Canacol Energy Ltd. Reports an 11% Increase in Realized Contractual Gas Sales and a Net Income of $2.6 Million in Q3 2020

CALGARY, ALBERTA - (November 12, 2020) - 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, 2020. Dollar amounts are expressed in United States dollars, except as otherwise noted.

Highlights for the three and nine months ended September 30, 2020

(Production is stated as working-interest before royalties)

Financial and operational highlights of the Corporation include:

- Realized contractual natural gas sales volumes increased 11% and 33% to 163 MMscfpd and 172.2 MMscfpd for the three and nine months ended September 30, 2020, respectively, compared to 146.4 MMscfpd and 129.7 MMscfpd for the same periods in 2019, respectively. Average natural gas production volumes increased 10% and 31% to 162 MMscfpd and 171.5 MMscfpd for the three and nine months ended September 30, 2020, respectively, compared to 147.6 MMscfpd and 130.9 for the same periods in 2019, respectively. The increase is primarily due to the pipeline expansion in late Q3 2019, offset by the decrease in sales as a result of the COVID-19 pandemic.
- Total natural gas revenues, net of royalties and transportation expenses increased 2% and 21% to $56.3 million and $179.5 million for the three and nine months ended September 30, 2020, respectively, compared to $55.1 million and $148.2 million for same periods in 2019, respectively, mainly attributable to the increase of natural gas production due to the 2019 pipeline expansion, offset by lower spot market gas sales prices, net of transportation costs due to COVID-19.
- Adjusted funds from operations decreased 8% and increased 20% to $33.4 million and $109.9 million for the three and nine months ended September 30, 2020, respectively, compared to $36.4 million and $91.9 million for the same periods in 2019, respectively. Adjusted funds from operations per basic share decreased 10% and increased 17% to $0.18 per basic share and $0.61 per basic share for the three and nine months ended September 30, 2020, respectively, compared to $0.20 per basic share and $0.52 per basic share for the same periods in 2019, respectively.
- EBITDAX decreased 8% and increased 15% to $42.3 million and $141.6 million for the three and nine months ended September 30, 2020, respectively, compared to $46 million and $122.9 million for the same periods in 2019, respectively.
- The Corporation realized a net income of $2.6 million and a net loss of $5.7 million for the three and nine months ended September 30, 2020, respectively, compared to a net income of $0.7 million and $8.8 million for the same periods in 2019, respectively. The net loss realized during the nine months ended September 30, 2020 is solely due to the non-cash deferred tax expense of $39.3 million, which is primarily due to the effect of the reduction in the Colombian Peso exchange rate on the value of unused tax losses and cost pool.
- The Corporation's natural gas operating netback decreased 10% and 9% to $3.47 per Mcf and $3.57 per Mcf in the three and nine months ended September 30, 2020, respectively, compared to $3.86 per Mcf and $3.92 per Mcf for the same periods in 2019, respectively. The decrease is mainly due to lower spot market gas sales prices, net of transportation costs due to COVID-19.
- Net capital expenditures for the three and nine months ended September 30, 2020 were $26.4 million and $54.6 million, respectively. Net capital expenditures included non-cash adjustments related to decommissioning obligations and right-of-use leased assets of $0.8 million and $4.6 million for the three and nine months ended September 30, 2020, respectively.
- On July 31, 2020, the Corporation entered into a $46 million senior unsecured revolving credit facility (the "RCF") and a $75 million senior unsecured bridge term loan (the "Bridge Loan") with a syndicate of banks. The Bridge Loan is intended to be used to construct and own a pipeline from the Corporation's operations to

Medellin, Colombia (the "Project"). The Bridge Loan includes an interest rate of LIBOR + 4.25%, a two-year term, and the Corporation's ability to repay the Bridge Loan at any time within the term without penalty. The RCF includes an interest rate of LIBOR + 4.75%, a three-year term, and the Corporation's ability to repay/redraw the RCF at any time within the term without penalty. Canacol will pay a commitment fee on the Bridge Loan and RCF of 30% of the respective interest margins of 4.25% and 4.75% on any undrawn amounts throughout the term.

- On August 28, 2020, the Corporation withdrew the initial $25 million of the Bridge Loan, net of transaction costs of $3.1 million, which will be used for initial engineering costs and environmental licensing related to the Project. The remaining $50 million is available to be drawn at any time up to twelve months from the closing date and is currently budgeted for Project construction materials. The RCF remains undrawn as at September 30, 2020.
- As at September 30, 2020, the Corporation had $93.8 million in cash and cash equivalents, $2.7 million in restricted cash and $87.8 million in working capital surplus.

Outlook

In October 2020, the Corporation tested the Arandala-1 exploration well, which was drilled in late 2019. The well encountered 29.5 feet true vertical depth of net gas pay within the Porquero sandstone and was tested with a final production rate of 12.8 MMscfpd. The well is currently tied to the production manifold and ready for production.

For the remainder of 2020, the Corporation plans to commence the drilling of two additional gas exploration wells, Flauta-1 and Siku-1.

The Corporation also plans to add two new exploration and production contracts to its portfolio, the VIM-44 block, which is located in the Lower Magdalena Basin adjacent to its main gas producing area, and the VMM-47 block located in the Middle Magdalena Basin which complements its large existing gas exploration position in the basin.

The 2020 year started with national gas demand slightly above 2019 levels in the January and February 2020 time period. In the month of April 2020, with Colombia under a country-wide lockdown related to COVID-19, the national gas demand decreased 25% relative to the same period in 2019, 721 MMscfpd versus 957 MMscfpd respectively. Since May 2020, the national gas demand has slowly recovered as economic activity resumed following the lockdown. In the month of October 2020, the national gas demand stood at 837 MMscfpd, down only 6% from 892 MMscfpd in October 2019. In order to increase interruptible gas sales during the period May through to August 2020, the Corporation sold interruptible volumes at competitive prices to gain market share. Since September 2020, with higher levels of national demand, the Corporation's pricing for interruptible volumes has recovered. Although the Corporation expects national gas demand to increase in 2021 from 2020 levels, given the ongoing spread of COVID-19 in Colombia, uncertainty remains with respect to both future gas demand and interruptible pricing depending upon the trajectory of the pandemic in Colombia.

Financial	2020	2019	Change	2020	2019	Change
	Three months ended September 30,			**Nine months ended September 30,**		
Total natural gas, LNG and crude oil revenues, net of royalties and transportation expense	**$ 57,429**	$ 56,634	1 %	**$ 182,828**	$ 153,727	19 %
Adjusted Funds from operations[1]	**$ 33,409**	$ 36,420	(8 %)	**$ 109,871**	$ 91,911	20 %
Per share – basic ($)[1]	**0.18**	0.20	(10 %)	**0.61**	0.52	17 %
Per share – diluted ($)[1]	**0.18**	0.20	(10 %)	**0.61**	0.51	20 %
Net income (loss) and comprehensive income (loss)[2]	**$ 2,609**	$ 663	294 %	**$ (5,664)**	$ 8,815	n/a
Per share – basic ($)	**0.01**	—	n/a	**(0.03)**	0.05	n/a
Per share – diluted ($)	**0.01**	—	n/a	**(0.03)**	0.05	n/a
Cash flow provided by operating activities	**$ 50,016**	$ 36,887	36 %	**$ 125,848**	$ 71,169	77 %
Per share – basic ($)	**0.28**	0.21	33 %	**0.70**	0.40	75 %
Per share – diluted ($)	**0.28**	0.20	40 %	**0.69**	0.40	73 %
EBITDAX[1]	**$ 42,303**	$ 46,037	(8 %)	**$ 141,588**	$ 122,867	15 %
Weighted average shares outstanding – basic	**180,980**	178,273	2 %	**180,942**	177,736	2 %
Weighted average shares outstanding – diluted	**181,495**	180,873	—	**181,543**	179,681	1 %
Capital expenditures, net dispositions	**$ 26,437**	$ 30,806	(14 %)	**$ 54,598**	$ 78,973	(31 %)
				Sep 30, 2020	Dec 31, 2019	Change
Cash and cash equivalents				**$ 93,770**	$ 41,239	127 %
Restricted cash				**$ 2,749**	$ 4,524	(39 %)
Working capital surplus				**$ 87,764**	$ 50,676	73 %
Total debt				**$ 416,684**	$ 392,946	6 %
Total assets				**$ 779,560**	$ 754,062	3 %
Common shares, end of period (000's)				**180,623**	180,075	—

Operating	2020	2019	Change	2020	2019	Change
	Three months ended September 30,			**Nine months ended September 30,**		
Production, before royalties[1]						
Natural gas and LNG (MMscfpd)	**162,012**	147,630	10 %	**171,475**	130,901	31 %
Colombia oil (bopd)	**317**	322	(2 %)	**292**	365	(20 %)
Total (boepd)	**28,740**	26,222	10 %	**30,375**	23,330	30 %
Realized contractual sales, before						
Natural gas and LNG (MMscfpd)	**162,984**	146,439	11 %	**172,216**	129,747	33 %
Colombia oil (bopd)	**347**	329	5 %	**281**	375	(25 %)
Total (boepd)	**28,941**	26,020	11 %	**30,494**	23,138	32 %
Operating netbacks[1]						
Natural gas and LNG ($/Mcf)	**3.47**	3.86	(10 %)	**3.57**	3.92	(9 %)
Colombia oil ($/bopd)	**17.04**	24.34	(30 %)	**16.98**	25.59	(34 %)
Corporate ($/boe)	**19.76**	22.06	(10 %)	**20.30**	22.41	(9 %)

(1) Non-IFRS measures – see "Non-IFRS Measures" section within the MD&A.
(2) The net loss realized during the nine months ended September 30, 2020 is solely due to the non-cash deferred tax expense of $39.3 million, which is primarily due to the effect of the reduction in the Colombian Peso ("COP") exchange rate on the value of unused tax losses and cost pools. In the event that the COP strengthens in the future, as it did as at June 30, 2020, the Corporation would realize a deferred income tax recovery for the period.

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This press release should be read in conjunction with the Corporation's interim condensed consolidated financial statements and related Management's Discussion and Analysis. The Corporation's has filed its interim condensed consolidated financial statements and related Management's Discussion and Analysis as at and for the three and nine months ended September 30, 2020 with Canadian securities regulatory authorities. These filings are available for review on SEDAR at www.sedar.com.

Canacol is a natural gas exploration and production company with operations focused in Colombia. 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 and the Bolsa de Valores de Colombia under the symbol CNEC.

Use of Non-IFRS Financial Measures *- 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. The Corporation considers 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. 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 the current portion of long-term obligations, 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 and other similar non-recurring or non-cash charges. Operating netback is a benchmark common in the oil and gas industry and is calculated as total natural gas, LNG and petroleum sales, net transportation expenses, less royalties and operating 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, net transportation expenses less royalties and operating expenses.

Realized contractual sales is defined as natural gas and LNG produced and sold plus income received from nominated take-or-pay contracts without the actual delivery of natural gas or LNG and the expiry of the customers' rights to take the deliveries.

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 Mcf:1, utilizing a conversion on a 5.7 Mcf:1 basis may be misleading as an indication of value.*

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