SierraCol reports second quarter 2023 results

- 2Q23 Share Before Royalties ("SBR") production of 41.9 kboed, down 6% from last quarter mainly due to operational and external events in the Caño Limón area.
- Revised production guidance to 42 – 44 kboed, from 43 – 45 kboed, in connection with events affecting production in the Caño Limón area. Guidance on capital and exploration expenditures remains unchanged at $190 – $210 million.
- After quarter-end, a new development well drilled in the REX NE field in the Caño Limón area confirmed the opportunity to develop a new reservoir area. Evaluation of potential reserves addition is ongoing.
- Adjusted EBITDAX of $131.4 million ($46.1/boe), down 24% q/q, impacted mainly by lower Brent price and higher lifting cost, mostly driven by higher well work activity and foreign exchange impact.
- Adjusted operating netback of $50.9/boe over a $77.7/bbl Brent price for the quarter.
- Net leverage remains low at 0.7x in the quarter vs 0.6x in the previous quarter.
- Cash and cash equivalents of $173.2 million at quarter-end.
- Total liquidity of $239.9 million at quarter-end.
- During the quarter, 45% of the Caño Limón area production was shipped via the Caño Limón-Coveñas pipeline. The remaining volumes were shipped via the Bicentenario pipeline, the alternative route.
- Fitch and Moody's (after quarter-end) affirmed credit ratings at B+ and B1, respectively, both with stable outlook.
- After-quarter end, we published our second Task Force on Climate-related Financial Disclosures ("TCFD") report for 2022, demonstrating our ongoing commitment to improve our ESG performance and disclosure.

London, UK, 14 August 2023, SierraCol Energy Limited (the "Company", "SierraCol" or "SCE"), the direct parent of SierraCol Energy Andina, LLC, reports its operational and financial results for the second quarter 2023 ("2Q23"). A conference call and webcast for bondholders and analysts will be held on Tuesday, 15 August 2023 at 11:00 a.m. Eastern Time.

This release should be read in conjunction with the consolidated financial statements for the period ended 30 June 2023 and the notes thereto, and related Management's Discussion and Analysis ("MD&A").

Key figures

	2Q23	1Q23	2Q22[(1)]	Δ q/q	Δ y/y	6M23	6M22[(1)]	Δ y/y
Production & sales (kboed)								
Gross production	77.9	83.2	78.4	-6%	-1%	80.5	82.1	-2%
SBR production[(2)]	41.9	44.6	42.8	-6%	-2%	43.3	44.7	-3%
Net production	33.2	34.9	31.2	-5%	7%	34.1	33.2	3%
Net sales	31.3	34.0	30.9	-8%	1%	32.7	33.0	-1%
Operating netback per barrel of net sales ($/boe)								
Brent price	77.7	82.1	112.0	-5%	-31%	79.9	104.9	-24%
Realised price	70.4	74.2	103.8	-5%	-32%	72.4	96.9	-25%
Lifting cost	(18.9)	(14.8)	(13.9)	28%	36%	(16.8)	(13.3)	26%
Transport cost	(0.6)	(0.7)	(0.9)	-23%	-37%	(0.7)	(0.9)	-28%
Adjusted operating netback per boe[(2)]	50.9	58.6	89.0	-13%	-43%	54.9	82.7	-34%
Administrative expenses	(3.0)	(3.3)	(3.3)	-8%	-8%	(3.2)	(3.3)	-4%
Realised loss on derivatives	(0.5)	(0.4)	(10.0)	16%	-95%	(0.4)	(7.7)	-94%
Other[(3)]	(1.3)	1.4	2.0	nm	nm	0.1	1.7	-94%
Operating netback[(2)]	46.1	56.4	77.7	-18%	-41%	51.5	73.4	-30%
Adjusted EBITDAX ($ million)								
Total revenue	200.5	227.3	291.8	-12%	-31%	427.8	577.8	-26%
Lifting cost	(53.9)	(45.4)	(38.9)	19%	39%	(99.3)	(79.3)	25%
Transport cost	(1.6)	(2.2)	(2.6)	-28%	-39%	(3.8)	(5.3)	-27%
Adjusted operating netback[(2)]	144.9	179.7	250.3	-19%	-42%	324.6	493.2	-34%
Administrative expenses	(8.6)	(10.1)	(9.2)	-15%	-7%	(18.7)	(19.5)	-4%
Realised loss on derivatives	(1.3)	(1.2)	(28.2)	8%	-95%	(2.6)	(45.8)	-94%
Other[(3)]	(3.6)	4.4	5.6	nm	nm	0.8	9.9	-92%
Adjusted EBITDAX[(2)]	131.4	172.8	218.5	-24%	-40%	304.2	437.8	-31%
Key financial results ($ million)								
Net income	56.6	75.8	85.6	-25%	-34%	132.4	172.2	-23%
Capex and exploration expenditures[(2)]	44.5	29.2	32.8	52%	36%	73.7	71.1	4%
Free Cash Flow[(2)]	9.2	62.8	27.5	-85%	-67%	72.0	157.4	-54%
Cash & cash equivalents	173.2	115.2	189.8	50%	-9%	173.2	189.8	-9%
Net debt[(2)]	497.8	490.8	414.4	1%	20%	497.8	414.4	20%

[(1)] The Final Offering Memorandum for the Senior Notes defined that results from the Teca-Cocorna Collaboration Agreement ("Teca") would be removed from our presentation of Adjusted EBITDAX, as its operations were limited to care and maintenance. According to the updated perspective for the asset, from 1Q23 onwards we present the Teca result within Adjusted EBITDAX, Free Cash Flow, and capex and exploration expenditures. Prior quarters have been updated to reflect this view. | [(2)] See "Non-IFRS Measures" section. | [(3)] Other includes prepaid expenses, other income/expenses (net), realised foreign exchange gain (loss), fair value remeasurements and non-recurring costs.

2Q23 performance highlights

Resilient operations

- Share Before Royalties ("SBR") production was 41.9 kboed, down 6% q/q, respectively, mainly due to operational and external events in the Caño Limón area, partially offset by increased production in Central Llanos. Production in Middle Magdalena remained essentially flat. The events in the Caño Limón area relate to delays in activity execution, well failures, disruptions to the pipeline system, electrical events and floods. These events are now largely resolved.
- During the quarter, 1 active rig drilled 2 new wells in Central Llanos. The workover campaigns included 9 jobs in the Caño Limón area, 3 in Middle Magdalena and 2 in Central Llanos.
- Revised production guidance to 42 – 44 kboed, from 43 – 45 kboed, in connection with events affecting production in the Caño Limón area. Guidance on capital and exploration expenditures remains unchanged at $190 - $210 million.
- 45% of the Caño Limón area production was shipped via the Caño Limón-Coveñas ("CLC") pipeline. The remaining production was shipped via the alternative evacuation route, the Bicentenario ("OBC") pipeline.
- After quarter-end, a new development well drilled in the REX NE field in the Caño Limón area confirmed the opportunity to develop a new reservoir area. Evaluation of potential reserves addition is ongoing.

Committed to ESG goals

- After-quarter end, we published our second Task Force on Climate-related Financial Disclosures ("TCFD") report for 2022, demonstrating our ongoing commitment to improve our ESG performance and disclosure. In line with the TCFD principles, the report highlights SierraCol's efforts to address climate-related risks and opportunities in our business strategy and how we continually improve our transparency and accountability.
- SierraCol continues to make progress on the initiatives to reduce our carbon footprint.
- We continued with the installation of permanent magnet motors in the Caño Limón area, replacing to date over 50% of the motors planned for 2023.
- Regarding fugitive methane emissions, during the second quarter mitigation actions were completed in the Caño Limón area. In Central Llanos, we started measurements to establish the baseline.

Credit Ratings

- Fitch and Moody's (after quarter-end) affirmed credit ratings at B+ and B1, respectively, both with stable outlook.

Financial results

- Brent price dropped $4.4/bbl q/q to $77.7/bbl, while Vasconia differential contracted by $2.3/bbl q/q to $5.5/bbl.
- Average realised price of $70.4/boe vs Brent of $77.7/bbl. This reflects 55% of Caño Limón's production was shipped via the OBC pipeline ($1.2/boe).
- Revenue from crude oil sales was $199.7 million, down 12% q/q mainly due to lower realised price ($10.9 million) and lower volumes sold ($16.1 million).
- Adjusted EBITDAX of $131.4 million ($46.1/boe), down 24% q/q, impacted mainly by lower Brent price and higher lifting cost (mostly driven by higher well work activity and foreign exchange impact).
- Last twelve-months ("LTM") Adjusted EBITDAX of $680.4 million, down 11% q/q mainly due to a lower Brent price.
- Adjusted operating netback of $50.9/boe, down 13% q/q mainly as a result of lower Brent price and increased lifting cost per barrel (mostly driven by increased well work activity and lower volumes sold).
- Capital and exploration expenditures of $44.5 million, up 52% q/q due to increased development activity, focused in more complex drilling areas.
- Free Cash Flow of $9.2 million, down 85% q/q mainly due to a lower Adjusted EBITDAX, higher tax payments and increased capital expenses.

Ample liquidity and low net leverage

- Net debt of $497.8 million with cash and cash equivalents of $173.2 million, given a portion of the income tax payment was postponed for 3Q23[1].
- Net leverage of 0.7x.
- Total available liquidity of $239.9 million (cash and cash equivalents of $173.2 million plus $66.7 million in undrawn amounts of committed credit lines).
- In June, $45.0 million was drawn from the Revolving Credit Facility ("RCF") to support working capital requirements[1].
- Dividend payments during the quarter of $1.3 million to non-controlling interest.

Risk management

Brent hedging programme

- As of the date of this document, for the period 2H23 we had hedged 50% of our production, with a weighted average long put strike price of $65.0/bbl. The following table shows the percentage of hedged volumes and weighted average long put strike price per quarter:

	3Q23	4Q23	2H23
Hedged volumes in long puts (%)	50%	50%	50%
Weighted average strike ($/bbl)	65.0	65.0	65.0

- Some of our long put positions were partially financed by selling puts. The following table shows the percentage of hedged volumes and weighted average short put strike price per quarter:

	3Q23	4Q23	2H23
Hedged volumes in short puts (%)	50%	8%	29%
Weighted average strike ($/bbl)	46.7	45.0	46.4

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

Currency hedging programme

- We had currency hedging positions for a total of $148.0 million in 1H23 in connection with tax payments. We will continue to actively monitor market conditions and we may continue to hedge local currency to manage volatility in the foreign exchange rate of the Colombian peso to US dollar.

  As of the date of this document, we have not entered into currency hedge positions for 2H23.

Conference call and webcast

SierraCol will hold a conference call to present our 2Q23 financial and operational results on Tuesday, 15 August 2023 at 11:00 a.m. Eastern Time.

Bondholders and analysts are invited to participate in the call or webcast using the following dial-in numbers or links:

Participant dial-in numbers	Toll Free (US/Canada): 1-877-407-9716 Toll/International: 1-201-493-6779 Call me™
Webcast link	https://viavid.webcasts.com/starthere.jsp?ei=1621957&tp_key=3c336f0759

Add event to calendar: Outlook/iCal Google Calendar

[1] Subsequent to the disbursement of the $45.0 million from the RCF, a portion of the income tax payment was postponed for 3Q23, in connection with a special resolution passed by the Colombian Government for companies that received approval to participate in the Works for Taxes program.

This notice contains forward-looking statements, which involve significant risk factors, uncertainties and assumptions that could or could not materialize. The Company's actual results and performance could differ from those expressed in, or implied by, this notice and the forward-looking statements. These forward-looking statements are made as of the date of this document and the Company disclaims any intent or obligation to update them.

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

The best-in-class netback statement is based on our own calculations employing information from Company filings for peers. "Peers" are Latin American oil and gas companies that are focused on Colombia and are listed and/or rated by credit rating agencies.

For further information, please contact us: ir@sierracol.com

About SierraCol

SierraCol Energy is the largest independent E&P Company in Colombia based on gross operated and jointly operated production, with full life-cycle capabilities across exploration, development and production. The Company, headquartered in Bogotá, Colombia, manages a high-quality portfolio with resilient free cash flow generation and is advised by The Carlyle Group.
Further background information is available on the corporate website: www.sierracolenergy.com