropriate functioning into a single SAP environment. This seeks a smoother consolidation and reporting process, as well as the SAP tool optimization and automation.

d) Impact of the Company's operations on the community and the environment:

- In 2022, SCE released the second sustainability report.
- Defined ESG gaps and implemented 2022 key actions aimed to having SierraCol ready for being ESG rated by a third independent party by 2023. SierraCol achieved a Sustainalitycs top rating in December 2022. The report highlights the quality of our management and the robustness of our processes and systems.
- Closed 96% of all actions of the ESAP.
- SCE makes social investments to positively impact the life of neighboring communities and prioritizes local labor in its operations.

e) Desirability of the Company maintaining a reputation for high standards of business conduct:

During 2022, SCE developed a virtual compliance training and trained more than 97% of its employees.

f) Need to act fairly as between members of the Company:

The Company has a single shareholder, Midco, but also recognises the need to act fairly towards the ultimate shareholders of the Group, as well as the Group's bondholders, lending banks and other providers of financial products. During 2022, in addition to numerous engagements with the Group's ultimate shareholders, the Group's Chief Executive Officer and Chief Financial Officer held the quarterly results conference calls with bondholders and other stakeholders. Senior members of the Finance team held several meetings with lenders and other providers of financial products.

DIRECTORS´ REPORT FOR THE PERIOD ENDED 31 DECEMBER 2022

The Directors present their report and the audited consolidated financial statements of SierraCol Energy Limited and its subsidiaries for the year ended 31 December 2022. SCE is a private limited company, limited by shares, incorporated in England. The Company's registered address is Suite Lg, 11 St. James's Place, London, England, SW1A 1NP. The Company is wholly owned by Midco, which is a direct, wholly owned subsidiary of Flamingo Jersey. Flamingo Jersey is controlled by CIEP, a fund managed by Carlyle.

Principal activity

SCE is engaged, via several of its subsidiaries, in the exploration for, and the acquisition, development and production of hydrocarbons in Colombia.

Future developments

SCE will continue to explore, acquire, develop and produce hydrocarbons.

Information contained in the Strategic report

The Strategic report on pages 4 to 27 contains certain information required to be included within this Directors' report. This relates to ESG matters, financial and operational highlights, risk management, and how the Board considers the views of stakeholders.

The Strategic report and Directors' report are prepared for the shareholders of the Company and should not be relied upon for any other purpose. To the extent that the reports contain forward-looking statements, these are made by the Board in good faith based on the information available at the time of the Annual Report.

Going concern

In the preparation of these Consolidated financial statements, the Directors have made an assessment of the Group's ability to continue as a going concern. As at 31 December 2022, the Group had net current liabilities $129.7 million, cash and cash equivalents balances of $106.2 million and long-term liabilities of $830.8 million, including $600 million in respect of long-term notes. 2022 has been positively impacted by higher commodity prices driven by geopolitical events. Notwithstanding the current higher commodity prices, the Group closely monitors and manages its liquidity risk by producing regular cash flow forecasts to ensure it has sufficient funds to meet forecast cash requirements. The cash flow forecasts model different scenarios including, but not limited to, changes in commodity prices and production rates. The going concern assessment included consideration of a severe but plausible downside scenario that modelled a reduction in future production rates and a shock to global oil prices followed by a period of sustained lower prices. The cash flow forecasts extend beyond a period of 12 months from the date of signing these financial statements. The Directors concluded that the Group has sufficient means to continue as a going concern.

Guarantor

The Company is a guarantor of the Notes issued by one of its subsidiaries, SierraCol Energy Andina, LLC ("**Andina**").

Post balance sheet events

Please refer to note 35 of the consolidated financial statements.

Directors

The Directors who served during the period and up to the date of signing the financial statements were:

1. Mr Eric Faillenet (appointed on 28 July 2020); and
2. Mr Parminder Singh (appointed on 18 December 2020).

Statement of directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations; The directors confirm that these Consolidated financial statements for the year ended 31 December 2022, have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain Group and Company transactions and disclose, with reasonable accuracy, at any time, the financial position of the Group and Company, and to enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors’ confirmations

In the case of each Director in office at the date the Directors’ report is approved:

- So far as the Director is aware, there is no relevant audit information which the Group and Company’s auditors are unaware of; and
- They have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group and Company’s auditors are aware of that information.

Directors’ indemnities

The Group purchased and maintained, throughout the financial period and at the date of approval of the financial statements, a qualifying third-party Directors´ and Officers´ liability insurance in respect of itself and its Directors.

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed.

Approved by the Board of Directors and signed on behalf of the Board.

Mr Parminder Singh (signed)
Director
16 March 2023

Independent auditors' report to the members of SierraCol Energy Limited

Report on the audit of the financial statements

Opinion

In our opinion, SierraCol Energy Limited's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's and parent company's profit and the group's and parent company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Parent Company Statements of Financial Position as at 31 December 2022; the Consolidated and Parent Company Statements of Income and Comprehensive Income, the Consolidated and Parent Company Statements of Cash Flows and the Consolidated and Parent Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Context

SierraCol Energy Limited is an independent energy company focused on the exploration, development and production of oil in Colombia. This is SierraCol's second period of account since incorporation in July 2020. SierraCol completed two major acquisitions in the prior accounting period. In December 2020, SierraCol acquired the Colombian onshore assets and operations of Occidental Petroleum Corporation and in May 2021 SierraCol acquired COG Energy Limited. All operations are in Colombia.

Overview

Audit scope

- Our audit included full scope audits of three components and an audit of specific account balances in a further in-scope component.
- Taken together, the components at which audit work was performed accounted for 100% of consolidated revenue, 100% of consolidated profit before tax and 100% of consolidated total assets.

Key audit matters

- Valuation of Exploration assets (group)
- Valuation of parent company Investments in subsidiaries (parent company)

Materiality

- Overall group materiality: $28,840,000 (2021: $17,500,000) based on 5% of Profit before tax (2021: Adjusted profit before tax).
- Overall parent company materiality: $8,175,000 (2021: $7,800,000) based on 1% of Total Assets.
- Performance materiality: $21,630,000 (2021: $8,750,000) (group) and $6,130,000 (2021: $3,900,000) (parent company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Valuation of Exploration assets is a new key audit matter this year. Accounting for the business combination - Oxy transaction, which was a key audit matter last year, is no longer included due to the IFRS 3 Business Combination accounting being finalised in the prior year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	**How our audit addressed the key audit matter**
Valuation of Exploration assets (group) The group has continued to invest in exploration activities. IFRS 6 requires management to assess exploration assets for indicators of impairment. Management's assessment for impairment indicators conducted on the group's capitalised exploration assets resulted in impairment charges to the income statement of $56.9 million. The carrying value of remaining Exploration assets at 31 December 2022 is $11.0 million. We focused on this area due to the management judgement applied. Refer to Notes 7 and 11 to the financial statements.	We performed the following procedures: • We reassessed the appropriateness of management's accounting policy for recognising exploration assets and assessing for impairment indicators; • We challenged management's assessment of the impairment indicators identified by considering licence conditions, the group's budgets and plans for, and results of, exploration activities; • For those assets impaired in the year, we obtained evidence of the exploration costs incurred and the data used to conclude that the exploration asset is unlikely to be recovered from successful development. As a result of our procedures, we determined that the judgements made by management were appropriate and the financial statement disclosures were reasonable.

Valuation of Investments in subsidiaries (parent company)	
The total carrying value of Investments in subsidiaries presented within the parent company financial statements as at 31 December 2022 is US$741.6 million. In line with IAS 36, management performed an exercise to evaluate the existence of impairment indicators for each material investment balance at the parent company level. Management did not identify any indicators of impairment. We focused on this area given the significance of the balance on the parent company balance sheet. Refer to Note 8 in the parent company financial statements.	In auditing the carrying value of Investments in subsidiaries we performed the following procedures: • We considered external and internal sources of information which could be indicative of impairment indicators including forecasts of future oil prices (a key driver of the performance of the sector and therefore the group), the performance of the underlying oil assets, the results of the group's annual reserves report, and the impact of tax reforms within Colombia; and • We reviewed the disclosures provided in the financial statements to ensure compliance with IAS 36. As a result of our procedures, we concurred with management's assessment that no impairment indicators existed in relation to the carrying value of investments in subsidiaries at the period end.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.

The group's operations and headquarters are in Colombia.

Based on our risk and materiality assessments, we determined which components required an audit of their complete financial information. We scoped in three components requiring an audit of their complete financial information due to their financial significance to the group. In addition, one component was scoped in for audit of specific account balances in order to achieve the required coverage in respect of each material line item in the financial statements.

We engaged a component auditor in Colombia to audit the three financially significant components. Where work was performed by the component audit team, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole.

Senior members of the group audit team visited the component audit team and local management in Colombia during the 2022 audit. In addition, our oversight procedures included the issuance of formal, written instructions to the component audit team setting out the work to be performed, regular communication throughout the audit cycle and the review of component auditor workpapers.

The component scoped in for audit of specific account balances was audited by the group audit team.

The financial statements of the parent company were also audited by the group audit team.

The impact of climate risk on our audit

In performing our audit, we considered the impact of climate change. This involved performing the following procedures:

- We made enquiries of management to obtain their risk assessment and understand the governance processes in place to address climate risk impacts;
- We reviewed relevant board papers related to climate change and the group's Sustainability Report, updated our understanding of the carbon emission reduction commitments made by the group and the impact of these on the financial statements;
- We considered the impact on the financial statement line items and compared this to management's assessment of the impact of climate risk on the financial statements, including the potential impact on the underlying assumptions and estimates, in particular with relation to the valuation of property, plant and equipment and decommissioning provisions; and
- We assessed the consistency of the disclosures in the Annual Report with the knowledge we have obtained from our audit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - group	**Financial statements - parent company**
Overall materiality	$28,840,000 (2021: $17,500,000).	$8,175,000 (2021: $7,800,000).
How we determined it	5% of Profit before tax (2021: Adjusted profit before tax)	1% of Total Assets
Rationale for benchmark applied	We believe that Profit before tax is the primary measure used by the stakeholders in assessing the performance of the group and is a generally accepted benchmark on which to set materiality. In the prior year, we adjusted for the one-off item of the remeasurement of contingent consideration.	The parent company's purpose is to hold investments in the subsidiaries of the group, therefore the appropriate benchmark for assessing materiality is total assets

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between $5,000,000 and $27,300,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 50%) of overall materiality, amounting to $21,630,000 (2021: $8,750,000) for the group financial statements and $6,130,000 (2021: $3,900,000) for the parent company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above $1,400,000 (group audit) (2021: $875,000) and $408,750 (parent company audit) (2021: $390,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- Reading management's paper to the Finance and Audit Committee and obtaining and examining management's base case forecasts and severe but plausible downside scenarios, checking that the forecasts have been subject to board review and approval;
- Considering the historical reliability of management's forecasting of cash flows by comparing budgeted results to actual;
- Challenging management and obtaining audit evidence for key inputs into the model, including cost assumptions, commodity prices, production forecasts, volume of barrels hedged, and ensuring that these were consistent with our understanding and with the inputs used in other key accounting judgements in the financial statements;
- Validating the opening cash balances and the key terms and conditions associated with debt facilities and ensuring these are appropriately considered in the model; and
- Assessing the mathematical accuracy of management's model.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the parent company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to environmental and license regulation, health and safety regulations, and anti-bribery and corruption laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006 and Colombian tax regulation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to potential management bias in accounting estimates and the posting of inappropriate journal entries to increase revenue or profits. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Enquiries of management around known or suspected instances of non-compliance with laws and regulations, claims and litigation, and instances of fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Review of board minutes;
- Challenging management on the assumptions and judgements made in their significant accounting estimates; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations that increased revenue or profits.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Richard Spilsbury (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
16 March 2023

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

For the year ended 31 December 2022 and extended period ended 31 December 2021

(Thousands of United States dollars)

	Note		Year ended 31 December 2022	From 28 July 2020 to 31 December 2021
Revenue				
Oil and natural gas sales			1,074,786	810,104
Service revenue			1,399	632
Total revenue and other income	5	**$**	**1,076,185**	**810,736**
Operational expenses				
Production and operating expenses	6		(305,955)	(301,715)
Exploration expenses	7		(65,822)	(8,845)
General and administrative expenses	8		(37,643)	(76,081)
Fair value remeasurement contingent consideration	22, 24		(5,297)	(57,589)
Total operational expenses		**$**	**(414,717)**	**(444,230)**
Net income from operations		**$**	**661,468**	**366,506**
Finance cost	9		(88,920)	(57,998)
Finance income	10		7,786	10,483
Other expenses			(5,856)	(1,067)
Other income			4,715	3,053
Loss in property, plant and equipment sales			(2,207)	–
Net income before tax		**$**	**576,986**	**320,977**
Income tax expense	27		(281,053)	(185,655)
Net income for the period		**$**	**295,933**	**135,322**
Remeasurement of the net pension liability	20		2,777	2,704
Other comprehensive income		**$**	**2,777**	**2,704**
Total comprehensive income for the period		**$**	**298,710**	**138,026**
Attributable to:				
Shareholders of the Company		$	241,522	107,592
Non-controlling interest		$	57,188	30,434

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2022 and 2021

(Thousands of United States dollars)

	Note	Year ended 31 December 2022	2021*
Assets			
Property, plant and equipment	11	920,597	906,666
Other long-term assets	16	4,654	4,654
Goodwill		2,650	2,650
Other receivables	14	1,535	1,224
Tax receivables	15	322	349
Investments	12	22,826	21,292
Non-current assets		**$ 952,584**	**$ 936,835**
Tax receivables	15	63,156	52,601
Trade and other receivables	14	73,882	83,671
Inventory	17	20,381	31,040
Investments	12	233	2,816
Cash and cash equivalents		106,194	119,306
		263,846	289,434
Assets held for sale	13	–	7,976
Current assets		**$ 263,846**	**$ 297,410**
Total assets		**$ 1,216,430**	**$ 1,234,245**
Liabilities and shareholders' equity			
Long-term notes	19	584,022	583,778
Deferred tax liability	27	118,786	76,957
Decommissioning and environmental liabilities	18	95,623	111,968
Lease liabilities		41	2,976
Employee benefits	21	4,096	3,732
Pension liabilities	20	760	1,910
Long-term payables	24	27,473	67,901
Non-current liabilities		**$ 830,801**	**$ 849,222**
Decommissioning and environmental liabilities	18	4,374	3,918
Lease liabilities		919	4,697
Derivative financial instruments	26	1,575	9,013
Income tax payable	27	183,554	123,083
Employee benefits	21	6,718	6,064
Interest payable	23	1,500	–
Accounts payable and accrued liabilities	22	194,917	214,739
Current liabilities		**$ 393,557**	**$ 361,514**
Total liabilities		**$ 1,224,358**	**$ 1,210,736**
Share capital	29	2,769	427
Accumulated losses		(61,476)	(38,009)
Equity attributable to the shareholders of the Company		**(58,707)**	**(37,582)** *
Equity attributable to the non-controlling interest		**50,779**	**61,091** *
Total equity		**$ (7,928)**	**$ 23,509**
Total liabilities and equity		**$ 1,216,430**	**$ 1,234,245**

* An amount of $16.5 million has been reclassified from "Equity attributable to shareholders of the company" to "Non-controlling interest" as at 31 December 2021 through the line-item "Net income and comprehensive income" in the Statement of Changes in Equity. This reclassification corrects an understatement of "Non-controlling interest" in previously issued financial statements.

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

The financial statements on pages 38 through 79 were approved by the Board of Directors on 16 March 2023 and signed on its behalf by:

Mr Parminder Singh (signed)
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022 and extended period ended 31 December 2021

(Thousands of United States dollars)

	Share capital	Share premium	Accumulated losses	Total equity shareholders of the Company	Non-controlling interest[1]	Total equity
28 July 2020	$ –	$ –	$ –	$ –	$ –	$ –
Capital contribution from Flamingo Midco Limited	369,910	–	–	369,910	–	369,910
Result from Holder and Andina acquisition	–	–	(3,740)	(3,740)	68,157	64,417
Dividends paid to non-controlling interests	–	–	–	–	(3,750)	(3,750)
Net income and comprehensive loss	–	–	(24,701)	(24,701)	421	(24,280)
31 December 2020	**$ 369,910**	**$ –**	**$ (28,441)**	**$ 341,469**	**$ 64,828**	**$ 406,297**
Capital contribution from Flamingo Midco Limited	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	–	–	(601,200)	(601,200)	–	(601,200)
Dividends paid to non-controlling interests	–	–	–	–	(33,750)	(33,750)
Cash contribution from parent	–	–	1,908	1,908	–	1,908
Net income and comprehensive income	–	–	132,292 *	132,292 *	30,013 *	162,305
31 December 2021	**$ 427**	**$ –**	**$ (38,009)**	**$ (37,582)**	**$ 61,091**	**$ 23,509**
Other share capital contributions	2,342	–	–	2,342	–	2,342
Dividends paid to equity holders	–	–	(268,000)	(268,000)	–	(268,000)
Dividends paid to non-controlling interests	–	–	–	–	(67,500)	(67,500)
Cash contribution from parent	–	–	3,011	3,011	–	3,011
Net income and comprehensive income	–	–	241,522	241,522	57,188	298,710
31 December 2022	**$ 2,769**	**$ –**	**$ (61,476)**	**$ (58,707)**	**$ 50,779**	**$ (7,928)**

[1] SierraCol Energy Arauca, LLC is 75% owned by Holder and 25% owned by Repsol LUX E&P S.á.r.l. ("**Repsol**"). For consolidation purposes, Repsol's interest is included as a non-controlling interest (''**NCI**'') in accordance with IFRS 10 within the consolidated statement of changes in equity.

* An amount of $16.5million has been reclassified from "Equity attributable to shareholders of the company" to "Non-controlling interest" as at 31 December 2021 through the line-item "Net income and comprehensive income". This reclassification corrects an understatement of "Non-controlling interest" in previously issued financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022 and extended period ended 31 December 2021

(Thousands of United States dollars)

	Note	31 December 2022	From 28 July 2020 to 31 December 2021*
Operating Activities			
Net income before tax		576,986	320,977
Adjustments for non-cash items:			
Depreciation, depletion and amortisation	11	114,415	103,944
Property, plant and equipment impairment	6	(1,170)	11,916
Inventory impairment	6	7,228	1,599
Write-off of E&E assets	7	61,625	–
Unrealised fair value (gain) loss on derivatives	9	(7,439)	9,013
Unrealised foreign exchange (gain) loss		(9,559)	1,048
Financial income		(4,658)	(132)
Financial expenses	9	40,450	25,404
Other income		–	(3,099)
Accretion of decommissioning liability	9	4,090	7,834
Prepaid expenses charged to income statement	14	10,085	10,768
Amortisation of bond issuance cost	19	2,244	1,342
Fair value remeasurement of net pension liability		(2,777)	(2,703)
Fair value remeasurement MIP		3,011	1,908
Fair value remeasurement contingent consideration	22,24	5,297	57,589
Adjustments for non-cash items		***$ 799,828***	***$ 547,408***
Changes in trade and other receivables		(12,892)	(83,983)
Changes in inventories		3,431	(744)
Changes in trade and other payables		(62,888)	13,879
Changes in assets and liabilities		***$ (72,349)***	***$ (70,848)***
Income tax payments		(132,142)	(56,281)
Net cash flows provided from operating activities		**$ 595,337**	**$ 420,279**
Investing activities			
Acquisition of Holder and Andina		–	(532,404)
Expenditures on property, plant and equipment	11	(150,784)	(115,882)
Expenditures on exploration and evaluation assets	11	(29,654)	(5,835)
Acquisition of PUT-36	11	(10,000)	–
Contingent Payments		(56,700)	–
Proceeds from asset held for sale	13	8,200	–
Interest income		4,658	104
Cash acquired from Holder and Andina		–	60,498
Cash acquired from COG		–	5,973
Net cash flows used in investing activities		**$ (234,280)**	**$ (587,546)**

	Note	31 December 2022	From 28 July 2020 to 31 December 2021*
Financing activities			
Long-term notes issuance		–	600,000
Notes issuance costs		–	(19,564)
Share capital contributions		–	369,910
Dividends paid (to equity holders and non-controlling interest)		(335,500)	(638,700)
Reserve-based lending drawdown		–	194,993
Reserve-based lending repayment		–	(194,993)
Lease payments		(3,696)	(5,315)
Interest and financial expenses paid		(38,301)	(23,404)
Proceeds from issuance of common shares		2,342	4,400
Net cash flows (used) provided in financing activities		**$ (375,155)**	**$ 287,327**
Net increase in cash and cash equivalents		(14,098)	120,060
Cash and cash equivalents at the beginning of the period		119,306	–
Foreign exchange impact on cash and cash equivalents		986	(754)
Cash and cash equivalents at the end of the period		**$ 106,194**	**$ 119,306**

* The period ended 31 December 2021 included in the Statement of Cash Flows has been amended. Additional lines have been added to provide additional disclosure.

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

1. Reporting entity

SierraCol Energy Limited ("**the Company**" or "**SCE**") is a private limited company, limited by shares, incorporated in the United Kingdom and registered in England on 28 July 2020 and is engaged, via several of its subsidiaries, in the exploration and the acquisition, development and production of hydrocarbons in Colombia. The Company is located at Suite Lg, 11 St. James's Place, London, England, SW1A 1NP. These consolidated financial statements include the financial statements of the Company and its subsidiaries ("**the Group"** or "**Group**").

On 18 December 2020, a transaction between Occidental Petroleum Company ("**OPC**") and The Carlyle Group ("**Carlyle**") was effected (the "**Transaction**"), whereby SCE, acquired the entire share capital of Andina registered in Delaware and SierraCol Energy Holder, Ltd ("**Holder**") registered in Bermuda, from Oxy Colombia Holdings, Inc and Occidental International Holdings, Ltd, respectively, both subsidiaries of OPC, and thus acquired the interest of Andina and Holder and their subsidiaries, and their respective branches in Colombia. The acquisition of Andina and Holder was accounted for as an IFRS 3 Business Combination in 2021, as previously disclosed.

On 4 May 2021, a transaction between Midco and Andes was effected ("**Andes Transaction**"). In this Andes Transaction, Midco 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 contributed 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.

After obtaining approval from the ANH, on 30 June 2022, the acquisition of the entire share capital of Occidental de Colombia PUT-36, LLC (a Delaware limited liability company), and its Colombian branch was completed by Andina (the "PUT-36 Closing"), thus acquiring a 50% interest on the PUT-36 block, in exchange for a consideration of $10 million. Immediately following the acquisition Occidental de Colombia PUT-36, LLC, the entity was renamed SierraCol Energy PUT-36, LLC. ("**PUT-36**"). The PUT-36 closing is accounted for as an asset acquisition per IAS 16.

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

- SierraCol Energy Arauca LLC ("**Arauca**") is the operator partner for the Cravo Norte, Rondón, Chipirón and Cosecha association contracts signed with Ecopetrol S.A. ("**Ecopetrol**", "**ECP**"). The aforementioned contracts are located in the Arauca basin and all are in the production 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, Rondón and Chipirón contracts which Arauca operates. Recently, Andina entered into exploration and production ("**E&P**") contracts with Amerisur Exploration Colombia Limitada ("**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.
- PUT-36 entered into an E&P contract with Amerisur located in the Putumayo area (Put-36) as a non-operator partner. This contract is in the exploration phase.
- SierraCol Energy Condor LLC ("**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 of Río Verde, Los Hatos, Llanos 23 E&P contracts signed with the ANH and Alcaraván association contract signed with Ecopetrol all are in the production stage.
- Cinco Ranch was the operator in the Bocachico association contract, terminated on 6 March 2022, some abandonment activities are still ongoing.
- Lagosur is the operator in the Bolívar association contract signed with Ecopetrol, this contract is in production stage.

As of 31 December 2022, the Group had the following interests in oil and gas assets:

Basin	Contract	Group´s interest[1]		Operator	Partners	Stage
		Capital Investments	Production and expenditures			
Middle Mag.	La Cira Infantas	52%	48%[2]	Ecopetrol	Andina, ECP	Production
Middle Mag.	Teca - Cocorná	60%	40%	Ecopetrol	Andina, ECP	Production
Middle Mag.	Bolívar	100%	100%	Lagosur	Lagosur, ECP	Production
Middle Mag.	Bocachico	100%	100%	Cinco Ranch	Cinco Ranch, ECP	Relinquishment in progress
Llanos (Northern)	Cravo Norte	50%	45%[2]	Arauca	Arauca, Andina, ECP	Production
Llanos (Northern)	Rondón[3]	50%	50%	Arauca	Arauca, Andina, ECP	Production
Llanos (Northern)	Chipirón	70%	70%[4]	Arauca	Arauca, Andina, ECP	Production
Llanos (Northern)	Cosecha	70%	70%	Arauca	Arauca, ECP	Production
Llanos (Northern)	LLA39	50%	50%	Condor	Condor, ECP	Exploration
Llanos (Northern)	LLA52	48%	48%	Condor	Condor, ECP	Exploration
Llanos (Northern)	Villanueva	50%	50%	Perenco	Andina, ANH	Relinquishment in progress
Llanos (Central)	Rio Verde	100%	100%	Cedco	Cedco	Production
Llanos (Central)	Alcaraván	100%	100%	Cedco	Cedco	Production
Llanos (Central)	Los Hatos	100%	100%	Cedco	Cedco	Production
Llanos (Central)	LLA23	100%	100%	Cedco	Cedco	Production
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
Putumayo	Putumayo-36	50%	50%	Amerisur	Andina, Amerisur	Exploration

[1] Group's working interest for (i) capital investments and (ii) production and expenditures are defined per the association contract.
[2] Group's share is affected by crude oil benchmark in accordance with the Price Premium Adjustments (''PPA'') adjustment clause.
[3] On 13 September 2022 the Group reached an agreement with Ecopetrol to extend the Rondón contract term to 2038, with a 35% working interest in the block (previously 50%).
[4] Group's share is affected by accumulated production and operational expenses associated with certain formations (M1 and M2 sands) in accordance with the R Factor clause.

2. Basis of preparation and significant accounting policies

Basis of preparation

The consolidated financial statements ("**financial statements**") of the Company and its subsidiaries (collectively referred to as "**the Group**") for the year ended 31 December 2022 and the extended period ended 31 December 2021, have therefore been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

Basis of measurement and going concern

These financial 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 financial 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.

In the preparation of these financial statements, the Directors have made an assessment of the Group's ability to continue as a going concern. As at 31 December 2022, the Group had net current liabilities of $129.7 million, cash and cash equivalents balances of $106.2 million and long-term liabilities of $830.8 million, including $600 million in respect of long-term notes. Oil trading throughout 2022 has been positively impacted by higher commodity prices driven by geopolitical events. Notwithstanding the current higher commodity prices, the Group closely monitors and manages its liquidity risk by producing regular cash flow forecasts to ensure it has sufficient funds to meet forecast cash requirements. The cash flow forecasts model different scenarios including, but not limited to, changes in commodity prices and production rates. The going concern assessment included consideration of a severe but plausible downside scenario that modelled a reduction in future production rates and a shock to global oil prices followed by a period of sustained lower prices. The cash flow forecasts extend beyond a period of 12 months from the date of signing these financial statements and the Group forecasts liquidity headroom in both the base case and downside case models. The Directors concluded that the Group has sufficient means to continue as a going concern.

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 financial 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 financial 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 fair value of the consideration paid is allocated to the acquired identifiable assets and liabilities on the basis of their fair values; any excess is allocated 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. 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

Oil and gas operations are usually conducted by the Group as co-licensees in unincorporated joint operations with other companies.

Under IFRS 11, 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 Group recognises 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 all its subsidiaries.

The Group 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 recognised 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 recognised in the 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 categorised 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 categorised 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 recognised when the title, risk and control over the oil and gas has been transferred to the buyer. Payments for the sale of the oil and gas are received at the end of the following month or in advance, in accordance with the conditions of each contract. 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 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 and gas delivered, and the services rendered).

Service revenues correspond to ad hoc services that are billed monthly related to the use of the equipment; payment is due 30 days after invoicing.

Transportation costs

Transportation costs include trucking and pipeline tariffs to transport crude oil from the wellhead to offloading stations and from the wellhead to the point of control and title transfer, respectively. Transportation costs are recognised simultaneously with revenue and are presented within Production and operating expenses in the statements of income.

Exploration and Evaluation ("E&E") assets

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

Costs directly associated with an exploration well are initially capitalised as work in progress asset until the well is completed, and the results have been evaluated. These costs include employee remuneration, materials, rig costs and payments made to contractors. If potential 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 Property, Plant and Equipment. 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 recognised 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. Oil and gas assets, excluding construction in progress, are depleted using a unit-of-production method. The cost of producing wells and the related facilities and future decommissioning costs are amortised over proved and probable reserves on a unit of production basis. 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 undeveloped reserves. Information on the carrying amounts of the Group's oil and gas assets, together with the amounts recognised in the income statement as depreciation, depletion and amortisation is contained in Note 11.

The impact of changes in estimated proved reserves is dealt with by amortising 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 utilises the successful efforts method where it recognises an asset when its commercial viability and technical feasibility have been determined.

Recognition and measurement

The Group recognises 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 capitalised 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 capitalised 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 capitalised 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.

Amortisation

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, according to the estimated useful life of each asset, as follows:

Asset class	Useful life in years
Buildings	15-33
Administrative assets	5-15

The depreciation and residual values methods are revised in each fiscal year and adjusted if necessary. As of 31 December 2022 and the extended period ended 31 December 2021 no residual values have been estimated.

Cash-generating units ("CGU") and Impairment

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 and significant downward revisions of estimated reserves are 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 used by the Group. Future cash flows also include an estimate of the costs associated with the Group's planned reduction in carbon emissions. Cash flow analyses are based on current legislation in the jurisdictions in which the group operates and do not model any change in legislation with respect to climate change or carbon emissions. 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 that a market participant would use when pricing the asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised 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 recognised. 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 recognised for the asset in prior years. Impairment reversals are recognised 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 recognised. An impairment loss recognised 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 entered into for fixed periods of one to five 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 recognised as a right-of-use asset and a corresponding liability at the date 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 recognised 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 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 on the same basis as 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 does not recognise right-of-use assets and lease liabilities for short-term leases and low value assets. The Group recognises 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 include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are ready convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Inventory

Inventories are assets that are:

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

The Group handles the following inventories:

a) crude oil inventory; and
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 amortisation divided by the total number of produced barrels. Cost per barrel is then used to measure the 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 of cost and net realisable 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. Allowance is made for obsolete and slow moving materials and supplies stock items based upon actual usage and projected future usage (including consideration of the Group's activity programs).

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 recognised 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 amortised. 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 are recognised in the statement of comprehensive income as they accrue using the effective interest method.

Financial instruments

a) Classification and measurement

Financial assets

It is the Group's policy to initially recognise 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 and trade receivables, which do not exhibit a significant financing component, at the transaction price.

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 amortised cost, fair value through the statement of comprehensive income and fair value through other comprehensive income ("**FVTOCI**").

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 recognised directly in the statement of comprehensive income and presented in finance income/costs.

Financial liabilities

The Group derecognises 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 recognised immediately in the statement of comprehensive income.

b) 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 recognises 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.

c) Offsetting of financial assets and financial liabilities

Offsetting can be applied when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise 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.

d) 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 recognised 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 recognised within finance income/costs for the period.

e) 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 recognised 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 recognised for future operating losses.

Employee benefits and post-employment benefits

Employee benefits including 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 and long term, and post-employment, which are recognised in accordance with IAS 19, are as follows:

<u>Defined contribution plans:</u> The defined contribution plans' values are undiscounted and recognised 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 recognises 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 recognises 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 recognised 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 recognised on the balance sheet for each plan comprises the difference between the present value of the defined benefit obligation (using a discount rate) 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 recognised 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 recognised in the income statement in the period in which they become payable.

<u>Termination benefits:</u> The Group recognises the benefits for the termination of the labour contract as a liability and expense.

Decommissioning and environmental liabilities

The Group recognises 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 capitalised and amortised 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 the exploration and development 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 and is recognised within finance expenses. Actual decommissioning liabilities settled during the period reduce the decommissioning liability.

Environmental liabilities are recognised 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 recognised 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 recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised 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 recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred income tax is recognised 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 realised simultaneously.

Critical accounting estimates and judgements

The preparation of the financial statements in accordance with IFRS, as described in the basis of preparation paragraph, requires management to make judgements, 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 capitalised oil and gas costs and for fair value purposes. Estimates of reserves are reviewed at least annually and are subject to review by third party experts.

ii. Determination of CGUs

The determination of CGUs requires judgement 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 and similar exposure to market risks. The determination of asset allocations into CGUs requires significant judgement 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. Due to the nature of the Group’s assets, fair value less cost of disposal is the basis for the recoverable amount. In assessing fair values, the estimated future cash flows are discounted to their present value using an post-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, and 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 judgement 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 programmes, future operating expenses, and estimated reserves and resources are considered. In addition, management uses judgement 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 estimates could affect future financial results. The

Group´s abandonment cash flows are denominated in both colombian pesos and US dollars, the Group translates peso cash flows using a forward rate. The Group uses a US denominated risk-free rate to discount the estimated future cash flows.

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.

vi. Deferred tax

The Group follows the liability method of accounting for income taxes. Using this method, tax assets and liabilities are recognised based on the differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years when those temporary differences and carryforwards are expected to be recovered or settled. Judgment is required in determining Group´s effective tax rate and in evaluating tax positions because rates are also affected by legislative changes.

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 2023 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 IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments, which are effective from periods beginning 1 January 2023 (therefore, next year's Annual Report) will apply to transactions such as leases of lessees and decommissioning obligations, and may require the recognition of additional deferred tax assets and liabilities. The cumulative effect of recognising these adjustments will be recognised in retained earnings, or another component of equity, as appropriate. SCE are currently assessing the impact of these 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. Customary closing adjustments resulted in a cash payment of $532.4 million on the completion date (18 December 2020) and further amounts payable subject to a gross production base target and average realised prices across three contingent payment periods. Management fair valued the assets and liabilities acquired and also the contingent consideration based on the expected cash outflow based on conditions at the acquisition date, 18 December 2020.

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

$ thousands		Holder		Andina		Total
Cash and cash equivalents		32,650		27,848		60,498
Other current assets		32,567		66,949		99,516
Other long-term assets		9,061		15,462		24,523
Property, plant and equipment[(1)]		361,629		460,285		821,914
Total assets	**$**	**435,907**	**$**	**570,544**	**$**	**1,006,451**
Current liabilities		64,247		88,463		152,710
Long-term liabilities		107,787		87,029		194,816
Total liabilities	**$**	**172,034**	**$**	**175,492**	**$**	**347,526**
Net assets	**$**	**263,873**	**$**	**395,052**	**$**	**658,925**
Cash payment					**$**	**532,404**
Contingent consideration[(2)]						62,114
Total consideration					**$**	**594,518**
NCI[(3)]						64,407
Total acquisition					**$**	**658,925**

(1) The valuations presented above were based on information on the fair values as at the acquisition date. The fair value of property, plant and equipment was based on estimates of future cash flows which were dependent on the Group´s best estimate of commercially recoverable reserves, along with future commodity prices between $45/bbl and $91/bbl (throughout the asset's economic life) and 12.5% discount rate.
(2) The contingent consideration was remeasured on 31 December 2021 after the conclusion of the IFRS 3 measurement period. 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 an expense to the 2021 consolidated statement of comprehensive income of $57.6 million. The first payment of $55 million was transferred on 3 March 2022.
(3) NCI was measured based on proportionate share.

On 30 June 2022, the Put-36 block working interest transfer from OPC closed, due to the change of control approval from the ANH, resulting in a cash consideration payment of $10 million.

4. COG acquisition

On 4 May 2021, Midco acquired COG, its subsidiaries and their respective branches that are oil and gas operating companies in Colombia (Cedco, Global, Cinco Ranch and Lagosur). Midco transferred its acquired shares in COG to the Company, which issued shares as consideration.

This acquisition was accounted for as a transaction under common control using the predecessor accounting method in the prior year. The assets and liabilities acquired were as follows:

$ thousands		Acquired balances as of 4 May 2021
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 the consolidated statement of changes in equity).

The purchase consideration was settled by an issue of shares to Flamingo Midco Limited; this transaction was assigned to SCE as described in Note 29.

5. Revenue and other income

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

The following table provides the disaggregation of revenue from contracts with customers:

$ thousands		Year ended 31 December 2022	For the extended period ended 31 December 2021
Sale of oil [1]		1,073,426	807,903
Sale of natural gas		1,360	2,201
Service revenue		1,399	632
Total revenues and other income	**$**	**1,076,185**	**810,736**

[1] Revenue for the year ended 31 December 2022 corresponds to the sales of oil of $1,073.4 million, and for the extended period ended 31 December 2021 was the net between sales of oil of $808.4 million and the overriding royalty paid of $0.5 million.

The Group has only one operating segment (all operations are in Colombia), which is also the single reporting 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**").

Details of the oil revenue per customer are as follows:

$ thousands		Year ended 31 December 2022	For the extended period ended 31 December 2021[1]
Ecopetrol		1,003,249	769,616
Goam 1 CI SAS		70,177	38,743
Total sales of oil[2]	**$**	**1,073,426**	**808,359**

[1] Before overriding royalty interest ("**ORRI**") payment.
[2] Revenue for the year ended 31 December 2022 corresponds to 11,653,537 barrels of oil were sold with an average price of $92.11/bbl, and for the extended period ended 31 December 2021 to 12,528,706 barrels of oil were sold with an average price of $64.52/bbl.

The Group has only one customer for all Andina and Arauca operations (Ecopetrol), and one customer for all Cedco operations (GOAM, a subsidiary of Bp Plc).

6. Production and operating expenses

For the period, production and operating expenses are detailed below:

$ thousands		Year ended 31 December 2022	For the extended period ended 31 December 2021
Energy costs		44,829	43,114
Support costs[(1)]		44,463	45,890
Well services		44,232	46,400
Maintenance costs		30,747	34,297
Production costs[(2)]		10,561	8,858
Total lifting cost	**$**	**174,832**	**178,559**
Pipeline tariff		8,797	6,146
Trucking		1,459	944
Lifting and transportation costs	**$**	**185,088**	**185,649**
Depreciation, depletion and amortisation		114,415	103,945
Impairment (recovery) of PP&E		(1,170)	11,916
Impairment of materials[(3)]		7,228	1,599
Inventory fluctuation		394	(1,394)
Total Production and Operating Expenses	**$**	**305,955**	**301,715**

(1) Support costs mainly relates to payroll, insurance and communication costs.
(2) Includes lift cost to surface, process treatment and others.
(3) Impairment of oil and gas materials recognizes the annual obsolescence process.

7. Exploration expenses

For the period, exploration expenses are summarised below:

$ thousands		Year ended 31 December 2022	For the extended period ended 31 December 2021
Dry hole cost[(1)]		31,441	92
Exploration Cost[(2)]		25,454	–
Seismic		6,412	7,370
Overhead		2,515	1,383
Total	**$**	**65,822**	**8,845**

(1) During the year various exploration projects led to the declaration of dry holes including: Caño Caranal DT exploratory well in Q1'2022, Caño Caranal ST ("sidetrack") and Batea exploratory wells.
(2) The main activity for the period ended 31 December 2022 includes $19.1 million of impaired costs related to the acquisition of the PUT-8 block which was made in 2019, the impairment triggers were identified in 2022.

8. General and administrative expenses

For the period, administrative expenses are summarised below:

$ thousands	Year ended 31 December 2022	For the extended period ended 31 December 2021
Personnel expenses[(1)]	29,688	34,531
Professional fees	17,861	9,973
Services	9,485	7,932
Bank fees	2,487	2,639
Taxes	96	803
Separation-related payments[(2)]	–	9,254
Financing related transaction expenses[(2)]	–	32,378
Recovered costs from partners[(3)]	(21,974)	(21,429)
Total	**$ 37,643**	**76,081**

(1) Include salaries, benefits, social security and bonus.
(2) Transactions-related expenses include professional fees associated with the transaction described in Note 1 and separation payments, which include TSA and advisory fees. These expenses are considered one-off.
(3) Corresponds to recovered costs from partners in the Llanos Norte association and LCI collaboration contracts.

9. Finance costs

For the period, finance costs are summarised below:

$ thousands	Year ended 31 December 2022	For the extended period ended 31 December 2021
Realised fair value loss on derivatives[(1)]	49,575	14,405
Financial expenses[(2)]	40,450	25,404
Accretion of decommissioning liability	4,090	7,834
Bond issuance cost amortisation	2,244	1,342
Unrealised fair value (gain) loss on derivatives[(1)]	(7,439)	9,013
Total	**$ 88,920**	**57,998**

(1) 2022 result is impacted by higher oil prices compared with the ISDAs terms.
(2) Includes accrued and paid interest for long-term notes for twelve months in 2022 in comparison with six months included in 2021 (the Company issued the senior notes on 22 June 2021).

10. Finance income

For the period, finance income are summarised below:

$ thousands	Year ended 31 December 2022	For the extended period ended 31 December 2021
Bank and trust accounts interest income	4,591	132
Foreign exchange income[(1)]	3,128	10,351
Other Interest income	67	–
Total	**$ 7,786**	**10,483**

(1) Includes realised foreign exchange loss of $5.4 million and unrealised foreign exchange gain of $8.5 million, for the year ended 31 December 2022 , and realised foreign exchange gain of $5.5 million and unrealised foreign exchange gain of $4.8 million for the period ended 31 December 2021.

11. Property, plant and equipment

Management completed a review of potential indicators of impairment at the reporting date and identified no indicators of impairment on Oil & gas assets, however indicators of impairments were identified in some exploration assets (Note 7). The detailed PP&E movement is as follows:

$ thousands	Lands	Buildings	Administrative assets(1)	Exploration assets(2)	Oil and gas assets(3)	Right-of- use assets	Total
Cost							
Balance at 28 July 2020	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**
COG Acquisition	–	131	121	4,820	166,867	2,078	174,017
Holder and Andina Acquisition	4,870	16,716	21,084	9,370	757,557	12,317	821,914
Additions	–	293	20,485	11,418	130,021	–	162,217
ARO change in estimate	–	–	–	–	(48,869)	–	(48,869)
Transfers to assets held for sale	(4,646)	(3,330)	–	–	–	–	(7,976)
Impairment	–	(9,755)	–	–	(2,161)	–	(11,916)
Retirement	–	(126)	(1,243)	–	(230)	–	(1,599)
Right-of-use cancellations	–	–	–	–	–	(1,081)	(1,081)
Balance at 31 December 2021	**$ 224**	**$ 3,929**	**$ 40,447**	**$ 25,608**	**$ 1,003,185**	**$ 13,314**	**$ 1,086,707**
Additions(4)	–	1,115	760	31,113	167,659	–	200,647
Inventory of capitalizable parts/components	–	–	–	–	2,934	–	2,934
Transfers(5)	–	–	–	5,917	(5,917)	–	–
ARO change in estimate	–	–	–	–	(21,907)	–	(21,907)
PUT-36 Acquisition(6)	–	–	–	10,000	–	–	10,000
Impairment	–	–	–	–	1,170	–	1,170
Exploration expenditure written off (Note 7)	–	–	–	(61,625)	–	–	(61,625)
Retirements and right-of-use cancellations	–	–	(562)	–	(158)	(2,873)	(3,593)
Balance at 31 December 2022	**$ 224**	**$ 5,044**	**$ 40,645**	**$ 11,013**	**$ 1,146,966**	**$ 10,441**	**$ 1,214,333**

$ thousands		Lands		Buildings		Administrative assets[1]		Exploration assets[2]		Oil and gas assets[3]		Right-of- use assets		Total
Accumulated Depreciation														
Balance at 28 July 2020	**$**	**–**	**$**	**–**	**$**	**–**	**$**	**–**	**$**	**–**	**$**	**–**	**$**	**–**
COG acquisition		–		(5)		(81)		(699)		(75,051)		(1,342)		(77,178)
Depreciation		–		(761)		(5,751)		(128)		(370)		–		(7,010)
Depletion and Amortisation		–		–		–		–		(91,676)		(5,258)		(96,934)
Retirements		–		–		908		–		(419)		592		1,081
Balance at 31 December 2021	**$**	**–**	**$**	**(766)**	**$**	**(4,924)**	**$**	**(827)**	**$**	**(167,516)**	**$**	**(6,008)**	**$**	**(180,041)**
Depreciation		–		(393)		(5,502)		–		–		(3,532)		(9,427)
Depletion and Amortisation		–		–		–		–		(104,988)		–		(104,988)
Transfers		–		–		–		827		(827)		–		–
Retirements		–		–		562		–		158		–		720
Balance at 31 December 2022	**$**	**–**	**$**	**(1,159)**	**$**	**(9,864)**	**$**	**–**	**$**	**(273,173)**	**$**	**(9,540)**	**$**	**(293,736)**
Net book value at 31 December 2022	**$**	**224**	**$**	**3,885**	**$**	**30,781**	**$**	**11,013**	**$**	**873,793**	**$**	**901**	**$**	**920,597**
Net book value at 31 December 2021	**$**	**224**	**$**	**3,163**	**$**	**35,523**	**$**	**24,781**	**$**	**835,669**	**$**	**7,306**	**$**	**906,666**

(1) Includes computer and communication equipment, office equipment, vehicles, and other equipment.
(2) The decrease is mainly due to the dry hole declaration of the Caño Caranal and Batea wells during 2022.
(3) Includes Inventory of capitalizable parts/components, constructions in progress, development assets, pipelines and also Asset Retirement Obligation ("**ARO**").
(4) Additions mainly include capital expenditures associated to development wells, workovers and production facilities.
(5) Includes acquisition cost related to the PUT-8 block expensed in the period.
(6) Includes PUT-36 acquisition cost as described in Note 1 and accounted for as an asset acquisition.

12. Short and long-term investments

The following table provides details of the short and long-term investments as of 31 December 2022 and 2021:

$ thousands		31 December 2022		31 December 2021
Short-term investments		233		2,816
Short-term investments	**$**	**233**	**$**	**2,816**
Cravo Norte abandonment trust		11,607		13,040
LCI abandonment trust		9,560		6,724
Tilodirán trust fund		842		630
Alcaraván trust fund		403		458
Boral trust fund		343		395
Los Hatos trust fund		71		45
Long-term investments	**$**	**22,826**	**$**	**21,292**

The above long-term assets correspond to the participation of the Group in trust funds maintained to meet the future abandonment obligations associated with certain contracts. Contractually, and on an annual basis, the Group calculates the portion of the future liability to be funded and held in the trust. As a result, these long-term investments are not considered as part of the available liquidity of the Group.

The trust funds are managed by a qualified third party 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 (Colombian Treasury Bonds). Trust fund valuation is completed at market value.

13. Assets held for sale

The carrying amount of the Colon building classified as held for sale on 31 December 2021 was $8.2 million with no associated liabilities. The transaction was completed with a public deed on 25 January 2022. The full consideration was received in 2022. At 31 December 2022 the Group has no assets held for sale.

14. Trade and other receivables

Trade and other receivables include receivables that consist primarily of receivables related to the Group's oil sales and the joint operations receivables associated with oil licences. Other receivables consist of loans to employees, advances to suppliers and services to third parties:

$ thousands		31 December 2022		31 December 2021
Trade receivables(1)		63,533		78,533
Joint operations		5,693		572
Others(2)		4,120		3,582
Prepaid expenses(3)		318		720
Loans to employees		218		264
Short-term total	**$**	**73,882**	**$**	**83,671**
Loans to employees, Directors, and officers		1,535		1,224
Long-term total	**$**	**1,535**	**$**	**1,224**

(1) Trade receivables balance as of 31 December 2022 decreased to $63.5 million, mainly related to reduction in volumes sold pending to be collected, 745 Thousands Barrels of crude oil ("**MBO**") Dec/22 vs in 948 MBO Dec/21 , partially offset by sales price increase from $65.11/bbl to 92.11/bbl.

(2) Others includes the receivable amount in connection with the PS1 mandate contract executed with Cenit and the advance to "Fundacion El Alcaravan - FUNDAL" to develop activities associate with the PGS program.

(3) Amortisation of prepaid expenses during the year ended 31 December 2022 and 2021 of $10.1 million and of $12.0 million respectively were included in the consolidated statement of income and comprehensive income.

15. Tax receivables

The following table provides a detail of the short term taxes receivables as of 31 December 2022 and 2021:

$ thousands	Withholding and Income tax receivable [1]	Value added taxes (VAT)	Total
31 December 2021	**$ 49,782**	**$ 3,168**	**$ 52,950**
Additions	59,179	3,128	62,307
Uses	(44,684)	(2,118)	(46,802)
Exchange rate effect	(4,810)	(167)	(4,977)
31 December 2022	**$ 59,467**	**$ 4,011**	**$ 63,478**

[1] Tax receivable of $58.1 and $49.4 million correspond to the income tax receivable as a result of withholding tax incurred in Colombia for oil sales and the tax credit to use. In Q2 2022 $44.7 million were applied to the income tax return for the taxable year 2021

16. Other long-term assets

The amount relates to an agreement executed with Ecopetrol in 2010 whereby Arauca and Andina sold their percentage interest in the Caño Limón Coveñas pipeline. As a result of the sale, a transport agreement was entered into with Cenit Transporte y Logistica de Hidrocarburos (a subsidiary of Ecopetrol, "**Cenit**"). As part of the transport agreement, Cenit provided a mechanism for a certain number of barrels of oil expected to be received by Arauca and Andina from the Caño Limón Coveñas pipeline. This amount is expected to be recovered at the end of the association contract.

17. Inventory

The following table provides a detail of inventory as of 31 December 2022, and 2021:

$ thousands	31 December 2022	31 December 2021
Crude oil inventory[1]	4,620	5,088
Materials and supplies stock[2]	15,761	25,952
Total	**$ 20,381**	**$ 31,040**

[1] Crude oil inventory consists of crude oil in field tanks and in transit at the balance sheet date and is valued at the lower of cost, using the weighted average cost method, and net realisable value. The decrease of $0.7 million corresponds to lower 14,327 bbls in stock as of 31 December 2022.

[2] Materials and supplies to be used in drilling campaigns, maintenance of wells, workovers, and facilities, the decrease is related to the annual obsolescence process for oil and gas materials.

18. Decommissioning and environmental liabilities

As of 31 December 2022, the estimated future discounted decommissioning liability is summarised below:

$ thousands	Decommissioning	Environmental	Total
Balance at 28 July 2020	**$ –**	**$ –**	**$ –**
Andina and Holder acquisition	139,165	7,115	146,280
COG acquisition	9,372	2,000	11,372
Payments	(2,491)	(122)	(2,613)
Change in estimate	(46,981)	(1,888)	(48,869)
Accretion expense	7,473	361	7,834
Additions of the period	344	90	434
Exchange rate effect	1,599	(151)	1,448
Balance at 31 December 2021	**108,481**	**7,405**	**115,886**
Change in estimate	(23,678)	1,771	(21,907)
Accretion expense	3,686	404	4,090
Payments	(3,563)	(159)	(3,722)
Additions of the period	5,317	333	5,650
Balance at 31 December 2022	**90,243**	**9,754**	**99,997**
Short-term	**$ 2,688**	**$ 1,686**	**$ 4,374**
Long-term	**$ 87,555**	**$ 8,068**	**$ 95,623**

Decommissioning and environmental liability represent the present value of the ARO, forest compensation and 1% obligation costs related to oil and gas properties, expected to be incurred between 2023 and 2063 in Colombia. The estimate of the present value of the decommissioning liability was revised during the period, primarily as a result of the expected timing of decommissioning cash flows moving further out into the future, in line with the economic limit of the assets.

The total undiscounted and uninflated amount of cash flows required to settles the Group's decommissioning and environmental liability is $204 million as of reporting period. The Group translates the Colombian peso cash flows to USD using a market forward rate, and discount using a US risk-free rate.

A 1% increase in the risk-free rate would decrease the liability in $15 million, and a 1% decrease in the risk-free rate would increase the liability in $20 million.

19. Long-term notes

On 22 June 2021, the Company, through one of its subsidiaries, Andina, 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 initially rated by Fitch as B+ and by Moody's as B1. On 27 May 2022 Fitch and 30 June 2022 Moody's have affirmed the rating at B+ and B1 for the Senior Notes.

The Group may from time to time seek to repurchase or retire the Notes through cash purchases and/or exchanges for debt or equity securities, in open market purchases, privately negotiated transactions, tender offers or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, SCE's liquidity, contractual restrictions and other factors. The amounts involved may be material.

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 other than Arauca.

$ thousands		
Beginning Balance	**$**	**–**
Long term notes issued		600,000
Amortisation of the costs		1,342
Capitalised costs		(19,564)
Interest paid		(17,300)
Accrued interest		19,300
Balance at 31 December 2021	**$**	**583,778**
Amortisation of the costs		2,244
Accrued interest		35,500
Interest paid		(36,000)
Reclass to short-term[1]		(1,500)
Balance at 31 December 2022	**$**	**584,022**

[1] Accrued interest has been included as short-term payable.

20. Pension liabilities

The liability presented below corresponds to the net value of the pension benefit obligation calculated annually by an independent actuary (Mercer) using the projected unit credit method and updated quarterly with the results of the pension funds and the fair value of the assets intended to cover such obligations. Pension assets and liabilities are denominated in Colombian pesos.

$ thousands	31 December 2022	31 December 2021
Current pension liability	6,561	6,884
Long-term pension liability	9,333	15,702
Pension liabilities[1]	**$ 15,894**	**$ 22,586**
Bogotá pension trust portfolio	(11,707)	(15,891)
Cravo Norte pension trust portfolio	(3,427)	(4,785)
Pension funds	**$ (15,134)**	**$ (20,676)**
Long-term pension liabilities	**$ 760**	**$ 1,910**

[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 59 employees who have obtained a pension worked. The benefit plan provides for the payment of between 13 and 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.

The pension liability items are as follows:

$ thousands	31 December 2022	31 December 2021
Retirement	8,249	13,217
Pension bonds and securities	7,645	9,369
Pension liabilities	**$ 15,894**	**$ 22,586**

The major categories of plan assets are as follows:

	31 December 2022		31 December 2021	
$ thousands	Amount	%	Amount	%
Debt instruments				
TES[1] – public sector	5,075	33 %	6,986	34 %
Bonds – financial sector	2,148	14 %	3,550	17 %
Bonds – public sector	2,076	14 %	2,884	14 %
Bonds – real sector	2,227	15 %	4,286	21 %
CDT[2] – financial sector	3,146	21 %	2,558	12 %
Cash and cash equivalents				
Banks	462	3 %	412	2 %
Plan assets	**$ 15,134**	**100 %**	**$ 20,676**	**100 %**

[1] TES are issued by the Ministry of Finance and administered by the Banco de la República and allow the government to obtain financing according to a fixed or variable rate; its denomination is in dollars or real value units (UVR) and that must be paid on the agreed terms (example: one, two, five and ten years).
[2] CDT is a document provided by a financial institution detailing the term, deposit amount, interest rate and maturity date of a term deposit.

The following is the summary of the main economic assumptions used in the last actuarial study for pensions:

Assumption	31 December 2022	31 December 2021
Discount rate	12.75%-13.00% per year	7.00%–8.25% per year
Salary increase	5% the first year and 3% onwards	3.00% per year
Long-term inflation rate	5% the first year and 3% onwards	3.00% per year
Medical policy increase	5.5% the first year and 3.5% onwards	3.50% per year
Retirement Age	Male 62 years – Female 57 years	Male 62 years – Female 57 years

The following is the summary of the main demographic hypothesis used in the actuarial study for pensions:

Assumption	
Mortality	Colombian Mortality Table RV2008
Rotation	Rotation Table SOA 2003
Retirement age	62 for men and 57 for women

Table of rates below provides the actuarial assumption of the probability of a person dying in the next 12 months.

	Mortality percentage	
Age	Male	Female
30	0.08%	0.05%
35	0.11%	0.06%
40	0.16%	0.09%
45	0.23%	0.13%
50	0.34%	0.19%
55	0.51%	0.28%
60	0.77%	0.43%
65	1.27%	0.69%
70	2.11%	1.14%
80	5.37%	3.28%
90	12.79%	9.57%
100	29.40%	28.34%
110	100.00%	100.00%

The sensitivity of the defined benefit obligation to changes in the weighted principal by 50 basis points is:

1. Discount rate ($ thousands)		**31 December 2022**		**31 December 2021**
a. Discount rate - 50 basis points[1]	$	16,402	$	23,155
b. Discount rate + 50 basis points[1]	$	15,414	$	22,057
c. Price inflation rate - 50 basis points d. Price inflation rate + 50 basis points	$	15,328	$	22,005
d. Price inflation rate + 50 basis points	$	16,491	$	23,208
2. Weighted average duration of defined benefit obligation (years)				
a. Discount rate - 50 basis points		2.60 - 6.62		8.02-8.49
b. Discount rate + 50 basis points		2.52 - 6.44		7.77-8.22
3. Assumptions (%)				
a. Discount rate - 50 basis points		12.25%-12.50%		6.50%-7.75%
b. Discount rate + 50 basis points		13.25%-13.50%		7.50-8.75%
c. Price inflation rate - 50 basis points d. Price inflation rate + 50 basis points		2.5%-3.0%		2.50%
d. Price inflation rate + 50 basis points		3.5%-4.0%		3.00%

[1] According to law, this balance includes pension bonds and securities that were not discounted because they are only impacted by inflation rate.

The pension liability was remeasured on 31 December 2022. This remeasurement resulted in an impact in other comprehensive income of $2.8 million.

21. Employee benefits

The following table provides a detail of employee benefits as of 31 December 2022, and 2021 :

$ thousands		**31 December 2022**		**31 December 2021**
Salaries, bonuses and other benefits		6,306		5,568
Severance		412		496
Short-term benefits and liabilities	**$**	**6,718**	**$**	**6,064**
Salaries, bonuses and other benefits		4,036		3,595
Severance		60		137
Long-term benefits and liabilities	**$**	**4,096**	**$**	**3,732**

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

Staff numbers and costs

For the period the average number of employees was 590 and 600 respectively, the segregation in the main groups is described below:

#	**2022 year-end average**	**2021 year-end average**
Administrative and support staff	153	140
Technical staff	169	167
Field staff	268	293

Total compensation cost for the staff:

$ thousands		31 December 2022		For the extended period ended 31 December 2021
Wages and salaries		30,667		31,061
Social security costs		3,043		3,200
Total compensation	**$**	**33,710**	**$**	**34,261**

22. Short-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 short-term accounts payable and accrued liabilities as of 31 December 2022, and 2021:

$ thousands		31 December 2022		31 December 2021
Suppliers and goods and services received		100,981		97,627
Contingent consideration[(1)]		45,000		56,700
Accounts payable related to withholding tax		28,212		42,320
Guarantee withholding[(2)]		11,201		4,947
Advance from customers		4,730		6,473
Joint operations		4,218		5,833
Overlifting		575		839
Short–Term Total	**$**	**194,917**	**$**	**214,739**

(1) 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. Customary closing adjustments resulted in a cash payment of $532.4 million on the completion date (18 December 2020) and further amounts payable subject to a gross production base target and average realised prices across three contingent payment periods. As of 31 December 2021, the balance corresponds to the first definitive payment of the contingent consideration to OPC $55 million was paid on 3 March 2022) and $1.7 million due to the previous owner of Lagosur. As of 31 March 2022, $45 million was reclassified from long-term liabilities, which corresponds to second payment of the estimated contingent consideration. On 24 August the $1.7 million balance related to the Bolivar extension was paid to the previous owners of Lagosur.

(2) Increase as of 31 December 2022 is related to higher provider contracts combined with long term portion reclassification to short term accounts payable . Branches withhold a portion of certain service provider contracts (as agreed in the contracts) in order to guarantee full compliance of social security and other responsibilities of the vendors with local communities and otrepher risks. The branches classify as a current portion of this liability the amount to be reimbursed to the vendors during the 12-month period following the reporting date, in those cases in which the vendors have complied with the provisions of the contracts. These withholdings are subject to refund once the contract with the vendor is terminated.

23. Interest payable

On 22 June 2021, the Company, through one of its subsidiaries, Andina, 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. On 27 May 2022 Fitch and 30 June 2022 Moody's have affirmed the rating at B+ and B1 for the Senior Notes.

$ thousands	
Balance at 31 December 2021	**–**
Accrued interest	37,500
Interest paid	(36,000)
Balance at 31 December 2022	**1,500**

24. Long-term payables

The following table provides details of the long-term payables as of 31 December 2022, and 2021:

$ thousands	31 December 2022	31 December 2021
Contingent consideration[1]	25,000	64,703
Guarantee withholding	1,621	3,198
Accrued liabilities long-term	852	–
Long – Term Total	**$ 27,473**	**$ 67,901**

[1] The contingent consideration balance as of 31 December 2021 includes the fair value remeasured from $62 million to $120 million. This remeasurement resulted in an expense to the consolidated statement of comprehensive income of $57.6 million. The 2022 variance corresponds to the reclassification to short-term based on the schedule payments and the balances at reporting date corresponds to the estimated third payment to OPC of the contingent consideration schedule for 2024.

25. Auditors' remuneration

During the period, the Group obtained services from the corporation's auditors and their associates and the corresponding fees are described below:

$ thousands	31 December 2022	For the extended period ended 31 December 2021
Fees for audit of the parent company and consolidated financial	576	770
Audit of the financial statements of the Company's subsidiaries	320	375
Audit-related assurance services	325	162
Tax advisory services	381	170
Other non-audit	297	1,788
Total	**$ 1,899**	**$ 3,265**

26. 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 Group 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 statement of financial position at fair value.

The following is a summary of the risk management contracts in place as of 31 December 2022:

	Volume		$/bbl			
Tenor	(Bpm)	Average (Bpd)	Sold Put	Purchased Put	Purchased Call	Sold Call
1M 2023	119,983	4,137	–	70.0	–	–
1H 2023	1,054,500	2,917	50.0	60.0	–	–

The following is a summary of the risk management contracts in place as of 31 December 2021:

Tenor	Volume (Bpm)	Volume Average (Bpd)	$/bbl Sold Put	$/bbl Purchased Put	$/bbl Purchased Call	$/bbl Sold Call
1Q 2022	480,000	16,000	40.0	60.0	–	90.0
1H 2022	720,000	23,867	37.5-45.0	50.0-55.0	–	75.0-91.0
2Q3Q 2022	240,000	7,869	35.0	55.0	–	90.0

The market value of derivative financial instruments as of 31 December 2022 is $1.6 million and 31 December 2021 is $9.0 million.

27. Income tax expense

The Group is subject to taxation in the UK and in 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 2022 is 35%. The standard UK tax rate for 2022 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 the period is as follows:

$ thousands	31 December 2022	From 28 July 2020 to 31 December 2021
Current income tax	241,217	141,533
Deferred Income tax	41,829	35,008
Dividend tax expense[(1)]	–	20,040
Dividend tax expense[(2)]	(1,993)	(10,926)
Total tax expense	**$ 281,053**	**$ 185,655**

[(1)] Dividend tax expense related to Arauca tax dividend under existing jurisdiction law up to the date of this report. The Group initiated a tax migration plan of all its subsidiaries to the UK.
[(2)] The Arauca subsidiary completed in October 2022 the required documentation in order to fully migrate tax residency to the UK as a result, no provision in respect of tax withholding dividend is being accrued for.

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

$ thousands	Income tax	Dividend tax	Total
Balance at 28 July 2020	**$ –**	**$ –**	**$ –**
Andina and Holder acquisition	19,163	33,378	52,541
COG Acquisition	67	–	67
Additions	139,078	19,676	158,754
Provision reversal	–	(11,154)	(11,154)
Payments	(30,789)	(39,148)	(69,937)
Exchange rate effect	(7,542)	354	(7,188)
Balance at 31 December 2021	**$ 119,977**	**$ 3,106**	**$ 123,083**
Additions	241,217	–	241,217
Withholdings and others utilised	(44,684)	–	(44,684)
Provision reversal	–	(1,993)	(1,993)
Prior year dividend tax	–	13,655	13,655
Payments	(117,374)	(14,768)	(132,142)
Exchange rate effect and Others	(15,582)	–	(15,582)
Balance at 31 December 2022	**$ 183,554**	**$ –**	**$ 183,554**

[(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.

Income tax expense reconciliation is as follows:

$ thousands	31 December 2022	From 28 July 2020 to 31 December 2021
Income before taxes	576,986	320,977
Tax at the UK tax rate of	19 %	19 %
Income tax expense	**$ 109,627**	**$ 60,986**
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Difference in overseas tax rates	92,317	38,517
Non-deductible expense	1,648	(3,064)
Non-deductible overseas expense	8,395	6,641
Temporary differences	26,999	13,052
Foreign exchange impact on tax pools denominated in foreign currency	9,782	23,007
Deferred tax	41,829	35,008
Dividend tax	(1,993)	9,114
Others	(7,551)	2,394
Total income tax expense	**$ 281,053**	**$ 185,655**

The deferred tax liability recognises the temporary differences using the balance sheet method, including PP&E of previous years and additions of the year ended 31 December 2022 and 2021, along with the effect of foreign exchange and decommissioning liability accretion as follows:

$ thousands	31 December 2022	31 December 2021
Decommissioning and environmental liability	40,215	40,050
Trade and other receivables	3,330	4,585
Inventories	7,972	4,828
Employee benefits	990	978
Total deferred tax assets	**$ 52,507**	**$ 50,441**
PP&E	(157,066)	(124,778)
Others	(14,227)	(2,620)
Total deferred tax liability	**$ (171,293)**	**$ (127,398)**
Net deferred tax liability	**$ (118,786)**	**$ (76,957)**
Deferred tax expense		
Decommissioning and environmental liability	(165)	6,247
Trade and others receivables	1,255	8,015
Inventories	(3,144)	4,291
Employee benefits	(12)	1,987
(Increase)/decrease in deferred tax assets	**$ (2,066)**	**$ 20,540**
PP&E	32,288	26,461
Other	11,607	(11,993)
Deferred tax liability	**$ 43,895**	**$ 14,468**
Deferred income tax expense	**$ 41,829**	**$ 35,008**

Movement in deferred tax balances are as follows:

$ thousands		PP&E	Trade and other receivables	Inventories	Decommissioning and environmental liability	Employee benefits	Other	Total
Balance at 28 July 2020	**$**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Holder and Andina acquisition		94,902	(12,600)	(9,162)	(45,017)	(2,965)	11,812	36,970
COG Acquisition		3,972	–	43	(1,280)	–	785	3,520
Activity		25,904	8,015	4,291	6,247	1,987	(9,977)	36,467
Balance at 31 December 2021	**$**	**124,778**	**(4,585)**	**(4,828)**	**(40,050)**	**(978)**	**2,620**	**$ 76,957**
Activity		32,288	1,255	(3,144)	(165)	(12)	11,607	41,829
Balance at 31 December 2022	**$**	**157,066**	**(3,330)**	**(7,972)**	**(40,215)**	**(990)**	**14,227**	**$ 118,786**

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

Loss - carry forwards

The 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 31 December 2022 and 2021:

$ thousands	**31 December 2022**	**31 December 2021**
Lagosur	1,610	2,115
Global	1,720	1,826
Cinco Ranch	1,758	838
Condor	347	364
Total	**$ 5,435**	**$ 5,143**

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

28. SCE subsidiaries

The consolidated financial statements include the financial statements of SCE and its subsidiaries as of 31 December 2022. The following is a list of SCE's direct and indirect subsidiaries:

Subsidiary	Direct or Indirect	Country of Incorporation	Principal Activities	Ownership	Address
Flamingo Swissco AG	Direct	Switzerland	Financial and consulting services	100%	C/O Transforma AG, Gartenstrase 4, 6400 Zug
SierraCol Energy Holder Ltd	Direct	Bermuda	Holding	100%	Citco (Bermuda) Limited, O'Hara House, 3 Bermudiana Road, Hamilton, HM08, Bermuda
SierraCol Energy Arauca LLC	Indirect	Delaware, United States	Oil and gas	75%	C/O The Company Trust, Company Trust Center, 1209 Orange Street, Wilmington, Delaware 19801
SierraCol Energy Crude Sales	Indirect	Delaware, United States	Oil and gas	75%	C/O The Company Trust, Company Trust Center, 1209 Orange Street, Wilmington, Delaware 19801
SierraCol Energy Condor LLC	Indirect	Delaware, United States	Oil and gas	100%	C/O The Company Trust, Company Trust Center, 1209 Orange Street, Wilmington, Delaware 19801
SierraCol Energy Andina, LLC	Direct	Delaware, United States	Oil and gas	100%	C/O The Company Trust, Company Trust Center, 1209 Orange Street, Wilmington, Delaware 19801
SierraCol Energy PUT-36, LLC	Indirect	Delaware, United States	Oil and gas	100%	C/O The Company Trust, Company Trust Center, 1209 Orange Street, Wilmington, Delaware 19801
COG Energy Limited	Direct	Cayman Islands	Holding	100%	C/O Maples Corporate Services Limited, Ugland House, 121 South Church Street, PO BOX 309, Cayman Islands
Colombia Energy Development Co.	Indirect	Cayman Islands	Oil and gas	100%	C/O Maples Corporate Services Limited, Ugland House, 121 South Church Street, PO BOX 309, Cayman Islands
Lagosur Petroleum Colombia Inc.	Indirect	Panamá	Oil and gas	100%	PH Arifa, Boulevard Oeste, Santa Maria Business District
Cinco Ranch Petroleum Colombia Inc.	Indirect	Panamá	Oil and gas	100%	PH Arifa, Boulevard Oeste, Santa Maria Business District
Global Energy Management Resources	Indirect	Panamá	Oil and gas	100%	PH Arifa, Boulevard Oeste, Santa Maria Business District

Arauca is 75% owned by Holder and 25% owned by Repsol. For consolidation purposes, Repsol's interest is included as a NCI in accordance with IFRS 10 within the consolidated statement of changes in equity.

The following tables summarise the financial information for the entities in which there is a non-controlling interest in the Group's activities:

$ thousands	31 December 2022		For the extended period ended 31 December 2021[1]
Cash and cash equivalents	46,654		52,750
Other current assets	70,614		62,936
Non-current assets	136,864		171,198
Total assets	**$ 254,132**	**$**	**286,884**
Current liabilities	155,647		148,712
Long-term liabilities	23,549		22,721
Total liabilities	**$ 179,196**	**$**	**171,433**
Net assets	**$ 74,936**	**$**	**115,451**
Revenue	**$ 534,734**	**$**	**350,172**
Total comprehensive income	**$ 305,981**	**$**	**121,662**

(1) Includes financial position and extended period results of Arauca, SierraCol Energy Crude Sales and Arauca Branch

29. Share capital

Midco owns 100% of SCE shares.

Common shares	Number		Amount ($ thousands)
Balance at 28 July 2020	**–**		**–**
Midco equity contribution	369,910,003		369,910
Proceeds from issuance of common shares	4,400,067		4,400
COG acquisition equity contribution from Midco	53,172,858		56,363
Capital reduction	–		(430,246)
Balance at 31 December 2021	**427,482,928**	**$**	**427**
Proceeds from issuance of common shares	2,341,125,920		2,342
Balance at 31 December 2022	**2,768,608,848**	**$**	**2,769**

30. Related party disclosures

Related parties' transactions

The following transactions were carried out with related parties:

$ thousands	31 December 2022		For the extended period ended 31 December 2021
Management services expense[1]	$ 2,500	$	2,000
Loans to related parties[2]	$ 1,535	$	1,191

(1) Fees for management services received from The Carlyle Group.
(2) This amount represents a loan receivable from members of Executive Management. The amount is included within long-term trade and other receivables (Note 14).

Compensation of key management personnel

Key management personnel compensation for the year ended 31 December 2022 and 2021 million were $6.9 million and $6.3 million respectively. The amount includes salaries, wages and other short-term benefits.

The Directors of SCE received no remuneration from the Company; they received compensation from Carlyle.

31. Financial instruments and financial risk management

The carrying amounts and respective fair values of financial assets and liabilities as of 31 December 2022 are summarised as follows:

$ thousands		Carrying Amount 31 December 2022		Fair Value 31 December 2022
Financial assets at amortised cost				
Cash and cash equivalents	$	106,194	$	106,194
Trade and other receivables		73,882		73,882
Investments		23,059		23,059
Financial liabilities at amortised cost				
Accounts payable	$	92,552	$	92,552
Accrued liabilities		102,365		102,365
Derivative financial instruments		1,575		1,575
Lease liabilities		960		960
Long-term notes		584,022		584,022
Interest payable		1,500		1,500

The carrying amounts and respective fair values of financial assets and liabilities as of 31 December 2021 are summarised as follows:

$ thousands		Carrying Amount 31 December 2021		Fair Value 31 December 2021
Financial assets at amortised cost				
Cash and cash equivalents	$	119,306	$	119,306
Trade and other receivables		83,671		83,671
Investments		24,108		24,108
Financial liabilities at amortised cost				
Accounts payable	$	166,206	$	166,206
Accrued liabilities		48,533		48,533
Derivative financial instruments		9,013		9,013
Lease liabilities		7,673		7,673
Long-term notes		583,778		583,778

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 31 December 2022, and 2021. Assessment of the significance of a particular input to the fair value measurement requires judgement 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 93% of net sales. The highest amount of trade receivables outstanding is with the same customer which has in investment grade credit rating. 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 31 December 2022, and 2021, none of the crude oil receivables are impaired or past due.

Impairment of financial assets

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

- cash and cash equivalents; and
- accounts receivable.

Cash and cash equivalents

$ *thousands*	31 December 2022	31 December 2021
Cash and bank balances[1]	$ 89,414	$ 119,306
Cash equivalents[2]	16,780	$ –

[1] All of the Group's cash is held with financial institutions with Fitch credit ratings of AAA or AA
[2] This balance includes tax certificates with maturities of three months or less.

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.

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 utilises authorisations 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 31 December 2022 and 2021:

$ thousands	31 December 2022	31 December 2021
Less than 1 year	393,557	361,514
1–2 years	27,473	67,901
Greater than 1–2 years	803,328	781,321
Total	**$ 1,224,358**	**$ 1,210,736**

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 31 December 2022 and 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 attempts to mitigate commodity price risk using financial derivatives (Note 26).

The table below summarises the expense paid and losses incurred on the commodity risk management contracts that were in place during the year ended 31 December 2022:

$ thousands	31 December 2022	31 December 2021
Premium paid	4,974	5,737
Losses	44,601	7,693
Anticipated cancelation	–	975
Total	**$ 49,575**	**14,405**

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 principal debt is the 2028 Senior Notes described in Note 19. The rate on the bonds is fixed at 6%.

32. Capital management

The Group's objectives when managing capital are to: i) safeguard its ability to continue as a going concern, so that the group 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 summarised in the following table:

$ thousands	31 December 2022	31 December 2021
Current liabilities	(393,557)	(361,514)
Less: current assets	263,846	297,410
Working capital deficit	**$ (129,711)**	**$ (64,104)**
Share capital and share premium	**$ 2,769**	**$ 427**

33. Non-GAAP measurements

The net of cash and cash equivalents, short-term investments and debt is recognised on the balance sheet. This section sets out an analysis of net debt and the movements in net debt for the extended period ended 31 December 2021.

$ thousands	31 December 2022	31 December 2021
Assets		
Cash and cash equivalents	106,194	119,306
Short-term investments	233	2,816
Liabilities		
Lease liabilities	960	7,673
Long-term notes	584,022	583,778
Net debt	**478,555**	**469,329**

	Liabilities from financing activities			
$ thousands	Long-term	Leases	Other	Total
Balance at 28 July 2020	**$ –**	**$ –**	**$ –**	**$ –**
Holder and Andina Acquisition	–	12,711	–	12,711
COG acquisition	–	765	–	765
RBL drawdown	–	–	194,993	194,993
Bond issuance	600,000	–	–	600,000
Issuance costs	(19,564)	–	–	(19,564)
Interest payments	(17,300)	(318)	(5,781)	(23,399)
Lease payments	–	(5,315)	–	(5,315)
RBL repayment	–	–	(194,993)	(194,993)
Other charges[1]	20,642	(170)	5,781	26,253
Balance at 31 December 2021	**$ 583,778**	**$ 7,673**	**$ –**	**$ 591,451**
Interest paid	(36,000)	(285)	–	(36,285)
Terminated leases	–	(3,017)	–	(3,017)
Lease payments	–	(3,696)	–	(3,696)
Other charges[1]	36,244	285	–	36,529
Balance at 31 December 2022	**$ 584,022**	**$ 960**	**$ –**	**$ 584,982**

[1] Other charges include non-cash movements, including accrued interest and costs amortisation, which are presented as operating cash flows in the statements of cash flows.

34. Commitments and contingencies

Exploratory commitments

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

Contract		Concept	$ million
Putumayo-8	*	Phases 1 and 2) 3D Seismic acquisition 112 km^2 and three exploratory wells	10.6
Putumayo-9	*	(Phase 1) 3D Seismic acquisition 127 km^2 and two exploratory wells Phase 2) Two exploratory wells	10.6
Putumayo-36	*	This license, which we will acquire from Oxy pending ANH approval, is currently in the preliminary phase of the exploration period whereby applicable prior consultation process with the local communities must first be completed. The license has outstanding investment commitments to acquire 105.6 km^2 of 3D seismic and to drill two wells,	9.5
Mecaya	*	Phase 1 & 2) 3D Seismic acquisition 52 km^2 The exploration program is currently suspended while the required consultations with communities in the area are carried out	2.0
		Phase 3) 3D Seismic acquisition 31.25 km^2	0.5
		Phase 4) One Exploratory well	2.0
Terecay	*	Phase 1) 2D Seismic acquisition 476 km^2 The exploration program is currently suspended due to force majeure	4.0
		Phase 2) Two exploratory wells	5.5
		Phase 3) Two exploratory wells	5.5
Tacacho	*	Phase 1) 2D Seismic acquisition 480 km^2 The exploration program is currently suspended due to force majeure.	4.0
		Phase 2) Two exploratory wells	5.5
		Phase 3) Two exploratory wells	5.5
Llanos 39	*	Phase 1) 3D Seismic acquisition 379 km^2 and two exploratory wells	7.4
		Phase 2) Two exploratory wells or one exploratory well and the withdrawal of 50% of the remaining area	3.0
		One exploratory well and the withdrawal of 50% of the remaining area	1.5
Llanos 52	*	Phase 1) 3D Seismic acquisition 292 kms2 and two exploratory wells	5.6
		Phase 2) Two exploratory wells	2.9
		One exploratory well and the withdrawal of 50% of the remaining area	0.9
Llanos 23	*	Phase 1 and 2 Unified) 3D Seismic acquisition 138 km2	6.0
Cosecha		Phase 1) Two exploratory wells (one of which "new play"), already drilled Financial commitment not defined Phase 2) Two exploratory wells (one of which "new play"), 2024 to 2027	–
Bolivar	(1)	1) The acquisition and interpretation of seventy-eight square kilometers (78km2) of 3D seismic 2) The drilling of one (1) exploratory well (A3)	8.0
Rondón	(2)	One (1) near field exploration well	8.0

* 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.
(1) Bolivar contract extension commitments includes also the drilling of one development well and seismic acquisition and reprocessing.
(2) Rondón contract extension commitments includes also the drilling of two development wells by approximately $22 million.

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.

35. Post balance sheet events

- On 1 March 2023, the second payment of the contingent consideration of $45 million to OPC was executed.

As of 16 March 2023, the date on which the financial statements were approved by the Board, SCE determined there were no further subsequent events requiring adjustment to or disclosure in the financial statements.

36. Ultimate controlling party

SCE is controlled by its immediate parent entity Midco. The ultimate parent company of Midco is Carlyle through CIEP Andes Holdco S.a r.l. and CIEP II Flamingo S.a r.l. (Carlyle's funds) which owns 99.02% of the ordinary shares of Flamingo (Jersey) Limited (the parent of Midco), with the remainder being owned by management.

PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND EXTENDED PERIOD ENDED 31 DECEMBER 2021

CORPORATE INFORMATION

Company registered number

12773957 (England and Wales)

Directors

Mr Eric Faillenet
Mr Parminder Singh

Company Secretary

It was noted that pursuant to section 270 of the Companies Act 2006 the Company does not have a company secretary.

Registered office

Suite Lg, 11 St. James's Place, London, England, SW1A 1NP

Auditors

PricewaterhouseCoopers LLP – Chartered Accountants The Capitol, 431 Union Street, Aberdeen AB11 6DA

Bankers

Citibank N.A. – London Branch
33 Canada Square, Canary Wharf, London, United Kingdom E14 5LB

JPMorgan Chase bank, N.A.
Columbus, OH 43218-2051

PARENT COMPANY STATEMENT OF INCOME AND COMPREHENSIVE INCOME

For the year ended 31 December 2022 and extended period ended 31 December 2021

(Thousands of United States dollars)

	Note		Year ended 31 December 2022	From 28 July 2020 to 31 December 2021
Revenue				
Management fee income	3		9,288	14,455
Total revenue and other income		**$**	**9,288**	**14,455**
Operational expenses				
General and administrative expenses	4		(12,415)	(27,995)
Total operational expenses		**$**	**(12,415)**	**(27,995)**
Net loss from operations		**$**	**(3,127)**	**(13,540)**
Dividend income	5		360,000	651,550
Finance cost	6		(12,615)	(11,827)
Finance income	7		3,267	311
Net income before tax		**$**	**347,525**	**626,494**
Income tax expense			–	–
Net income for the period		**$**	**347,525**	**626,494**
Total comprehensive income for the period		**$**	**347,525**	**626,494**

The accompanying notes are an integral part of these parent company financial statements.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2022 and 2021

(Thousands of United States dollars)

	Note	Year ended 31 December 2022	2021
Assets			
Investment in subsidiaries	8	741,649	733,352
Long term accounts receivable		66,496	15,571
Tax receivables		322	349
Non-current assets		**$ 808,467**	**$ 749,272**
Tax receivables		40	505
Trade and other receivables	9	6,056	20,137
Cash and cash equivalents		3,112	12,704
Current assets		**$ 9,208**	**$ 33,346**
Total assets		**$ 817,675**	**$ 782,618**
Liabilities and shareholders' equity			
Long-term payables	10	220,475	260,178
Non-current liabilities		**$ 220,475**	**$ 260,178**
Employee benefits		1,288	–
Accounts payable and accrued liabilities	10	53,159	64,565
Current liabilities		**$ 54,447**	**$ 64,565**
Total liabilities		**$ 274,922**	**$ 324,743**
Share capital	11	2,769	427
Retained earnings		539,984	457,448
Total equity		**$ 542,753**	**$ 457,875**
Total liabilities and equity		**$ 817,675**	**$ 782,618**

The accompanying notes are an integral part of these parent company financial statements.

The parent company financial statements on pages 81 through 92 were approved by the Board of Directors on 16 March 2023 and signed on its behalf by:

Mr Parminder Singh (signed)
Director

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022 and extended period ended 31 December 2021

(Thousands of United States dollars)

	Share capital	Share premium	Retained earnings	Total equity
28 July 2020	**$ –**	**$ –**	**$ –**	**$ –**
Capital contribution from Flamingo Midco Limited	369,910	–	–	369,910
Other share capital contributions	4,400	–	–	4,400
COG Acquisition	53,173	3,190	–	56,363
Reduction in capital	(427,056)	(3,190)	430,246	–
Dividends paid to equity holders	–	–	(601,200)	(601,200)
Cash contribution from parent	–	–	1,908	1,908
Net income and comprehensive income	–	–	626,494	626,494
31 December 2021	**$ 427**	**$ –**	**$ 457,448**	**$ 457,875**
Other share capital contributions	2,342	–	–	2,342
Dividends paid to equity holders	–	–	(268,000)	(268,000)
Cash contribution from parent	–	–	3,011	3,011
Net income and comprehensive income	–	–	347,525	347,525
31 December 2022	**$ 2,769**	**$ –**	**$ 539,984**	**$ 542,753**

The accompanying notes are an integral part of these parent company financial statements.

PARENT COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2022 and extended period ended 31 December 2021

(Thousands of United States dollars)

	Note	31 December 2022	From 28 July 2020 to 31 December 2021
Operating Activities			
Net income before tax		347,525	626,494
Adjustments for non-cash items:			
Financial income	7	(3,242)	(311)
Financial expenses		12,519	11,719
Fair value remeasurement MIP		3,011	1,908
Adjustments for non-cash items		**$ 359,813**	**$ 639,810**
Changes in trade and other receivables		(44,963)	(36,251)
Changes in trade and other payables		5,044	(3,511)
Changes in assets and liabilities		**$ (39,919)**	**$ (39,762)**
Net cash flows provided from operating activities		**$ 319,894**	**$ 600,048**
Investing activities			
Holder and Andina acquisition		–	(557,176)
Swissco incorporation		–	(110)
Contingent payment		(55,000)	–
Additional investment in subsidiaries		(3,000)	–
Financial income		1,051	–
Net cash flows used in investing activities	8	**$ (56,949)**	**$ (557,286)**
Financing activities			
Intra-Group loan drawdown	13	–	202,013
Share capital contributions	11	–	369,910
Dividends paid		(268,000)	(601,200)
Reserve-based lending drawdown		–	194,993
Reserve-based lending repayment		–	(194,993)
Interest and financial expenses paid		(6,879)	(5,181)
Proceeds from issuance of common shares	11	2,342	4,400
Net cash flows used in financing activities		**$ (272,537)**	**$ (30,058)**
Net increase in cash and cash equivalents		(9,592)	12,704
Cash and cash equivalents at the beginning of the period		12,704	–
Cash and cash equivalents at the end of the period		**$ 3,112**	**$ 12,704**

The accompanying notes are an integral part of these parent company financial statements.

1. Authorisation of financial statements

The parent company financial statements of SierraCol Energy Limited ("**the Company**" or "**SCE**") for the year ended 31 December 2022 and extended period ended 31 December 2021 were authorised by the Board of Directors on 16 March 2023, and Mr Parminder Singh signed the parent company statement of financial position on behalf of the Board.

2. Basis of preparation and significant accounting policies

Statement of compliance

These parent company financial statements of the Company have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The parent company financial statements have been prepared on a going concern basis. At 31 December 2022, the Company had net current liabilities of $45.2 million, which will be serviced with the cash flow generation of the wider Group. The significant accounting judgements and estimates are consistent with those set out in Note 2 to the consolidated financial statements. The principal accounting policies adopted are consistent with those set out in Note 2 to the consolidated financial statements. The financial risk management strategy for the Company is consistent with that set out in Note 26 to the consolidated financial statements.

The principal accounting policies adopted are consistent with those set out in Note 2 to the consolidated financial statements. The financial risk management strategy for the Company is consistent with that set out in Note 26 to the consolidated financial statements. Certain additional accounting policies are relevant to the parent company only and are presented below.

Investments in subsidiaries

Investments are measured initially at cost, including transaction costs, less any provision for impairment. Additionally, the Company's accounting policy is to recognise fair value movements in contingent consideration against the cost of the investment.

At each balance sheet date, the Company reviews the carrying amounts of its investments to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised immediately in the income statement.

Dividend income is recognised when the right to receive payment is established. We recognise the cash flows from dividend income as an operating cash flow.

Management fee income

Management fee income is recognised in the accounting period in which the services are rendered.

Critical accounting estimates and judgements

i) Identification of impairment indicators - investments in subsidiaries

The investments in subsidiaries are assessed annually to determine if there is any indication that any of the investments might be impaired. We identified no indicators of impairment in the most recent period.

ii) estimates of provision for expected credit losses on loans issued to related parties

The expected credit loss allowances for loans issued to related parties are based on assumptions about risk of default, expected method of recovery and expected credit loss rates. This involves judgement. As of 31 December 2022, the Company determined that the expected credit losses were immaterial and therefore not booked. This judgement included consideration of the Company's forecasted future cash resources and therefore the likelihood of the Company demanding repayment in advance of the loan term.

Changes in accounting policies

New standards, interpretations and amendments adopted by the Company

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that there are none that may have an impact on the Company's accounts.

3. Management fee income

The Company recognises revenue from the execution of the Technical and Technical Services Agreement ("**TTSA**") and the Management Services Agreement ("**MSA**") with its subsidiaries, as follows:

$ thousands	Year ended 31 December 2022	For the extended period ended 31 December 2021
Technical and Technical Services Agreement[(1)]	50	9,254
Management Services Agreement[(2)]	9,238	5,201
Total	**$ 9,288**	**14,455**

[(1)] TTSA decrease due to the Oxy agreement completion as part of the separation process that included IT support until December 2021.
[(2)] MSA for the period ended 31 December 2022 corresponds to CIM Global LLC advisory, the agreement with Oxy was completed on December 2022.

4. General and administrative expenses

The following table provides details about the components of general and administrative expenses:

$ thousands	Year ended 31 December 2022	For the extended period ended 31 December 2021
Professional fees[(1)]	12,405	18,651
Bank fees	6	85
Services	4	5
Separation-related payments[(2)]	–	9,254
Total	**$ 12,415**	**27,995**

[(1)] For the period ended 31 December 2022 includes accounting services, legal fees, and other advice, for the extended period ended 31 December 2021 additionally include professional fees associated with the transaction described in Note 1 of the Consolidated Statements.
[(2)] Include TSA and advisory fees, these expenses are considered one-off.

5. Dividend income

The Company recognises the dividends received from its subsidiaries as dividend income as incurred, all dividends were received in cash during the year. As mentioned in Note 2, SCE classify dividend received as an operating cash flow. Dividends received over the reporting period are broken down by subsidiary in the table below:

$ thousands	Year ended 31 December 2022	For the extended period ended 31 December 2021
Dividends Andina	150,000	535,000
Dividends Holder	200,000	109,550
Dividends COG	10,000	7,000
Total	**$ 360,000**	**651,550**

6. Finance cost

The following table provides details about the components of the financial cost for the Company:

$ thousands	Year ended 31 December 2022	For the extended period ended 31 December 2021
Intra-Group loan agreement interest accrued(1)	12,364	6,538
Other financial expenses(2)	155	5,181
Foreign exchange	96	108
Total	**$ 12,615**	**11,827**

(1) Includes accrued and paid interest for the intra-Group loan with Andina of $195 million with an agreed interest of 6.125%. 2022 includes twelve months in comparison with six months included in 2021.

(2) For the extended period ended 31 December 2021 includes interest payment related to the reserve-based lending ("**RBL**") facility agreement settled in June.

7. Finance income

The following table provides details about the components of the financial income for the Company:

$ thousands	Year ended 31 December 2022	For the extended period ended 31 December 2021
Intra-Group loan agreement interest accrued(1)	2,191	268
Others	1,076	43
Total	**$ 3,267**	**311**

(1) SCE executed an intra-Group loan with Flamingo Swissco AG ("**Swissco**"), as of 31 December 2022 and 31 December 2021 the balance for the loan is $65.0 million and $14.8 million respectively, with an agreed interest of 4.7%.

8. Investment in subsidiaries

Investment in subsidiaries is held at cost, less provision for impairment. The costs associated with the acquisition of subsidiaries are capitalised against the cost of investment. Investments in subsidiaries include the ownership interest of the Company in its subsidiaries as described below:

$ thousands	31 December 2022	31 December 2021
Andina	408,991	405,816
Holder	273,185	271,063
COG[1]	59,363	56,363
Swissco	110	110
Total	**$ 741,649**	**733,352**

[1] $3 million additional capital increases in 2022.

The following is the list of SCE's direct subsidiaries:

Subsidiary	Direct or Indirect	Country of Incorporation	Principal Activities	Ownership	Address
Flamingo Swissco AG ("Swissco")	Direct	Switzerland	Financial and consulting services	100%	C/O Transforma AG, Gartenstrase 4, 6400 Zug
SierraCol Energy Holder Ltd ("Holder")	Direct	Bermuda	Holding	100%	Citco (Bermuda) Limited, O'Hara House, 3 Bermudiana Road, Hamilton, HM08, Bermuda
SierraCol Energy Andina, LLC ("Andina")	Direct	Delaware, United States	Oil and gas	100%	C/O The Company Trust, Company Trust Center, 1209 Orange Street, Wilmington, Delaware 19801
COG Energy Limited ("COG")	Direct	Cayman Islands	Holding	100%	C/O Maples Corporate Services Limited, Ugland House, 121 South Church Street, PO BOX 309, Cayman Islands

For Indirect subsidiaries please refer to Note 28 of the consolidated financial statements.

Directors have assessed the Company's and its subsidiaries' ability to continue as a going concern set out in Note 2 of the consolidated financial statements.

9. Trade and other receivables

The following table provides details about the short and long-term accounts receivable at the reporting period:

$ thousands	31 December 2022	31 December 2021
Accounts receivable with related parties[1]	5,927	20,115
Other accounts receivable	129	22
Short-term total	**$ 6,056**	**$ 20,137**
Loan to related parties[2]	64,961	14,468
Loans to employees, Directors and officers and others	$ 1,535	$ 1,103
Long-term total	**$ 66,496**	**$ 15,571**

[1] Receivables related to the TTSA and MSA.
[2] This balance is related to the intra-Group loan agreement executed with Swissco.

Short-term accounts receivable are expected to be received within the next 12 months and are thus recognised as current assets.

10. Accounts payable and accrued liabilities

The following table provides details about the short and long-term accounts payable at the reporting period:

$ thousands		31 December 2022		31 December 2021
Contingent consideration[1]		45,000		55,000
Other general and administrative expenses payable		1,621		3,027
Intra-Group loan interest payable		6,538		6,538
Short-term total	**$**	**53,159**	**$**	**64,565**
Intra-Group loan payable[2]		195,475		195,475
Contingent consideration[1]	$	25,000	$	64,703
Long-term total	**$**	**220,475**	**$**	**260,178**

[1] 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. Customary closing adjustments resulted in a cash payment of $532.4 million on the completion date (18 December 2020) and further amounts payable subject to a gross production base target and average realised prices across three contingent payment periods. As of 31 December 2021, the balance corresponds to the first definitive payment of the contingent consideration to OPC ($55 million was paid on 3 March 2022). As of 31 March 2022, $45 million was reclassified from long-term liabilities, which corresponds to the second payment of the estimated contingent consideration.
[2] Corresponds to an intra-Group loan agreement executed with Andina; the balance at the reporting date is $195 million as long term account payable plus interest of $7 million as short term payable.

Short-term accounts payable are expected to be settled within the next 12 months and are thus recognised as current payables.

11. Share capital and contributed surplus

The authorised capital is comprised of a limited number of common shares and preferred shares.

Common shares	Number		Amount *($ thousands)*
Balance at 28 July 2020	–		–
Midco equity contribution	369,910,003		369,910
Proceeds from issuance of common shares	4,400,067		4,400
COG acquisition equity contribution from Midco[1]	53,172,858		56,363
Capital reduction[2]	–		(430,246)
Balance at 31 December 2021	**427,482,928**	**$**	**427**
Proceeds from issuance of common shares	2,341,125,920		2,342
Balance at 31 December 2022	**2,768,608,848**	**$**	**2,769**

[1] COG acquisition was settled with equity as consideration; shares were issued to Midco by the Company in exchange for the full share capital of COG.
[2] This capital reduction was approved through an ordinary resolution on 22 June 2021. The capital reduction also settled $3.2 million of the share premium, initially created in the shares issued to Midco for the COG acquisition.

12. Income taxes

The Company is subject to UK tax. The standard UK tax rate applicable for 2022 is 19% and 2021 was 19%. The following is a reconciliation of income taxes calculated at the UK tax rate to the tax expense at the reporting date:

$ thousands	31 December 2022	31 December 2021
Net income before tax	347,525	626,494
Statutory income tax rate	19 %	19 %
Income tax expense	**$ 66,030**	**$ 119,034**
Less:		
Income not subject to tax	(68,400)	(123,795)
Plus:		
Trading losses carried forward	624	2,573
Loan relationship losses carried forward	1,746	2,188
Total income tax expense	**$ –**	**$ –**

13. Related party disclosures

Related parties' transactions

The following transactions were carried out with related parties:

$ thousands	Year ended 31 December 2022	For the extended period ended 31 December 2021
Loan receivable from Swissco[(1)]	$ 67,133	$ 14,736
Loan receivable from executives	1,535	1,103
Loan payable to Andina[(2)]	202,013	202,013
Management services expense	2,188	8,817
MSA and TTSA	9,288	14,455

(1) The agreement dated 11 January 2021 between SCE, as lender and Swissco as borrower, supports the availability of funds with the maximum aggregate outstanding principal amount at any one time of USD 100,000,000 with an interest rate of 4.70% and due 6 years after the date of the Agreement, provided that any extension shall result in the automatic extension of the maturity date to the end of the extended term.

(2) The intra-group loan agreement dated 22 June 2021 between Andina, as lender and SCE as borrower was granted with the sole purpose of the repayment of the RBL Facility Agreement. Considers interest rate of 6.125%, and its Maturity date is 22 June 2026.

14. Financial instruments and financial risk management

The carrying amounts and respective fair values of financial assets and liabilities as of 31 December 2022 are summarised as follows:

$ thousands	Carrying Amount 31 December 2022	Fair Value 31 December 2022
Financial assets at amortised cost		
Cash and cash equivalents	$ 3,112	$ 3,112
Trade and other receivables	6,056	6,056
Financial liabilities at amortised cost		
Accounts payable	$ 52,150	$ 52,150
Accrued liabilities	1,009	1,009

The carrying amounts and respective fair values of financial assets and liabilities as of 31 December 2021 are summarised as follows:

$ thousands		Carrying Amount 31 December 2021		Fair Value 31 December 2021
Financial assets at amortised cost				
Cash and cash equivalents	$	12,704	$	12,704
Trade and other receivables		20,137		20,137
Financial liabilities at amortised cost				
Accounts payable	$	63,391	$	63,391
Accrued liabilities		1,174		1,174

Impairment of financial assets

The Company has two main types of financial assets that are subject to IFRS 9's credit loss model:

- cash and cash equivalents; and
- accounts receivable.

Cash and cash equivalents

$ thousands		31 December 2022		31 December 2021
Cash and bank balances	$	3,112	$	12,704

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company prepares annual capital expenditure budgets, which are monitored regularly and updated as necessary.

The following table provides a maturity analysis for the Company's liabilities as of 31 December 2022 and 2021:

$ thousands		31 December 2022		31 December 2021
Less than 1 year		54,447		64,565
1–2 years		25,000		64,703
Greater than 1–2 years		195,475		195,475
Total	**$**	**274,922**	**$**	**324,743**

Foreign currency risk

The Company is exposed to foreign currency fluctuations between the United States dollar (**USD**) and the British pound sterling (**GBP**) as certain administrative expenditures of the Company are contracted in the United Kingdom.

15. Capital management

The Company considers its capital structure to include shareholders' equity and working capital (which the Company defines as current liabilities less current assets).The Company's working capital, calculated as current liabilities less current assets, and share capital are summarised in the following table:

$ thousands	31 December 2022	31 December 2021
Current liabilities	(54,447)	(64,565)
Less: current assets	9,208	33,346
Working capital deficit	**$ (45,239)**	**$ (31,219)**
Share capital and share premium	**$ 2,769**	**$ 427**

As mentioned in Note 2, the Directors have assessed the Company's ability to fund its operations; consolidated cash flows prove that the Company will not have any liquidity risk.

16. Post balance sheet events

- On 1 March 2023, the second payment of the contingent consideration of $45 million to OPC was executed.

As of 16 March 2023, the date on which the financial statements were approved by the Board, SCE determined there were no further subsequent events requiring adjustment to or disclosure in the financial statements.

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