Canacol Energy Ltd. Provides 2023 Capital and Gas Sales Guidance

CALGARY, Alberta (December 20, 2022) – Canacol Energy Ltd. (“Canacol” or the “Corporation”) (TSX:CNE; OTCQX:CNNEF; BVC:CNEC) is pleased to provide its capital and gas sales guidance for 2023. Dollar amounts are expressed in United States dollars, with the exception of Canadian dollar unit prices (“C$”) where indicated and otherwise noted.

The Corporation announces that its 2023 capital budget is between $138 million and $163 million which will be fully funded from existing cash and 2023 cash flows. Forecast realized contractual gas sales for 2023, which include downtime, are anticipated to range between approximately 160 and 206 million standard cubic feet per day (“MMscfpd”). The Corporation’s firm 2023 take-or-pay contracts alone average 160 MMscfpd net of 2023 contractual downtime. The average wellhead sales price, net of transportation costs where applicable, is expected to be approximately $4.95/Mcf to $5.09/Mcf.

Charle Gamba, President and CEO of Canacol, stated: “For 2023, the Corporation is focused on the following objectives:

1) the drilling of up to 10 exploration and appraisal wells in a continuous program targeting a 2P reserves replacement ratio of more than 200%;

2) the acquisition of 282 square kilometers of 3D seismic on the VIM-5 block to expand the Corporation’s exploration prospect inventory;

3) continue to progress the new gas pipeline project from Jobo to Medellin which will add 100 MMscfpd of new gas sales to the interior in late 2024, allowing Canacol to increase gas sales to over 300 MMscfpd;

4) continue toreturn capital to shareholders in the form of dividends and share buybacks; and

5) continue with our commitment of strengthening our environmental, social and governance strategy and reporting with the objective of improving the Corporation’s ranking on various sustainability indices.”

2023 Corporate Guidance

Provided below is the Corporation’s guidance for 2023:

Highlights	**2022E**	**2023 Low End Guidance**	**2023 High End Guidance**
Natural Gas Sales Volume (MMscfpd)	182	160	206
EBITDA (US$ millions)	$215	$190	$263
Capital Expenditures (US$ millions) (1)	$174	$138	$163

(1) The Corporation will be reimbursed for the Jobo-Medellin pipeline expenditures by SETCO.

2023 Capital Program – Continuing to build our reserves base to sustain growth

In US$ millions	2022E	2023 Low End Guidance	2023 High End Guidance
Maintenance and development drilling	$28	$13	$13
Exploration activities (wells and seismic)	$92	$73	$98
Facilities and infrastructure	$23	$23	$23
Administrative, social, environmental and other	$23	$21	$21
Field capital expenditures	**$166**	**$130**	**$155**
Jobo-Medellin pipeline expenditures (1)	$8	$8	$8
Total capital expenditures	**$174**	**$138**	**$163**

(1) The Corporation will be reimbursed for the Jobo-Medellin pipeline expenditures by SETCO.

2023 Wells and 3D Seismic Acquisition

The bulk of the 2023 capital program targets the Corporation's large exploration portfolio with the drilling of a total of up to 10 exploration and appraisal wells. Nine of the exploration and appraisal well targets are in the Corporation's traditional exploration and production ("E&P") contracts located in the Lower Magdalena Basin, while one targeted exploration well is in a block where the Corporation has not yet drilled: the Toraba-1 well on the VMM-49 E&P Contract located in the Middle Magdalena Basin.

The Toraba-1 exploration well is the first of several exploration wells targeting a new Tertiary conventional gas play on the Corporation's 100% operated VMM-49 E&P Contract located in the Middle Magdalena Basin. The Toraba-1 exploration well is anticipated to spud in the third quarter of 2023, and the Corporation estimates it will take approximately two months to drill, complete, and test. The Toraba-1 exploration well is located close to the TGI operated gas pipeline that transports gas from the declining Ecopetrol operated mature gas fields located in the Guajira region of the Caribbean coast to the interior of Colombia. The TGI pipeline currently has approximately 260 MMscfpd of spare capacity, meaning that any discovery made at Toraba-1 can be quickly commercialized and sold into the interior market. Current consumption within the interior market of Colombia is approximately 600 MMscfpd, almost all of which is supplied from Ecopetrol's mature gas fields.

The 2023 drilling program emphasizes exploration as the Corporation continues to build out its reserve base while ensuring sufficient productive capacity to meet our forecast gas sales after the entrance of the Medellin pipeline. The majority of the Corporation's exploration wells will target prospects defined on 3D seismic, with the majority being supported by AVO analysis. The application of AVO methodology is the technical means by which the Corporation mitigates risks associated with the presence of gas-charged sandstones in its exploration prospects, and in large part accounts for the Corporation's remarkable 82% success rate with its exploration program over the past nine years.

The Corporation also plans to acquire 282 square kilometers of new 3D seismic on the VIM-5 block, the objective being to identify gas prospects for future exploration drilling. Approximately half of the planned exploration wells for 2023 are expected to be drilled on the VIM-5 block, in areas in which the Corporation acquired new 3D seismic in 2022.

With regards to the new deep conventional gas play in the Middle Magdalena Basin, drilling of the Pola-1 well, originally budgeted for 2022, is included in a contingent high spending case budget for 2023. The Corporation is prioritizing drilling of Tertiary prospects in the short term and seeks to secure all the equipment and people needed to ensure safe drilling of a technically challenging well.

2023 Financial Highlights

	2022E	2023 Low End Guidance	2023 High End Guidance
Natural gas sales volume (MMscfpd)	182	160	206
Interruptible spot sales as a % of total	16%	0%	22%
Assumed average gas sales price ($/Mcf)	$4.76	$5.09	$4.95
Netback ($/Mcf)	$3.72	$3.84	$3.81
EBITDA (US$ millions)	$215	$190	$263
Capital expenditures (US$ millions)	$174	$138	$163
Quarterly dividend (C$/share)	$0.052	$0.052	$0.052

The low end guidance assumes no interruptible sales in 2023. The Corporation's best estimate is that there will be interruptible gas sales demand in its 2023 high end guidance of 206 MMscfpd, including contractual downtime. The interruptible spot sales price is conservatively modelled, resulting in a total average natural gas sales price being $4.95/Mcf at the wellhead for the 206 MMscfpd high end scenario. As such, the wellhead netback, after operating costs and royalties, is anticipated to average approximately $3.81/Mcf. The high end scenario expects approximately 78% of the total anticipated gas sales will be take-or-pay, with the remaining 22% (approximately 46 MMscfpd) being interruptible spot sales.

Canacol currently has abundant productive capacity of approximately 230 MMscfpd to fulfill expected 2023 production levels.

2023 Jobo to Medellin Gas Pipeline Activities

In 2023, the Corporation will continue to progress its Jobo to Medellin gas pipeline project, including the following activities:

1) begin the construction of the pipeline by the end of Q3 2023; and

2) contract an additional 25 MMscfpd of take-or-pay contracts in order to completely fill the 100 MMscfpd of initial transportation capacity.

The Corporation executed an agreement with Shanghai Engineering and Technology Corp ("SETCO") in October 2022 to construct a 289 kilometer long, 22 inch diameter gas pipeline from the Jobo gas processing facility to the city of Medellin. Under the terms of the agreement, SETCO will be responsible for paying 100% of the cost of building the pipeline and will own, operate, and maintain the pipeline. The Corporation will not own or pay any part of the costs associated with the pipeline project, including its construction or operation. Canacol's sole commitment under the agreement is limited to the execution of a transportation agreement whereby the Corporation will pay a fixed fee for a certain volume of gas over a defined period of time.

2023 Shareholder Return – Maintaining dividend and continuing share buyback

Canacol expects to maintain a dividend throughout 2023 as well as continue its normal course issuer's bid ("NCIB") share buyback plan.

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 CNEC, respectively.

Forward-Looking Statements

This news release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. All statements other than statements of historical fact contained in this news release may be forward-looking statements. Such statements can generally be identified by words such as "may," "target," "could," "would," "will," "should," "believe," "expect," "anticipate," "plan," "intend," "foresee" and other similar words or phrases. In particular, forward-looking statements herein include, but are not limited to, statements relating to the expectations regarding the use of proceeds of the proposed offering. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in the forward-looking statements. Canacol believes that the expectations reflected in such forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. The forward-looking statements are expressly qualified in their entirety by this cautionary statement. The forward-looking statements are made as of the date of this news release and Canacol assumes no obligation to update or revise them to reflect new events or circumstances, except as expressly required by applicable securities law. Further information regarding risks and uncertainties relating to Canacol and its securities can be found in the disclosure documents filed by Canacol with the securities regulatory authorities, available at www.sedar.com.

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