Canacol Energy Ltd. Provides 2021 Capital and Gas Sales Guidance

CALGARY, ALBERTA - (December 17, 2020) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; OTCQX:CNNEF; BVC:CNEC) is pleased to provide its capital and gas sales guidance for 2021.

The Corporation announces that its 2021 capital budget is US$ 140 million which will be fully funded from existing cash and 2021 cash flows. Forecast realized contractual gas sales for 2021, which include downtime, are anticipated to be in the range of 153 to 190 million standard cubic feet per day ("MMscfpd"). The Corporation's firm take-or-pay contracts average 153 MMscfpd net of 2021 contractual downtime, and as such would represent the low end of the Corporation's guidance should interruptible gas demand be severely impacted as a result of a prolonged COVID-19 pandemic. The average wellhead sales price, net of transportation costs where applicable, is expected to be within the range of US$ 4.10 to 4.50/mcf.

Charle Gamba, President and CEO of Canacol, stated "For 2021, the Corporation is focused on the following operational objectives: 1) the drilling of 12 exploration, appraisal, and development wells in a continuous program with the objective of targeting a 2P reserves replacement ratio of more than 200 percent, 2) the acquisition of the 655 square kilometers of 3D seismic on the VIM-5 and SSJN-7 blocks to expand the Corporation's exploration prospect inventory, 3) the execution of a definitive agreement to construct a new gas pipeline from Jobo to Medellin which will increase the Corporation's gas sales by an additional 100 MMscfpd in 2024 , and 4) continue with our commitment of strengthening our environmental, social and governance ("ESG") strategy and reporting with the objective of improving the Corporation's ESG performance. The large exploration drilling and seismic programs planned for 2021 are designed to increase our natural gas reserves and productive capacity to support the future growth profile of the Corporation."

2021 Capital Program

2021 Capital Expenditure Program	
Maintenance and development drilling	US$ 26 million
Exploration activities (wells and seismic)	US$ 80 million
Facilities and infrastructure	US$ 15 million
Administrative, social, environmental and other	US$ 19 million
Total capital expenditures	**US$ 140 million**
Contingent capital expenditures	US$ 23.5 million
Total capital expenditures range	**US$ 140 – 163.5 million**

The bulk of the 2021 capital program targets the Corporation's large exploration portfolio with the drilling of a total of 12 wells, four of which, including Siku-1 and Flauta-1, were carried over from 2020 due to COVID-19 related operational delays. Of the 12 wells planned, nine are exploration wells, and three are development wells, with total anticipated cost of approximately US$ 66 million. The Corporation also has up to US$23.5 million of contingent capital expenditures identified, comprised of approximately $10 million of tie-in expenditures during 2021 for successful exploration wells, as well as each successful exploration well will require an additional $1.5 million in contingent capital to complete and production test.

Block	Well ID	Well Classification
Esperanza	Milano-1	Exploration
	Fragata-1	Exploration
	Cañahuate-4	Development
	Nelson-9	Development
VIM-21	Aguas Vivas-1	Exploration
	Cornamusa-1	Exploration
VIM-5	Saxofon-1	Exploration
	Corneta-1	Exploration
	Pifano-1	Exploration
	Siku-1	Exploration
	Flauta-1	Exploration
	Oboe-2	Development

The Corporation intends to keep the two drilling rigs currently under contract through 2021 to execute the exploration and development drilling programs. The first wells in the program will be the Flauta-1 exploration well and the Oboe-2 development well, both of which are anticipated to spud in the first week of January 2021.

The 2021 drilling program emphasizes exploration as the Corporation continues to build out its reserve base while ensuring sufficient production capacity to meet our rapidly expanding forecast gas sales in the years ahead. All nine exploration wells will target prospects defined on seismic and supported by seismic AVO analysis. The application of seismic AVO methodology is the technical means by which the Corporation interprets the presence of gas-charged sandstones in its exploration prospects and mitigates geological risk. AVO analysis has played a key role in the Corporation's remarkable 84% success rate with its exploration program over the past seven years.

The Corporation also plans to acquire two large 3D seismic programs: the 469 square kilometer Redoblante survey located on the VIM-5 exploration block, and the 186 square kilometer Mayupa survey located on the SSJN-7 exploration block. The objective of the surveys is to identify and delineate gas prospects for future exploration drilling.

The $15 million facilities spend includes new satellite compression at Betania and the installation of water separation at Pandereta and Clarinete, both of which will increase deliverability and improve recovery from the reservoirs. HSE improvements and processing efficiencies are also planned for the Jobo facility to allow gas to be routed through the various processing equipment and be transferred to the multiple sales lines with minimal bottlenecks in the plant.

2021 Gas Sales and Financial Highlights

	Take or Pay Contracts Only	High End Guidance
Natural Gas Sales Volumes (MMscfpd)	153	190
EBITDAX (US$ millions)	$165	$210
Capital Expenditures (US$ millions)	$98	$140

Should the ongoing COVID-19 pandemic affect interruptible sales throughout 2021 to the extent that they should not exist, the company would rely on its take or pay contracts only to fill its production of 153 MMscfpd at an average sales price of $4.50/mcf net of transportation, where applicable.

The corporation's best estimate is that there will be interruptible gas sales demand, and has made allowances for reduced interruptible gas demand and sales due to the ongoing COVID-19 pandemic inherent in its 2021 high end guidance of 190 MMscfpd, including contractual downtime. Due to the uncertainty of interruptible demand pricing associated with COVID-19, the average wellhead price is expected to be $4.10/mcf to $4.50/Mcf in this scenario. As such, the wellhead netback, after operating costs and royalties, is anticipated to average approximately $3.20 to $3.50/mcf. At the high end of the guidance range, approximately 80% of the total anticipated gas sales will be take-or-pay, with the remaining 20% being interruptible spot sales.

Canacol currently has abundant productive capacity of approximately 220 MMscfpd to fulfill expected 2021 production levels, as such the Corporation has the flexibility to defer its drilling programs should that be required as a result of any prolonged COVID-19 pandemic impacts. However, given aggressive future production expectations, the Corporation's intention is to both actively acquire seismic and drill during 2021.

The Corporation expects to exit 2021 with a healthy cash position of approximately $35 million, net of dividends, share buybacks, and a $12 million debt reduction. Canacol anticipates maintaining a net debt to EBITDAX leverage ratio of 1.7x.

Environment, Social, and Governance Goals

Canacol's objective is to develop the natural gas needed to improve the quality of life for millions of Colombians in a clean, safe, efficient, and cost-effective way. The Corporate ESG strategy has four areas of focus: 1) delivering a cleaner energy future: deliver natural gas under the highest environmental and operational efficiency standards, 2) organizing a committed team: maintain best-in-class health and safety practices and promote an inclusive culture, 3) maintaining a transparent and ethical business creed: adopt the best practices, encourage respect for human rights, and ensure ethics and integrity in everything we do, and 4) developing a mandate guided by sustainable development: promote and maintain close and transparent relationships that guarantee our communities' growth and quality of life.

The milestones for 2021 include: 1) building a carbon emissions baseline for Canacol's operation to set ambitious carbon reduction goals and become a key player in Colombia's emissions targets, 2) obtain a 5% reduction in the annual health and safety performance goals, 3) strengthen a diverse and inclusive work environment where everyone is recognized and can thrive, 4) ensure Board of Director oversight on ESG performance through a designated Board ESG committee 5) demonstrate zero tolerance for corruption and human rights violations, 6) develop a social investment strategy to implement long-term vision projects, and 7) guarantee a supply chain aligned with our ESG strategy contracting at least 5% of local goods and services in Canacol's procurement process.

About Canacol

Canacol is a natural gas exploration and production company with operations focused in Colombia. The Corporation's common stock trades on the Toronto Stock Exchange, the OTCQX in the United States of America, and the Colombia Stock Exchange under ticker symbol CNE, CNNEF, and CNE.C, respectively.

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", "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. 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.

This press release contains non-GAAP measures such as EBITDAX, funds from operations, working capital, operating netback per barrel and realized contractual gas sales that do not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. Management uses these non-GAAP measures for its own

performance measurement and to provide shareholders and investors with additional measurements of the Corporation's performance and financial results.

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.

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