# Canacol Energy Ltd. Reports Q3 2017 Results

**CALGARY, ALBERTA – (November 14, 2017)** – Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; OTCQX:CNNEF; BVC:CNEC) is pleased to report its financial and operating results for the three and nine months ended September 30, 2017. Dollar amounts are expressed in United States dollars, except as otherwise noted.

Charle Gamba, President and CEO of the Corporation, commented: "Management remains focused on its primary goals for 2017, which include delivering a significant increase in gas production related to the completion of the Sabanas gas flowline exiting 2017, and adding to our gas reserves base via the successful execution of our exploration drilling program, which has yielded another discovery at the Pandereta-1 exploration well. In 2018, the management team will focus its efforts upon increasing production to 230 MMscfpd exiting 2018 via the second expansion of the Promigas gas pipeline to Cartagena and Baranquilla, and continuing to add gas reserves via the exploration drilling program we have planned for 2018. We anticipate releasing guidance for 2018 by mid-December 2017."

**Highlights for the three and nine months ended September 30, 2017**

*(Production is stated as working-interest before royalties)*

Financial and operational highlights of the Corporation include:

- Realized contractual sales volumes increased 10% to 17,276 boepd for the nine months ended September 30, 2017 compared to 15,727 boepd for the same period in 2016. The increase is primarily due to increase in gas production in Esperanza and VIM-5 as a result of the additional sales related to the Promigas pipeline expansion. Realized contractual sales volumes decreased 12% to 16,606 boepd for the three months ended September 30, 2017 compared to 18,908 boepd for the same period in 2016. The decrease is primarily due to three off-takers having scheduled plant maintenance for a combined 66 days of downtime during the quarter, resulting in lower production of 1,505 boepd (8.6 MMscfpd).
- Average production volumes increased 10% to 16,913 boepd for the nine months ended September 30, 2017 compared to 15,342 boepd for the same period in 2016. The increase is primarily due to increase in gas production in Esperanza and VIM-5 as a result of the additional sales related to the Promigas pipeline expansion. Average production volumes decreased 11% to 16,587 boepd for the three months ended September 30, 2017 compared to 18,632 boepd for the same period in 2016. The decrease is primarily due to three off-takers having scheduled plant maintenance for a combined 66 days of downtime during the quarter, resulting in lower production of 1,505 boepd (8.6 MMscfpd) for the three months ended September 30, 2017.
- Total petroleum and natural gas revenues for the nine months ended September 30, 2017 increased 10% to $116.8 million compared to $106 million for same period in 2016. Total petroleum and natural gas revenues for the three months ended September 30, 2017 decreased 15% to $38 million compared to $44.4 million for same period in 2016. Adjusted petroleum and natural gas revenues, inclusive of revenues related to the Ecuador IPC, for the nine months ended September 30, 2017 increased 6% to $133.2 million compared to $125.2 million for the same period in 2016. Adjusted petroleum and natural gas revenues for the three months ended September 30, 2017 decreased 15% to $43.3 million compared to $50.9 million for the same period in 2016.
- Adjusted funds from operations for the three and nine months ended September 30, 2017 decreased 39% and 10% to $18.9 million and $63.9 million, respectively, compared to $30.7 million and $71 million for the same periods in 2016, respectively. Adjusted funds from operations are inclusive of results from the Ecuador Incremental Production Contract (the "Ecuador IPC") (see full discussion in MD&A).
- Net income decreased 30% to $2.3 million for the nine months ended September 30, 2017 compared to $3.3 million for the same period in 2016. Net loss decreased 82% to $1.5 million for the three months ended September 30, 2017 compared to $8.4 million for the same period in 2016.

- Net capital expenditures including acquisitions for the three and nine months ended September 30, 2017 was $25 million and $79.6 million, respectively, while adjusted capital expenditures including acquisitions, inclusive of amounts related to the Ecuador IPC, was $25.6 million and $81 million, respectively.
- At September 30, 2017, the Corporation had $35.8 million in cash and $54.5 million in restricted cash and continues to be well within all of its banking covenants.

**Outlook**

Drilling operations have concluded at the Pandereta-1 exploration well, with gas encountered in the primary Ciénaga de Oro sandstone reservoir target as anticipated. The well is currently being cased ahead of production testing. The Canadonga-1 well is drilling ahead as planned, and the Corporation anticipates drilling through the primary Ciénaga de Oro sandstone reservoir target later this week. The Corporation will provide testing results for both wells when flow testing operations are completed.

The Sabanas gas flowline project remains on schedule and is expected to be completed by December 1, 2017. Once completed, the flowline will add 40 MMscfpd of pipeline capacity to the Corporation, to allow for a total of 130 MMscfpd of gas sales. The Sabanas flowline will have an initial transportation capacity of 20 MMscfpd on December 1, 2017, and a final transportation capacity of 40 MMscfpd in mid-January, 2018, once final compression has been installed and tested. The productive capacity of the Corporation's current gas wells is approximately 195 MMscfpd, and that of the Corporation's gas processing facilities located at Jobo is approximately 200 MMscfpd.

| Financial | Three months ended September 30, 2017 | 2016 | Change | Nine months ended September 30, 2017 | 2016 | Change |
|---|---|---|---|---|---|---|
| Total petroleum and natural gas revenues, net of royalties | **37,950** | 44,392 | (15%) | **116,816** | 106,018 | 10% |
| Adjusted petroleum and natural gas revenues, net of royalties[2] | **43,258** | 50,851 | (15%) | **133,240** | 125,241 | 6% |
| Cash flow provided by operating activities | **11,783** | 22,275 | (47%) | **40,345** | 43,288 | (7%) |
| Per share – basic ($) | **0.07** | 0.13 | (46%) | **0.23** | 0.27 | (15%) |
| Per share – diluted ($) | **0.07** | 0.13 | (46%) | **0.23** | 0.26 | (12%) |
| Adjusted funds from operations [1] [2] | **18,871** | 30,719 | (39%) | **63,947** | 71,040 | (10%) |
| Per share – basic ($) | **0.11** | 0.18 | (39%) | **0.37** | 0.44 | (16%) |
| Per share –diluted ($) | **0.11** | 0.18 | (39%) | **0.36** | 0.43 | (16%) |
| Net income (loss) and comprehensive income (loss) | **(1,514)** | (8,399) | (82%) | **2,314** | 3,307 | (30%) |
| Per share – basic ($) | **(0.01)** | (0.05) | (80%) | **0.01** | 0.02 | (50%) |
| Per share – diluted ($) | **(0.01)** | (0.05) | (80%) | **0.01** | 0.02 | (50%) |
| Capital expenditures, net, including acquisitions | **24,978** | 28,698 | (13%) | **79,550** | 49,292 | 61% |
| Adjusted capital expenditures, net, including acquisitions [1][2] | **25,568** | 29,208 | (12%) | **81,034** | 50,533 | 60% |
| | | | | **Sep 30, 2017** | Dec 31, 2016 | Change |
| Cash | | | | **35,775** | 66,283 | (46%) |
| Restricted cash | | | | **54,525** | 62,073 | (12%) |
| Working capital surplus [1] | | | | **62,168** | 64,899 | (4%) |
| Bank debt | | | | **294,195** | 250,638 | 17% |
| Total assets | | | | **799,307** | 787,508 | 1% |
| Common shares, end of period (000's) | | | | **175,927** | 174,359 | - |

| Operating | Three months ended September 30, 2017 | 2016 | Change | Nine months ended September 30, 2017 | 2016 | Change |
|---|---|---|---|---|---|---|
| Petroleum and natural gas production, before royalties (boepd) | | | | | | |
| Petroleum [3] | **3,263** | 3,892 | (16%) | **3,418** | 4,145 | (18%) |
| Natural gas | **13,324** | 14,740 | (10%) | **13,495** | 11,197 | 21% |
| Total [2] | **16,587** | 18,632 | (11%) | **16,913** | 15,342 | 10% |
| Petroleum and natural gas sales, before royalties (boepd) | | | | | | |
| Petroleum [3] | **3,268** | 3,801 | (14%) | **3,428** | 4,141 | (17%) |
| Natural gas | **13,239** | 14,621 | (9%) | **13,403** | 11,106 | 21% |
| Total [2] | **16,507** | 18,422 | (10%) | **16,831** | 15,247 | 10% |
| **Realized contractual sales, before royalties (boepd)** | | | | | | |
| **Natural gas** | **13,338** | 15,107 | (12%) | **13,848** | 11,586 | 20% |
| **Colombia oil** | **1,895** | 2,090 | (9%) | **1,947** | 2,413 | (19%) |
| **Ecuador tariff oil** [2] | **1,373** | 1,711 | (20%) | **1,481** | 1,728 | (14%) |
| **Total** [2] | **16,606** | 18,908 | (12%) | **17,276** | 15,727 | 10% |
| Operating netbacks ($/boe) [1] | | | | | | |
| Esperanza (natural gas) | **23.46** | 27.63 | (15%) | **24.46** | 27.45 | (11%) |
| VIM-5 (natural gas) | **12.96** | 24.65 | (47%) | **18.14** | 24.52 | (26%) |
| LLA-23 (oil) | **19.13** | 13.78 | 39% | **19.96** | 11.36 | 76% |
| Ecuador (tariff oil) [2] | **38.54** | 38.54 | - | **38.54** | 38.54 | - |
| Total [2] | **23.02** | 25.83 | (11%) | **23.60** | 25.28 | (7%) |

(1) Non-IFRS measure – see "Non-IFRS Measures" section within MD&A.
(2) Inclusive of amounts related to the Ecuador IPC – see "Non-IFRS Measures" section within MD&A.
(3) Includes tariff oil production and sales related to the Ecuador IPC.

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This press release should be read in conjunction with the Corporation's unaudited interim condensed consolidated financial statements and related Management's Discussion and Analysis. The Corporation's has filed its unaudited interim condensed consolidated financial statements and related Management's Discussion and Analysis as of and for the three and nine months ended September 30, 2017 with Canadian securities regulatory authorities. These filings are available for review on SEDAR at www.sedar.com.

Canacol is an exploration and production company with operations focused in Colombia and Ecuador. The Corporation's shares are traded on the Toronto Stock Exchange under the symbol CNE, the OTCQX in the United States of America under the symbol CNNEF, the Bolsa de Valores de Colombia under the symbol CNEC and the Bolsa Mexicana de Valores under the symbol CNEN.

*This press release contains certain forward-looking statements within the meaning of applicable securities law. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "target", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur, including without limitation statements relating to estimated production rates from the Corporation's properties and intended work programs and associated timelines. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. The Corporation cannot assure that actual results will be consistent with these forward looking statements. They are made as of the date hereof and are subject to change and the Corporation assumes no obligation to revise or update them to reflect new circumstances, except as required by law. Information and guidance provided herein supersedes and replaces any forward looking information provided in prior disclosures. Prospective investors should not place undue reliance on forward looking statements. These factors include the inherent risks involved in the exploration for and development of crude oil and natural gas properties, the uncertainties involved in interpreting drilling results and other geological and geophysical data, fluctuating energy prices, the possibility of cost overruns or unanticipated costs or delays and other uncertainties associated with the oil and gas industry. Other risk factors could include risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities, and other factors, many of which are beyond the control of the Corporation. Other risks are more fully described in the Corporation's most recent Management Discussion and Analysis ("MD&A") and Annual Information Form, which are incorporated herein by reference and are filed on SEDAR at www.sedar.com. Average production figures for a given period are derived using arithmetic averaging of fluctuating historical production data for the entire period indicated and, accordingly, do not represent a constant rate of production for such period and are not an indicator of future production performance. Detailed information in respect of monthly production in the fields operated by the Corporation in Colombia is provided by the Corporation to the Ministry of Mines and Energy of Colombia and is published by the Ministry on its website; a direct link to this information is provided on the Corporation's website. References to "net" production refer to the Corporation's working-interest production before royalties.*

*Use of Non-IFRS Financial Measures – Due to the nature of the equity method of accounting the Corporation applies under IFRS 11 to its interest in the Ecuador IPC, the Corporation does not record its proportionate share of revenues and expenditures as would be typical in oil and gas joint interest arrangements. Management has provided supplemental measures of adjusted revenues and expenditures, which are inclusive of the Ecuador IPC, to supplement the IFRS disclosures of the Corporation's operations in this press release. Such supplemental measures should not be considered as an alternative to, or more meaningful than, the measures as determined in accordance with IFRS as an indicator of the Corporation's performance, and such measures may not be comparable to that reported by other companies. This press release also provides information on adjusted funds from operations. Adjusted funds from operations is a measure not defined in IFRS. It represents cash provided by operating activities before changes in non-cash working capital and decommissioning obligation expenditures, and includes the Corporation's proportionate interest of those items that would otherwise have contributed to funds from operations from the Ecuador IPC had it been accounted for under the proportionate consolidation method of accounting. The Corporation considers adjusted funds from operations a key measure as it demonstrates the ability of the business to generate the cash flow necessary to fund future growth through capital investment and to repay debt. Adjusted funds from operations should not be considered as an alternative to, or more meaningful than, cash provided by operating activities as determined in accordance with IFRS as an indicator of the Corporation's performance. The Corporation's determination of adjusted funds from operations may not be comparable to that reported by other companies. For more details on how the Corporation reconciles its cash provided by operating activities to adjusted funds from operations, please refer to the "Non-IFRS Measures" section of the Corporation's MD&A. Additionally, this press release references working capital, EBITDAX and operating netback measures. Working capital is calculated as current assets less current liabilities, excluding non-cash items, and is used to evaluate the Corporation's financial leverage. EBITDAX is defined as consolidated net income adjusted for interest, income taxes, depreciation, depletion, amortization, exploration expenses, share of joint venture profit/loss and other similar non-recurring or non-cash charges.*

*Consolidated EBITDAX is further adjusted for the contribution to adjusted funds from operations, before taxes, of the results of the Ecuador IPC. Operating netback is a benchmark common in the oil and gas industry and is calculated as total petroleum and natural gas sales, less royalties, less production and transportation expenses, calculated on a per barrel of oil equivalent basis of sales volumes using a conversion. Operating netback is an important measure in evaluating operational performance as it demonstrates field level profitability relative to current commodity prices. Working capital, EBITDAX and operating netback as presented do not have any standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures for other entities.*

*Operating netback is defined as revenues less royalties and production and transportation expenses.*

*Realized contractual gas sales is defined as gas produced and sold plus gas revenues received from nominated take or pay contracts.*

*Boe Conversion – The term "boe" is used in this news release. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of cubic feet of natural gas to barrels oil equivalent is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In this news release, we have expressed boe using the Colombian conversion standard of 5.7 Mcf: 1 bbl required by the Ministry of Mines and Energy of Colombia. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 5.7:1, utilizing a conversion on a 5.7:1 basis may be misleading as an indication of value.*

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