Canacol Energy Ltd. Reports an Adjusted EBITDAX of $49.6 million and a Net Income of $24.4 million in Q1 2022

CALGARY, ALBERTA - (May 12, 2022) - 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 months ended March 31, 2022. Dollar amounts are expressed in United States dollars, with the exception of Canadian dollar unit prices ("C$") where indicated and otherwise noted.

Highlights for the three months ended March 31, 2022

- Realized contractual natural gas sales volumes increased 2% to 181.8 MMscfpd for the three months ended March 31, 2022, compared to 177.6 MMscfpd for the same period in 2021. Average natural gas production volumes increased 2% to 183.1 MMscfpd for the three months ended March 31, 2022, compared to 179.5 MMscfpd for the same period in 2021. The increase is mainly due to an increase of natural gas sales volumes contracted under firm contracts in 2022.
- Total natural gas revenues, net of royalties and transportation expenses increased 10% to $64.3 million for the three months ended March 31, 2022, compared to $58.2 million for the same period in 2021, mainly due to an increase in natural gas production and an increase the average sales prices, net of transportation expenses.
- The Corporation realized a net income of $24.4 million for the three months ended March 31, 2022, compared to a net loss of $3.1 million for the same period in 2021. The non-cash deferred tax expense recognized of $11.3 million resulted in a net loss during the three months ended March 31, 2021, compared to a deferred tax recovery of $12.2 million recognized during the three months ended March 31, 2022. The fluctuation of deferred taxes was primarily due to the effect of the Colombian Peso ("COP") foreign exchange rate on the value of unused tax losses and cost pools.
- EBITDAX increased 6% to $49.6 million for the three months ended March 31, 2022, compared to $46.7 million for the same period in 2021.
- Adjusted funds from operations decreased 12% to $33.8 million for the three months ended March 31, 2022, compared to $38.3 million for the same period in 2021. The decrease is mainly due to higher current tax expense for the three months ended March 31, 2022, offset by higher revenues, net of royalties and transportation expenses.
- The Corporation's natural gas operating netback increased 7% to $3.58 per Mcf in the three months ended March 31, 2022, compared to $3.36 per Mcf for the same period in 2021. The increase is mainly due to an increase in average sales prices, net of transportation expenses. The increase in operating netback was offset by higher operating expenses per Mcf of $0.36 per Mcf during the three months ended March 31, 2022, compared to $0.28 per Mcf for the same period in 2021, mainly due to higher maintenance costs.
- Net capital expenditures for the three months ended March 31, 2022 were $26.6 million. Net capital expenditures included non-cash adjustments related mainly to decommissioning obligations and right-of-use leased assets of $2.5 million for the three months ended March 31, 2022.
- As at March 31, 2022, the Corporation had $126.1 million in cash and cash equivalents and $130.3 million in working capital surplus.

Sustainability

Canacol continues to be committed to strengthening its environmental, social and governance ("ESG") strategy. Canacol enthusiastically supports global goals to meet the Paris Agreement targets as well as Colombia's commitment to a 51% reduction in emissions by 2030, of which natural gas will play a crucial role in a fair and equitable energy transition. The Corporation's objective on ESG matters is to improve the quality of life of millions of people through the exploration, production and supply of conventional natural gas in Colombia. Alongside this, the Corporation is focused on generating value for its stakeholders in a sustainable, collaborative, co-responsible, respectful and transparent way. With the Corporation's transition to natural gas, it now has an environmentally friendly value proposition that contributes to the reduction of CO2 emissions in Colombia and provides for a more efficient use of resources.

The Corporation continues to support its communities in essential social projects such as access to water and utilities, productive projects, construction and improvement of public and community infrastructure, technical and university scholarships amongst others.

The Corporation has strong corporate governance standards and procedures, which are aligned with best global practices and trends, and uses control mechanisms that protect shareholder's interests, respect and promote human rights, guarantee ethical behavior and integrity and ensure regulatory compliance.

For 2022 and beyond, the Corporation is committed to continue developing and maintaining a robust ESG strategy and, as such, is implementing a six-year plan with the following four priorities:

1. A cleaner energy future - deliver natural gas under the highest environmental and operational efficiency standards.
2. A safe and committed team - maintain best-in-class health and safety practices and promote a diverse and inclusive culture.
3. Transparent and ethical business - adopt the best practices, encourage respect for human rights and ensure ethics and integrity in practices Canacol does.
4. Sustainable development - promote and maintain close and transparent relationships that guarantee communities' growth and quality of life.

The Corporation plans to announce its short- and medium-term carbon emission reduction targets prior to the end of 2022, together with a projected timeline for achieving net-zero emissions. In the meantime, the Corporation strives to achieve scope 1 and 2 greenhouse gas ("GHG") emissions intensities that are at least 40% lower on average than gas focused peers (and 90% lower on average than oil focused peers) in North and South America.

Outlook

For the remainder of 2022, the Corporation is focused on the following objectives: 1) drilling of up to a total of twelve exploration and development wells in a continuous program, of which four wells were drilled in Q1 2022, targeting a 2P reserves replacement ratio of more than 200% and a 2P RLI of 9.3 years; 2) acquisition of 470 square kilometers of 3D seismic on the Corporation's VIM-5 block to expand its exploration prospect inventory; 3) purchase of rental facilities equipment and the installation of gas compression to lower operating expenses and increase recovery factors, respectively; 4) selection of a contractor for the new gas pipeline from Jobo to Medellin, which will add 100 MMscfpd (with expansion potential up to 200 MMscfpd) of new gas sales to the interior in late 2024, resulting in Canacol being responsible for 30% (up to 40%) of Colombia's domestic gas supply; 5) continuing the return of capital to shareholders in the form of dividends and common share buybacks; and 6) continue with the Corporation's commitment to its ESG strategy and achievement of scope 1 and 2 GHG emissions intensities that are at least 40% lower on average than its gas focused peers (and 90% lower on average than oil focused peers) in North and South America.

FINANCIAL & OPERATING HIGHLIGHTS

(in United States dollars (tabular amounts in thousands) except as otherwise noted)

Financial	Three months ended March 31,		
	2022	2021	Change
Total natural gas, LNG and crude oil revenues, net of royalties and transportation expense	**73,667**	65,818	12%
Net income (loss) and comprehensive income (loss)	**24,415**	(3,062)	n/a
Per share – basic ($)	**0.14**	(0.02)	n/a
Per share – diluted ($)	**0.14**	(0.02)	n/a
Adjusted EBITDAX(1)	**49,624**	46,716	6%
Cash flow provided by operating activities	**38,063**	37,900	—
Per share – basic ($)	**0.22**	0.21	5%
Per share – diluted ($)	**0.22**	0.21	5%
Adjusted Funds from operations(1)	**33,816**	38,286	(12%)
Per share – basic ($)(1)	**0.20**	0.21	(5%)
Per share – diluted ($)(1)	**0.20**	0.21	(5%)
Weighted average shares outstanding – basic	**172,451**	179,515	(4%)
Capital expenditures, net of dispositions	**26,643**	27,844	(4%)
	Mar 31, 2022	Dec 31, 2021	Change
Cash and cash equivalents	**126,083**	138,523	(9%)
Working capital surplus	**130,325**	148,124	(12%)
Total debt	**559,295**	557,709	—
Total assets	**854,711**	843,760	1%
Common shares, end of period (000's)	**170,859**	176,167	(3%)

Operating	Three months ended March 31,		
	2022	2021	Change
Production(1)			
Natural gas and LNG (MMscfpd)	**183,130**	179,474	2%
Colombia oil (bopd)	**428**	256	67%
Total (boepd)	**32,556**	31,743	3%
Realized contractual sales(1)			
Natural gas and LNG (MMscfpd)	**181,813**	177,633	2%
Colombia oil (bopd)	**412**	307	34%
Total (boepd)	**32,309**	31,471	3%
Operating netbacks(1)			
Natural gas and LNG ($/Mcf)	**3.58**	3.36	7%
Colombia oil ($/bopd)	**14.23**	34.06	(58%)
Corporate ($/boe)	**20.33**	19.33	5%

(1) Non-IFRS measures – see "Non-IFRS Measures" section within the MD&A.

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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 ("MD&A"). The Corporation's has filed its interim condensed consolidated financial statements and related MD&A as at and for the three months ended March 31, 2022 with Canadian securities regulatory authorities. These filings are available for review on SEDAR at www.sedar.com.

About Canacol

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.

Forward-Looking Information and Statements

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 *- 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, settlement of a litigation settlement liability 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. 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 Adjusted EBITDAX and operating netback measures. Adjusted 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. Adjusted 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.

The Corporation's LNG sales account for less than one percent of the Corporation's total realized contractual natural gas and LNG sales.

***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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