Canacol Energy Ltd. Reports Net Income of $147 million for the Year Ended December 31, 2022

CALGARY, ALBERTA - (March 27, 2023) - 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 and year ended December 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 and year ended December 31, 2022

- Realized contractual natural gas sales volumes decreased 6% to 175.6 MMcfpd for the three months ended December 31, 2022 and increased 1% to 182.4 MMcfpd for the year ended December 31, 2022, compared to 185.9 MMcfpd and 181.4 MMcfpd for the same periods in 2021, respectively. The decrease for the three months ended December 31, 2022 is mainly due to temporary lower demand for natural gas during the quarter as a result of the region experiencing high reservoir levels caused by heavy rain. The increase for the year ended December 31, 2022 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 decreased 3% to $65.1 million for the three months ended December 31, 2022 , compared to $67 million for the same period in 2021. Total natural gas revenues, net of royalties and transportation expenses increased 9% to $264.9 million for the year ended December 31, 2022, compared to $243.4 million for the same period in 2021. The decrease for the three months ended December 31, 2022 is mainly due to lower sales volume during the quarter, offset by higher average sales prices, net of transportation expenses. The increase for the year ended December 31, 2022 is mainly due to higher sales volumes and higher average sales prices, net of transportation expense.
- Adjusted EBITDAX increased 6% and 9% to $52 million and $212.9 million for the three months and year ended December 31, 2022, compared to $49.2 million and $194.4 million for the same periods in 2021, respectively.
- Adjusted funds from operations was an outflow of $17 million for the three months ended December 31, 2022, compared to an inflow of $43.7 million for the same period in 2021. Adjusted funds from operations decreased to $94.6 million for the year ended December 31, 2022, compared to $153.8 million for the same period in 2021. The decrease for the three months and year ended December 31, 2022 is entirely driven by the additional current tax expense relating to Canacol's Corporate Restructuring (see below for further explanation).
- The Corporation realized a net income of $133.7 million and $147.3 million for the three months and year ended December 31, 2022, compared to a net income of $7 million and $15.2 million for the same periods in 2021, respectively, which is mainly attributable to the recognition of income tax recovery of $135.5 million during the quarter as a result of Canacol's Corporate Restructuring (see below for further explanation).
- The Corporation's natural gas and LNG operating netback increased 4% and 8% to $3.73 per Mcf and $3.68 per Mcf for the three months and year ended December 31, 2022, compared to $3.59 per Mcf and $3.40 per Mcf for the same periods in 2021, respectively. The increase is mainly due to an increase in average sales prices, net of transportation expenses of $4.81 per Mcf and $4.74 during the three months and year ended December 31, 2022, compared to $4.61 per Mcf and $4.37 per Mcf for the same periods in 2021, respectively.
- Net cash capital expenditures for the three months and year ended December 31, 2022 were $50.4 million and $166.3 million, respectively.
- As at December 31, 2022, the Corporation had $58.5 million in cash and cash equivalents and $22.6 million in working capital deficit, largely as a result of increased current tax expense driven by Canacol's Corporate Restructuring (see below for further explanation).
- During the three months and year ended December 31, 2022, in an effort to better align the operational needs of the business and to create a more efficient and cost-effective organizational structure, the

Corporation began a corporate restructuring process with the transfer of its Esperanza and VIM-21 assets from one wholly-owned subsidiary to another ("Corporate Restructuring"). The assets were transferred at fair market value, generating an additional current tax expense of $64.7 million and a deferred tax asset of $202.2 million for the three months and year ended December 31, 2022.

Sustainability

As indicated in the Corporation's 2021 Environmental, Social and Governance ("ESG") Integrated Report, Canacol currently leads the industry as one of the cleanest oil and gas producers in both Colombia and North America with Scope 1 and 2 greenhouse gas ("GHG") emissions that are 80% lower than our oil focused peers and 50% lower than our gas focused peers, on average. Canacol's ambition is to continue to lead the oil and gas industry in Colombia in terms of supplying the increasing energy demands of Colombians while reducing carbon emissions, exploring avenues for renewable energy generation, fostering national energy self-sufficiency, and catalyzing the growth and development of Colombia's economy and its people. 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 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, Canacol 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, local economic 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 uses control mechanisms that protect shareholder's interests, respect and promote human rights, guarantee ethical behavior, integrity and transparency, ensure regulatory compliance and minimize risk.

For 2022 and beyond, the Corporation is committed to continue developing and maintaining a robust ESG strategy and, as such, is implementing a 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 best practices, incorporate governance, encourage respect for human rights and ensure ethics and integrity in everything Canacol does.
4. A society guided by sustainable development - promote and maintain close and transparent relationships that guarantee communities' growth and quality of life.

Outlook

For the remainder of 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 MMcfpd of new gas sales to the interior in late 2024, allowing Canacol to increase gas sales to over 300 MMcfpd; 4) continue to return 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.

FINANCIAL & OPERATING HIGHLIGHTS

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

Financial	Three months ended December 31,			Year ended December 31,		
	2022	2021	Change	**2022**	2021	Change
Total natural gas, LNG and crude oil revenues, net of royalties and transportation expense	**67,956**	69,903	(3%)	**274,228**	249,187	10%
Adjusted EBITDAX(1)	**52,003**	49,198	6%	**212,850**	194,390	9%
Adjusted Funds from operations(1)	**(16,977)**	43,691	n/a	**94,640**	153,847	(38%)
Per share – basic ($)(1)(2)	**(0.50)**	1.24	n/a	**2.77**	4.32	(36%)
Per share – diluted ($)(1)(2)	**(0.50)**	1.24	n/a	**2.77**	4.32	(36%)
Cash flow provided (used) by operating activities	**50,034**	28,881	73%	**185,429**	123,814	50%
Per share – basic ($)(2)	**1.47**	0.82	79%	**5.43**	3.48	56%
Per share – diluted ($)(2)	**1.47**	0.82	79%	**5.43**	3.48	56%
Net income (loss) and comprehensive income (loss)	**133,722**	7,024	>999%	**147,270**	15,177	870%
Per share – basic ($)(2)	**3.92**	0.20	>999%	**4.31**	0.43	902%
Per share – diluted ($)(2)	**3.92**	0.20	>999%	**4.31**	0.43	902%
Weighted average shares outstanding – basic(2)	**34,113**	35,312	(3%)	**34,144**	35,628	(4%)
Weighted average shares outstanding – diluted(2)	**34,113**	35,312	(3%)	**34,144**	35,628	(4%)
Net cash capital expenditures(1)	**50,382**	21,513	134%	**166,288**	98,421	69%
				Dec 31, 2022	Dec 31, 2021	Change
Cash and cash equivalents				**58,518**	138,523	(58%)
Working capital surplus (deficit)				**(22,603)**	148,124	n/a
Total debt				**550,752**	557,709	(1%)
Total assets				**1,014,848**	843,760	20%
Common shares, end of period (000's)(2)				**34,111**	35,233	(3%)

Operating	Three months ended December 31,			Year ended December 31,		
	2022	2021	Change	**2022**	2021	Change
Production(1)						
Natural gas and LNG (Mcfpd)	**177,985**	186,145	(4%)	**184,584**	182,829	1%
Colombia oil (bopd)	**546**	244	124%	**522**	289	81%
Total (boepd)	**31,771**	32,901	(3%)	**32,905**	32,364	2%
Realized contractual sales(1)						
Natural gas and LNG (Mcfpd)	**175,580**	185,896	(6%)	**182,367**	181,434	1%
Colombia oil (bopd)	**541**	490	10%	**519**	294	77%
Total (boepd)	**31,345**	33,103	(5%)	**32,513**	32,124	1%
Operating netbacks(1)						
Natural gas and LNG ($/Mcf)	**3.73**	3.59	4%	**3.68**	3.40	8%
Colombia oil ($/bbl)	**22.81**	21.93	4%	**23.69**	28.39	(17%)
Corporate ($/boe)	**21.27**	20.51	4%	**20.99**	19.48	8%

(1) Non-IFRS measures – see "Non-IFRS Measures" section within the MD&A.
(2) Restated to reflect the 5:1 share consolidation on January 17, 2023 - see "Share Consolidation" section within the MD&A.

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This press release should be read in conjunction with the Corporation's audited consolidated financial statements and related Management's Discussion and Analysis ("MD&A"). The Corporation's has filed its audited consolidated financial statements, related MD&A and Annual Information Form as at and for the year ended December 31, 2022 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, the Bolsa de Valores de Colombia under the symbol CNEC.

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 (used) by operating activities before changes in non-cash working capital and the settlement of decommissioning obligation, adjusted for non-recurring charges. 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 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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