Canacol Energy Ltd.

Fourth Quarter and Fiscal Year 2018 Earnings Conference Call

March 22, 2019 at 10:00 a.m. Eastern

CORPORATE PARTICIPANTS

Charle Gamba, *President and Chief Executive Officer*

Ravi Sharma, *Chief Operating Officer*

Jason Bednar, *Chief Financial Officer*

Carolina Orozco, *Director, Investor Relations*

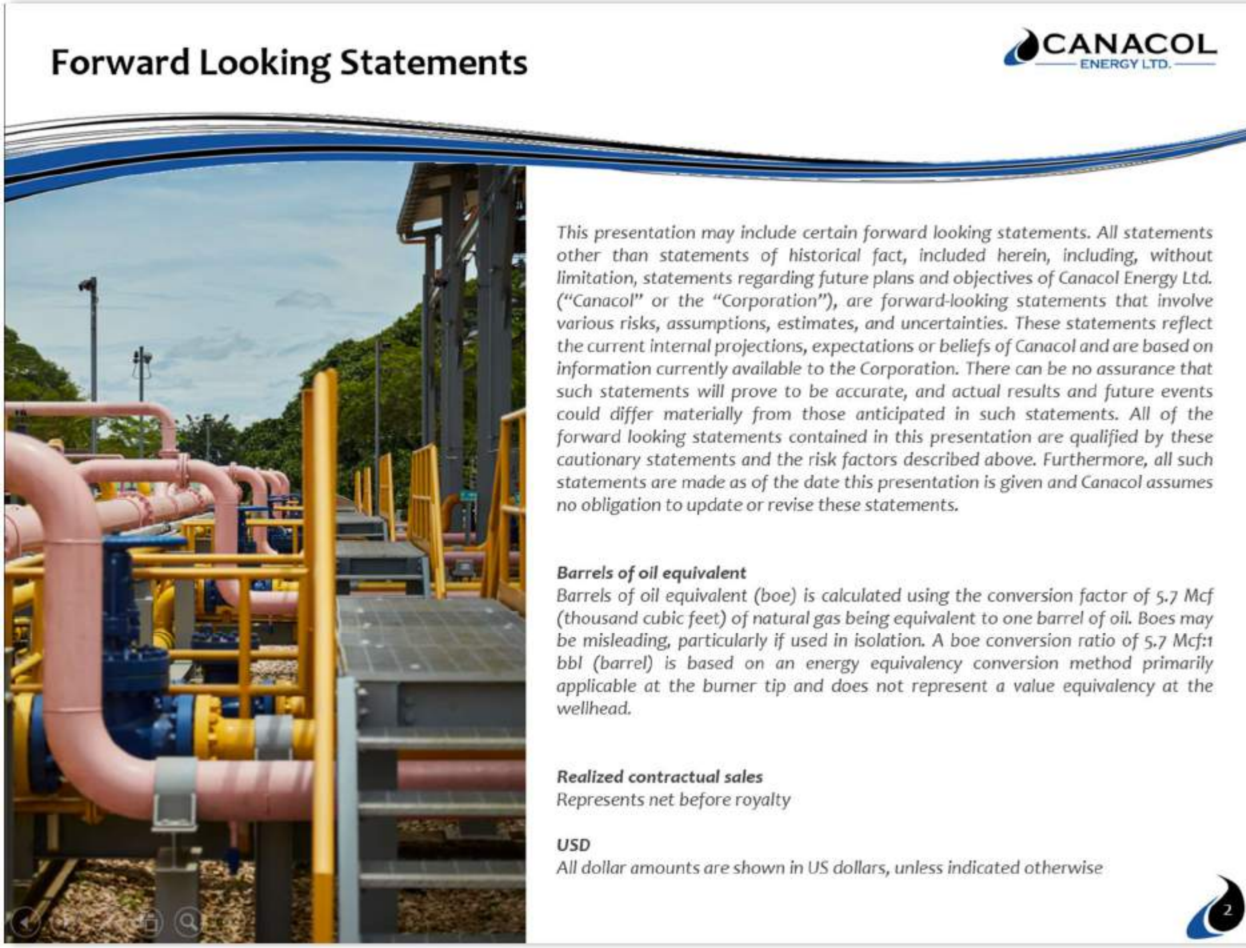
Promigas laying the Jobo to Majaguas 20-inch pipeline

PRESENTATION

Operator
Hello and welcome to Canacol Energy's Fourth Quarter and Fiscal Year 2018 Earnings Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by 0. Questions may also be submitted online via the company's webcast. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star, then 1 on your telephone keypad. To withdraw your question, please press star, then 2. Please note this event is being recorded.

I would like to now turn the conference over to Carolina Orozco, Director of Investor Relations. Please go ahead.

Carolina Orozco
Good morning and welcome to Canacol's Fourth Quarter and Fiscal Year 2018 Conference Call. This is Carolina Orozco, Director of Investor Relations. I am with Mr. Charle Gamba, President and Chief Executive Officer, Mr. Ravi Sharma, Chief Operating Officer, and Mr. Jason Bednar, Chief Financial Officer.

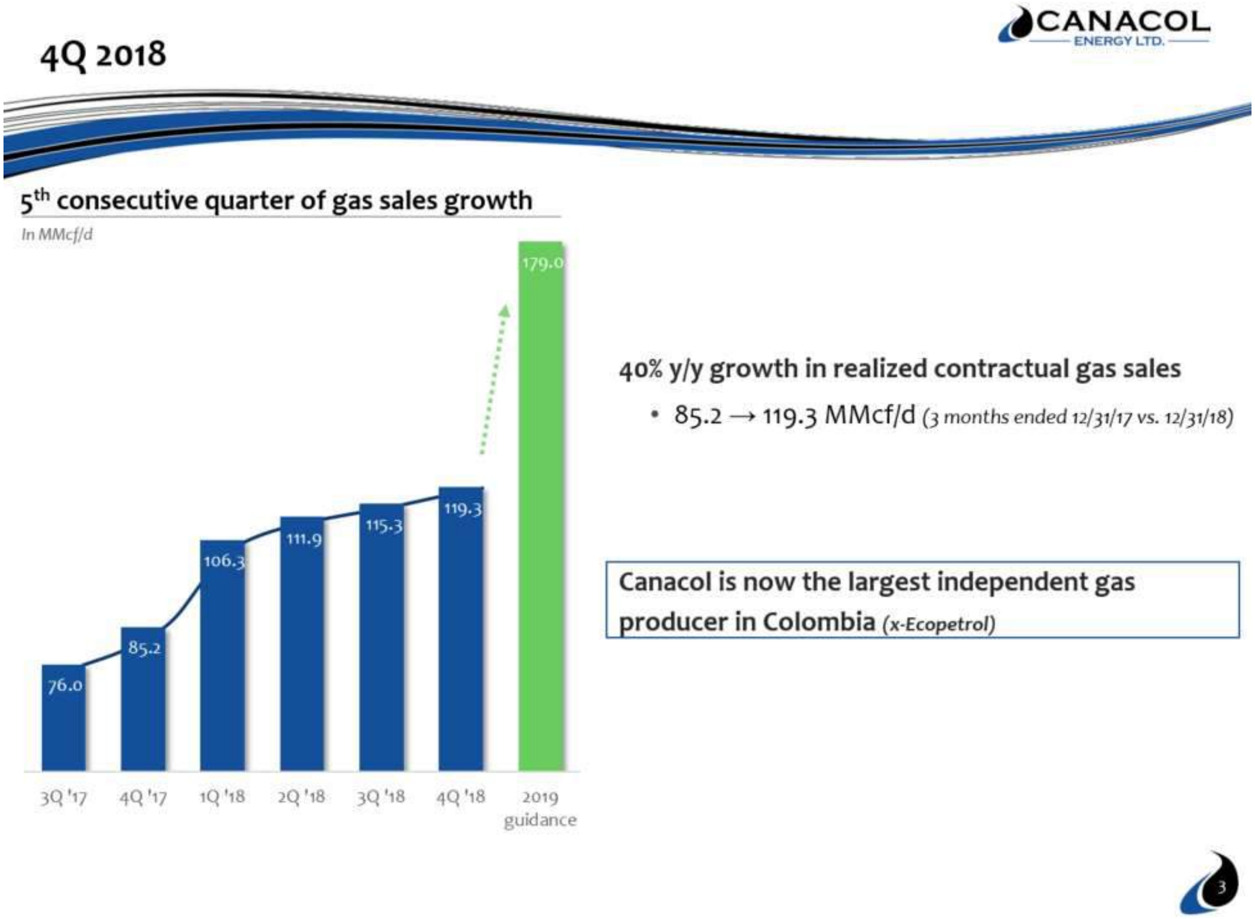


Before we begin, it is important to mention that the comments in this call by Canacol senior management can include projections of the Corporation's future performance. These projections neither constitute any commitments as to future results nor take into account risks or uncertainties that could materialize. As a result, Canacol assumes no responsibility in the event that future results are different from the projections shared on this conference call. Please note that all finance figures on this call are denominated in U.S. dollars.

We will begin the presentation with our President and CEO, Mr. Charle Gamba, who will cover the operational highlights for the fourth quarter 2018. Mr. Ravi Sharma, our COO, will give an update on our facilities and flow line expansions. Mr. Jason Bednar, our CFO, will then discuss financial highlights. Mr. Gamba, Mr. Sharma, and Mr. Bednar are joining us from the line from Bogota. Mr. Gamba will close with a discussion of the Corporation's outlook for fiscal year 2019. A Q&A session will follow Mr. Gamba's closing segment.

I will now turn the call over to Mr. Charle Gamba, President and CEO of Canacol Energy.

Charle Gamba



Thank you, Carolina, and welcome to Canacol's Fourth Quarter and Fiscal Year 2018 Conference Call. Q4 2018 marked our fifth consecutive quarter of production growth and industry-leading finding and development costs. In Q4, we increased our realized contractual gas sales by 40 percent, to 119 million standard cubic feet per day, up from 85 million standard cubic feet per day during the same period in 2017, making us the largest independent gas producer in Colombia behind Ecopetrol, the state oil and gas company. The trend of increasing gas sales continued through January and February of 2019, with gas collection averaging 126 million cubic standard feet per day, 6 percent higher than average gas sales for Q4 2018.

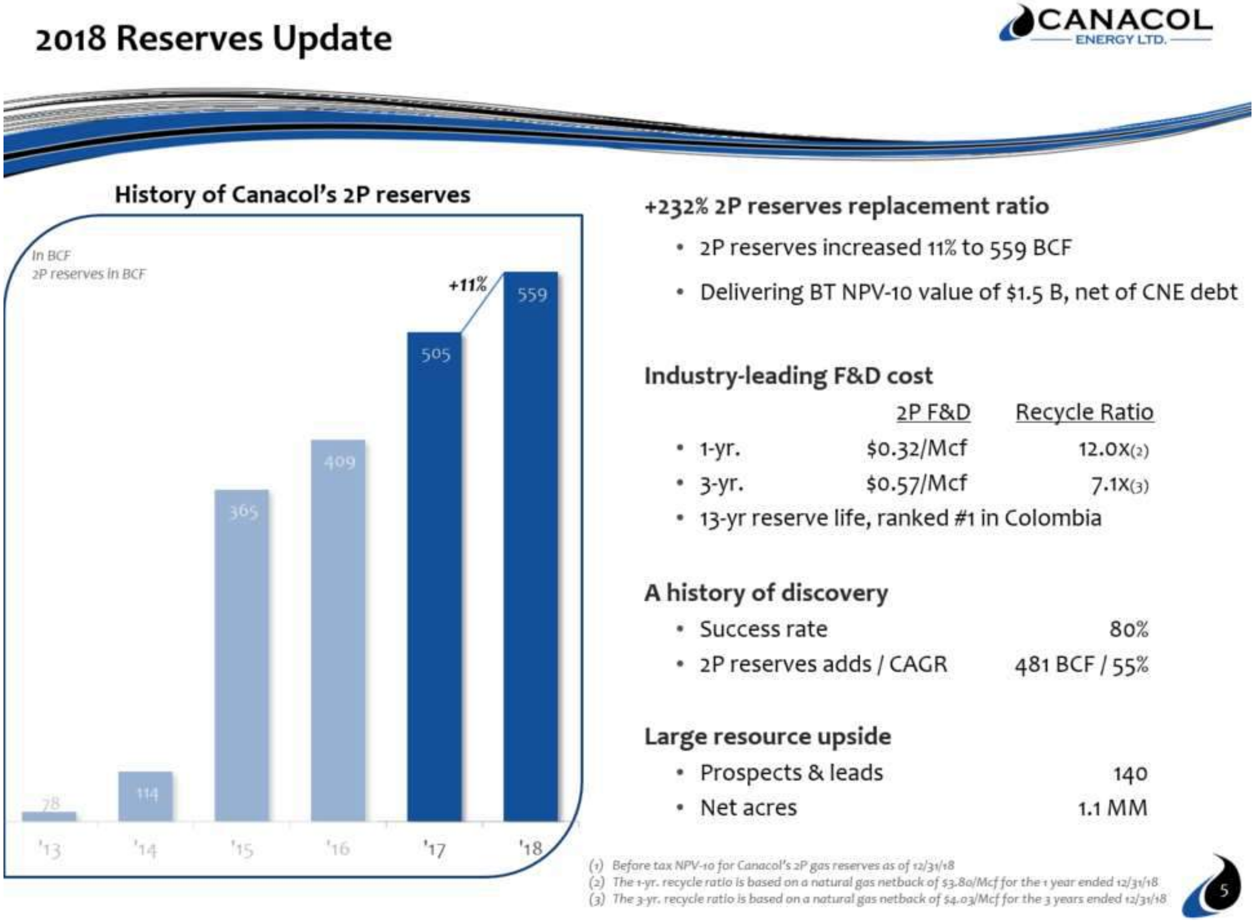
Promigas laying the Jobo to Majaguas 20-inch pipeline

Operations Update

Avg. gas production 6% higher in Jan and Feb 2019

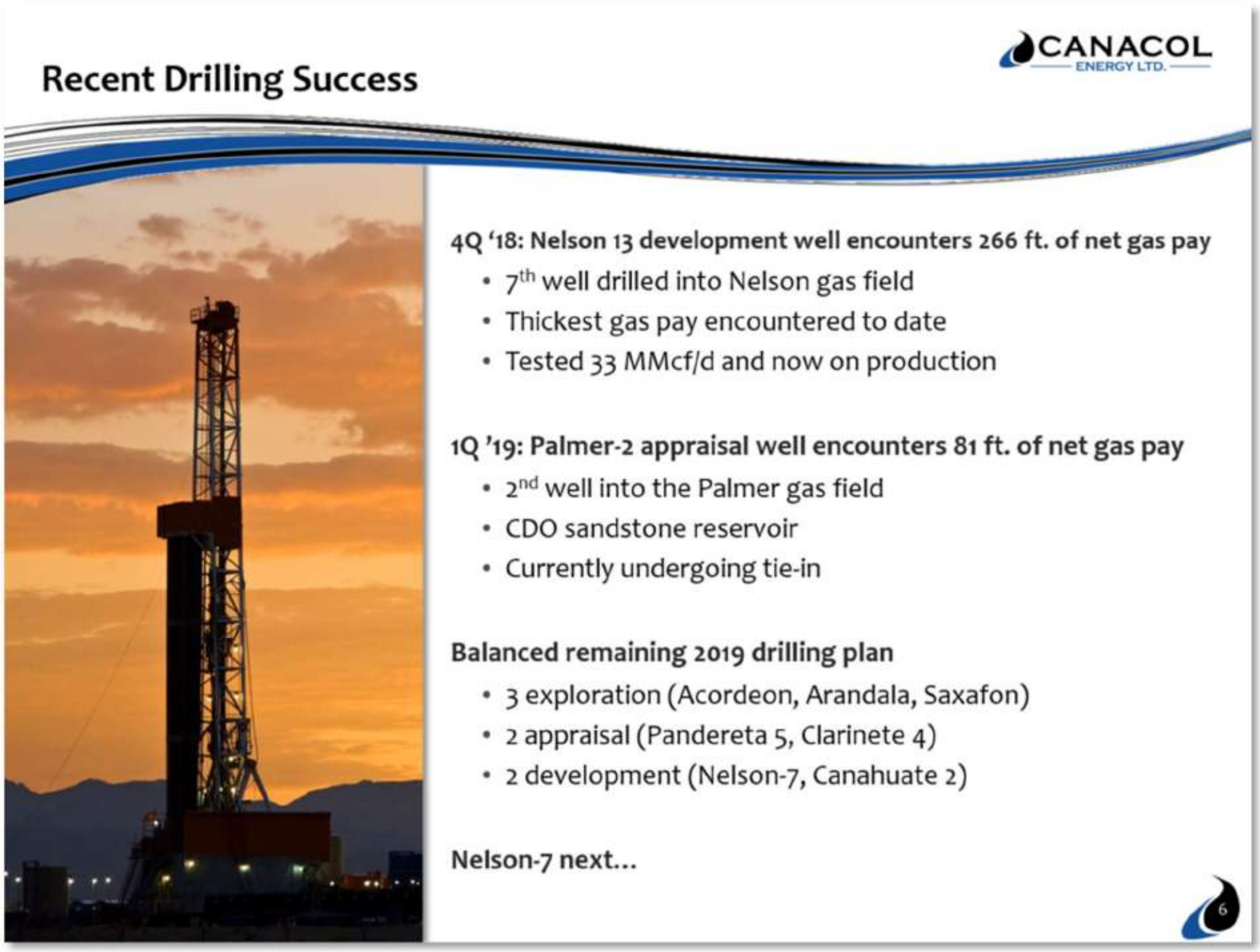
Promigas pipeline on target to lift Canacol's gas sales to ~215 MMcf/d in Jun 2019

With respect to the pipeline expansion to Cartagena, Promigas is progressing on four separate construction fronts on the Jobo-to-Cartagena segments, which includes the laying of approximately 85 kilometers of new 20-inch pipeline and the addition of compression to their Philadelphia compression station. Promigas anticipates that all of this work will be completed in June 2019, which will lift our gas sales to approximately 215 million standard cubic feet per day at that time. Promigas anticipates completing the final leg of the expansion between Cartagena and Barranquilla by September of 2019, which will not impact our gas sales.



Our gas exploration drilling programs also continued to deliver positive results in 2018, achieving a 232 percent 2P-reserves-of-placement ratio and an 11 percent increase in our 2P gas reserves base to 559 billion cubic feet, with a pre-tax value of U.S. $1.5 billion or Canadian C$9.37 per share. 2P finding and development costs came in at an industry-leading 32 cents per Mcf and 57 cents per Mcf for the one- and three-year periods ending December 31, 2018, respectively. We achieved a 12.0 times and a 7.1 times 2P recycle ratio for the one- and three-year periods ending December 31, 2018, respectively. Our gas reserves life index now stands at approximately 13 years, placing us number one amongst our publicly-traded Colombian peers. Our gas exploration drilling results over the past five years have yielded an industry-leading 80 percent hit rate of commercial discoveries, adding 481 Bcf of new 2P reserves, representing a compound annual growth rate of 55 percent.

Looking ahead, we have a portfolio of over 140 prospects and leads to drill across our 1.1 million net acres containing prospective gas reserves of 2.6 trillion cubic feet according to our resource support from Gaffney Cline & Associates. As such, we anticipate many more years of successful exploration drilling, continuing to build out our reserves base.



During the three months ended December 31, 2018, we completed the Nelson-13 development well on our Esperanza Block. Nelson-13 is our seventh well drilled into the field which we discovered in 2011. The well encountered 266 feet of net gas pay, the thickest gas pay encountered in any of the wells we've drilled on any of our blocks in the Lower Magdalena Valley Basin. Nelson-13 recently was tested at 33 million standard cubic feet per day and is now tied into the whole facility and is on permanent production.

In Q1 of 2019, we drilled the Palmer-2 appraisal well, our second well drilled into the Palmer gas field, also located on our Esperanza Block. The well encountered 81 feet of gas pay within the CDO oil sandstone reservoir and is currently being tied into the Palmer-1 manifold to be brought onto permanent production shortly. The Pioneer 302 drilling rig has been mobilized to drill the Nelson-7 well, which is anticipated to start at the end of this month. Nelson-7 will take approximately five weeks to drill and complete, after which the rig will be mobilized to drill the Accordion-1 exploration well which is anticipated to spud in May of 2019.

The remaining gas exploration wells planned for 2019 include the Accordion-1 on our operated 100 percent-interest block VIM5 and the Arandela-1 well — exploration well on our operated 100 percent VIM21 block. Appraisal wells Pandereta-5 and Clarinete-4 are planned for our VIM5 Block.. Flexibility has been built into the 2019 drilling program such that in the event of exploration success, funds may be reallocated for immediate follow-up appraisal during locations.

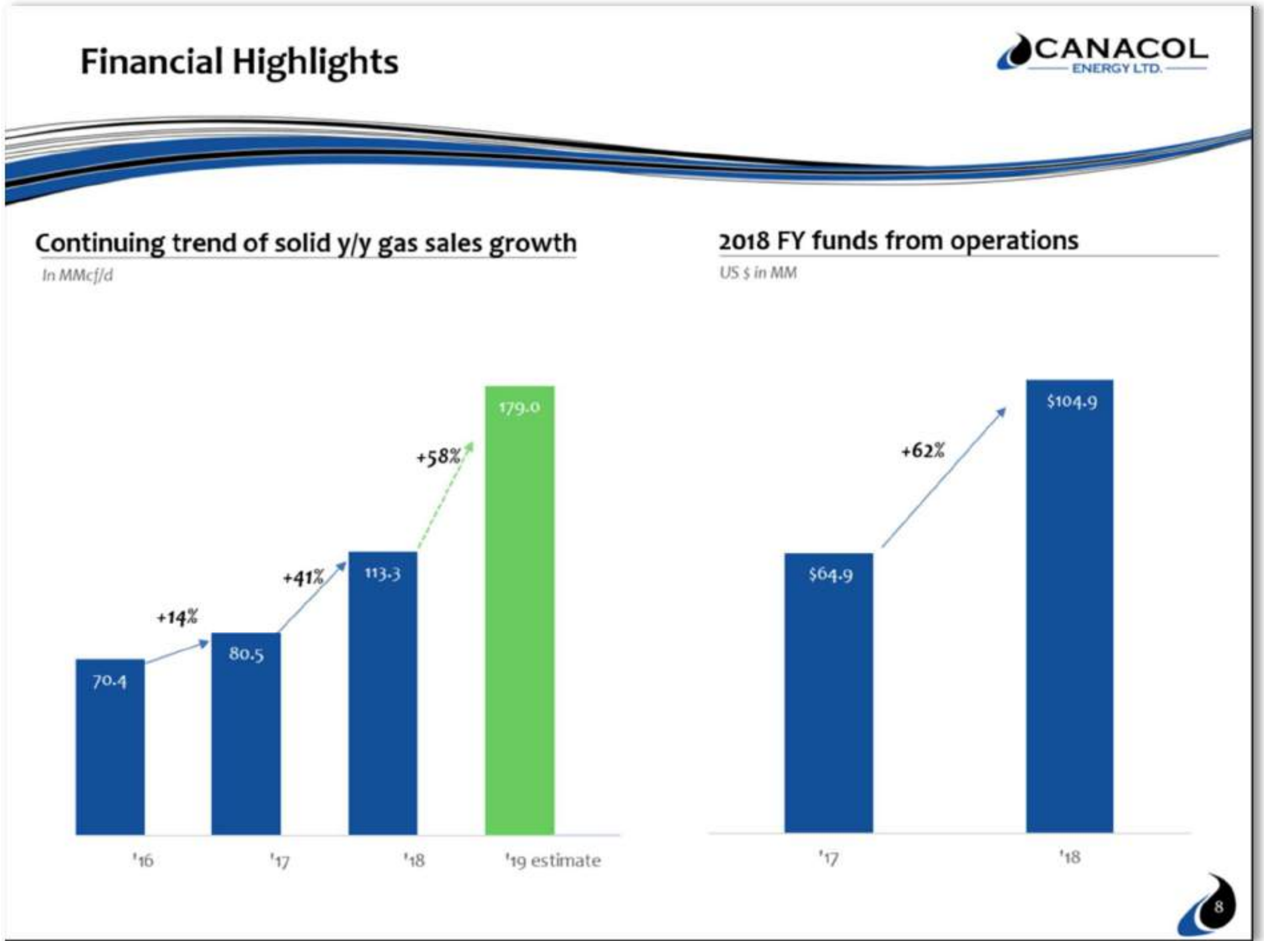
I'll now take the opportunity to turn the presentation over to Ravi Sharma, our Chief Operating Officer, who will provide an update on the facilities expansion projects.

Ravi Sharma
On the facilities side in Q1 2019, we completed the construction of the Jobo-3 gas treatment plant, which has a treatment capacity of 130 million standard cubic feet per day, leaving our total gas processing capacity of the Corporation's operated gas facilities at Jobo to 330 million standard cubic feet per day. Commissioning of Jobo-3 is currently underway and is expected to be completed in April 2019, well ahead of the planned completion of the Promigas pipeline expansion to Cartagena, which is scheduled for June 2019.

In Q1 2019, we also completed the Pandereta-to-Jobo 8-inch gas flow line, which connects the three existing wells at Pandereta to our gas processing facility. These three wells have a productive potential of approximately 75 million standard cubic feet per day based on well tests.

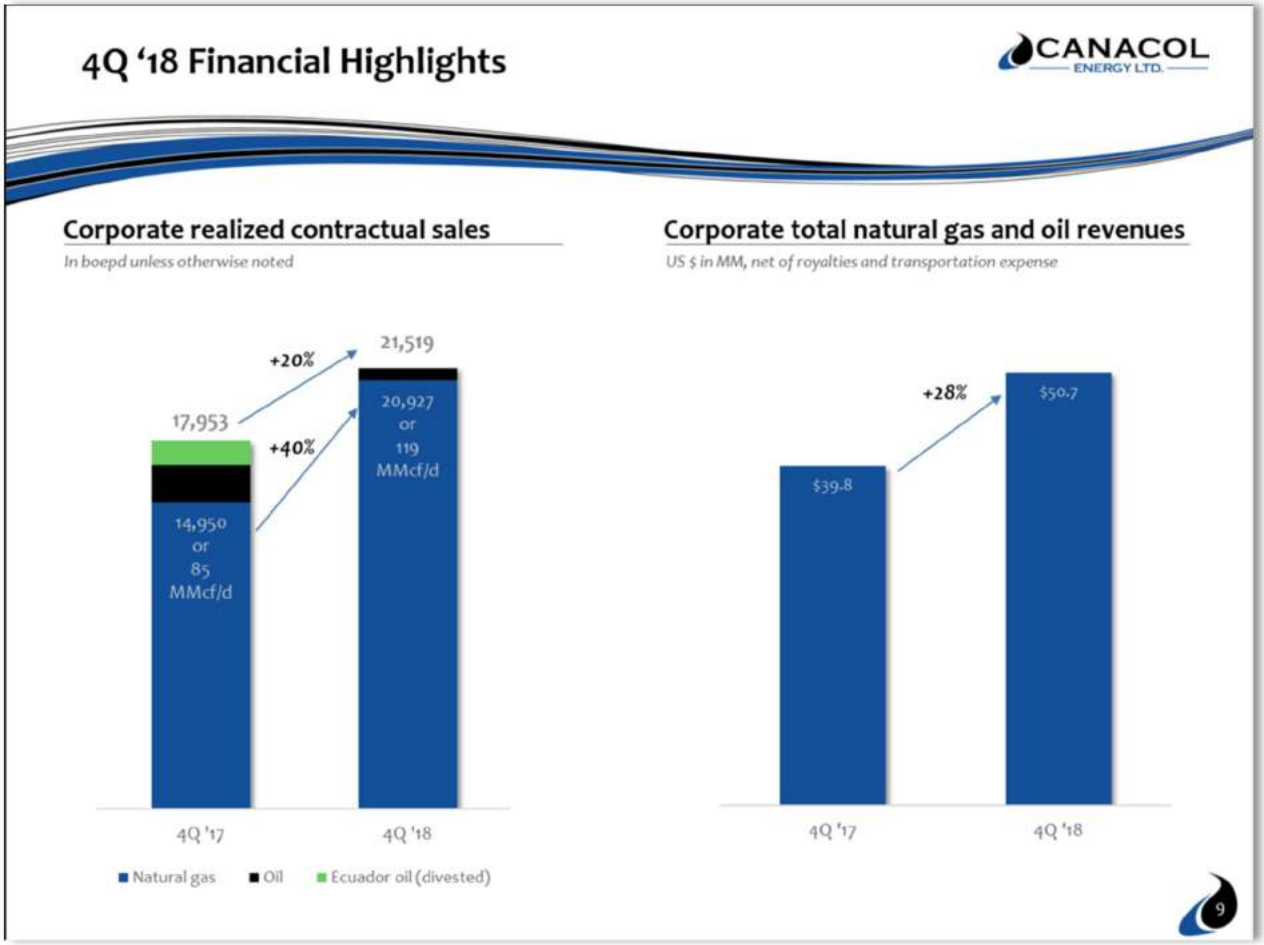
We've also completed the de-bottlenecking of the Jobo flow lines, which are two 6-inch flow lines that have the capacity to transport up to 140 million standard cubic feet per day from the Nelson and Palmer gas fields. Based on the wells that are currently tied into the Jobo facilities, we have a gross productive capacity of approximately 300 million standard cubic feet per day.

I would now like to turn the call over to Mr. Jason Bednar, Chief Financial Officer for Canacol, to discuss some of the financial highlights associated with our fourth quarter and fiscal year-end 2018 results. When he is done, Charle will provide the outlook for the remainder of 2019.



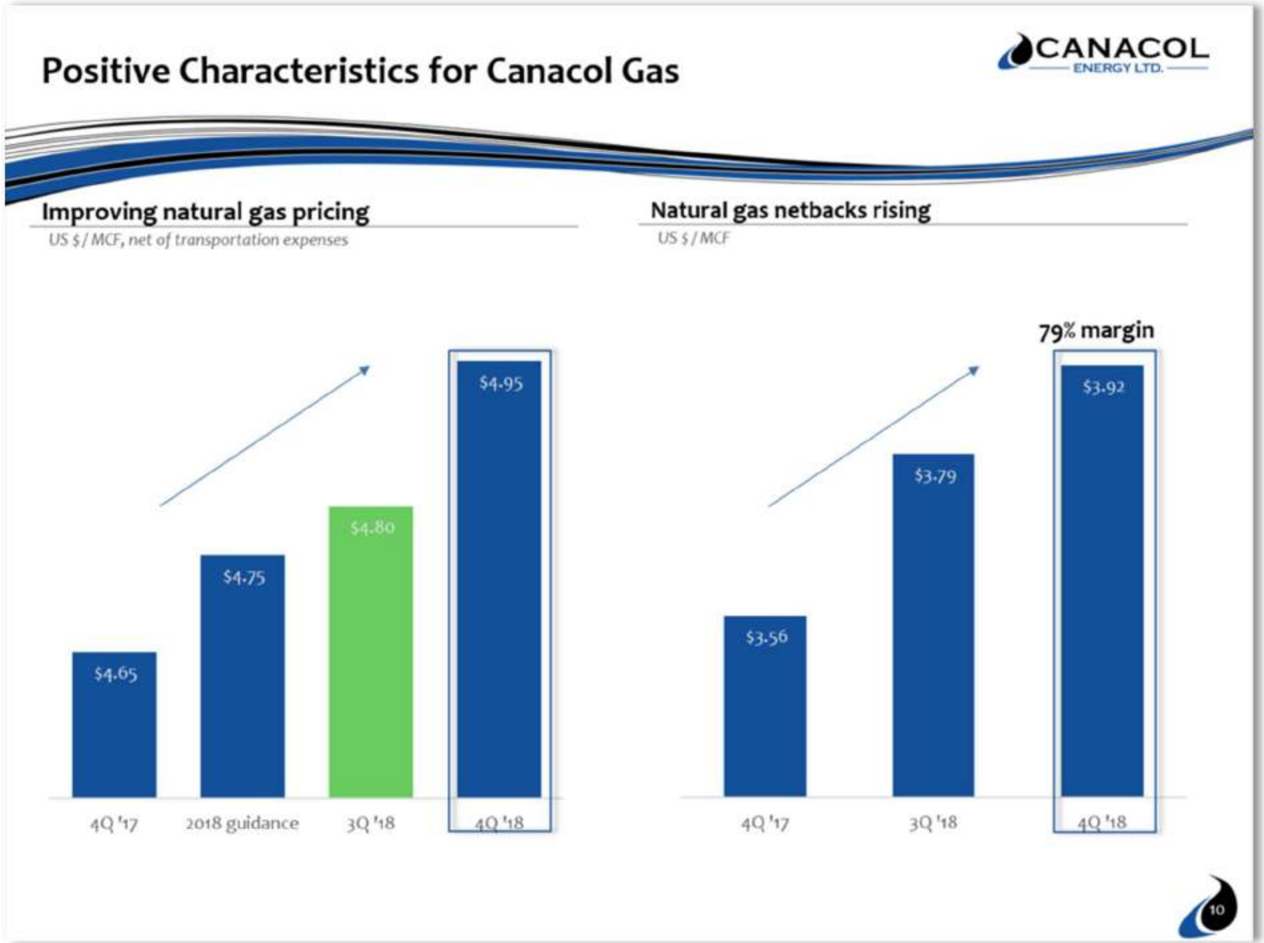
Jason Bednar
Thanks, Ravi. 2018 was a great year for Canacol, both operationally and financially, as we continued to execute our plan to drive our growing natural gas business forward. For the year ended December 31, 2018, total realized contractual sales were 21,590 BOE per day, including 113.3 million cubic feet of gas a day and 1720 barrels of oil a day on average throughout the year. I'll note that given the majority of the company's oil assets were sold to ARROW Exploration in late September, the 21,590 BOE per day is within the original guidance that we had given for 2018.

As you can see, the 113.3 million cubic feet of gas per day in 2018 sales, represents a 41 percent increase over the 80.5 million cubic feet that we averaged in 2017. As a result of the Promigas pipeline completion expected in June 2019, we expect to see another dramatic increase in 2019 gas sales. Largely driven by this increase in 2018 gas sales, we reported approximately $105 million in funds from operations, a 62 percent increase from 2017.

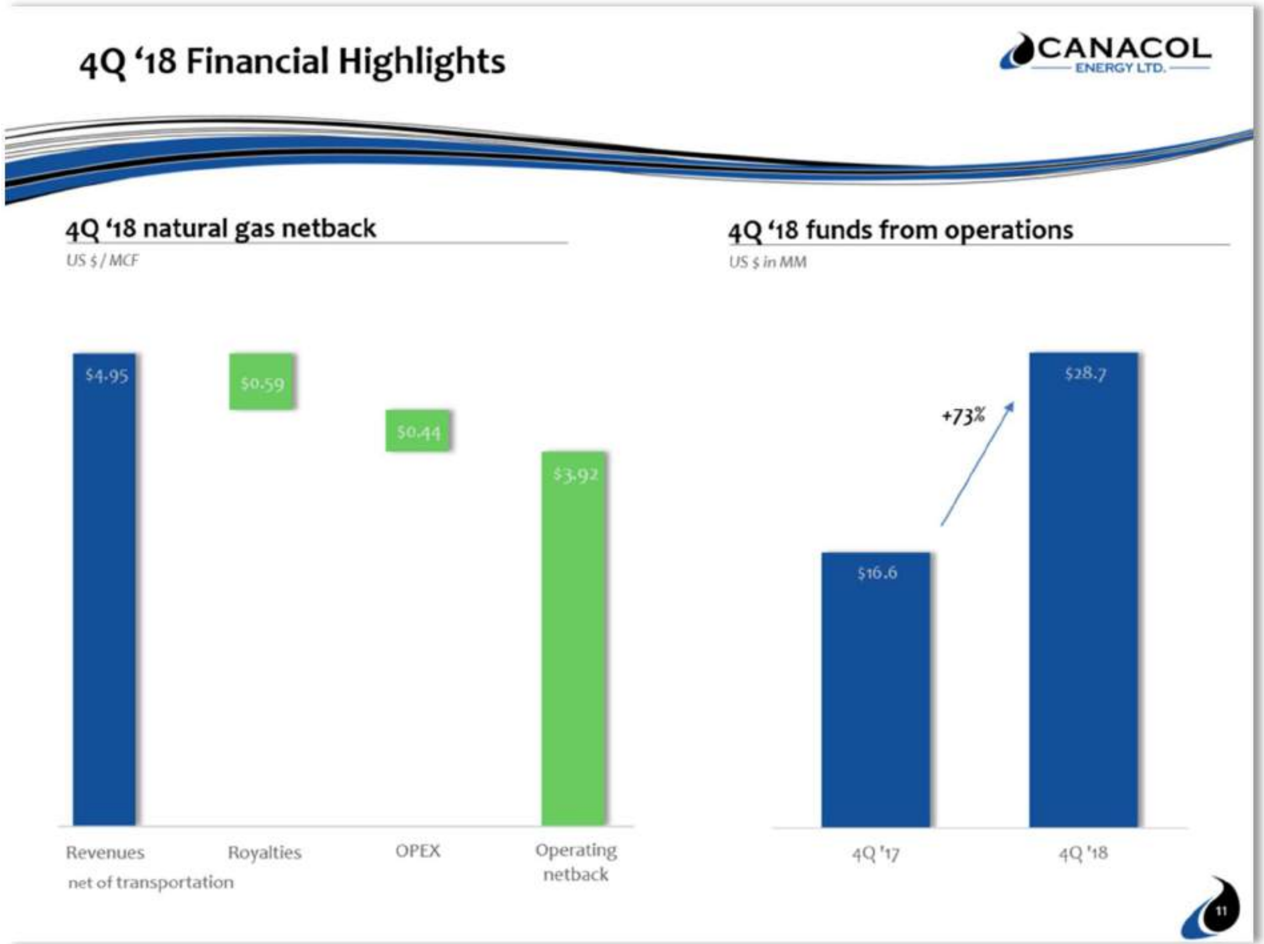


Focusing on the fourth quarter of 2018, financial highlights include natural gas and oil sales volumes increasing 20 percent to 21,519 BOE per day compared to 17,953 BOE for day for the same period in 2017. Realized contractual natural gas sales for the three months ended December 31, 2018, averaged approximately 119 million cubic feet per day, a 40 percent increase from the 85 million cubic feet per day that was sold in Q4 of 2017.

This is primarily as a result of the additional sales related to gas going down the Corporation's partially-owned Sabanas Pipeline that was operational throughout 2018. This large increase in natural gas sales drove Q4 revenue net of royalty and transportation expenses to approximately $51 million, up 28 percent form the approximately $40 million reported in the fourth quarter of 2017. The decrease in oil sales during this quarter related solely to the company's sale of the majority of its Colombian oil assets to ARROW Exploration in September, as previously mentioned.

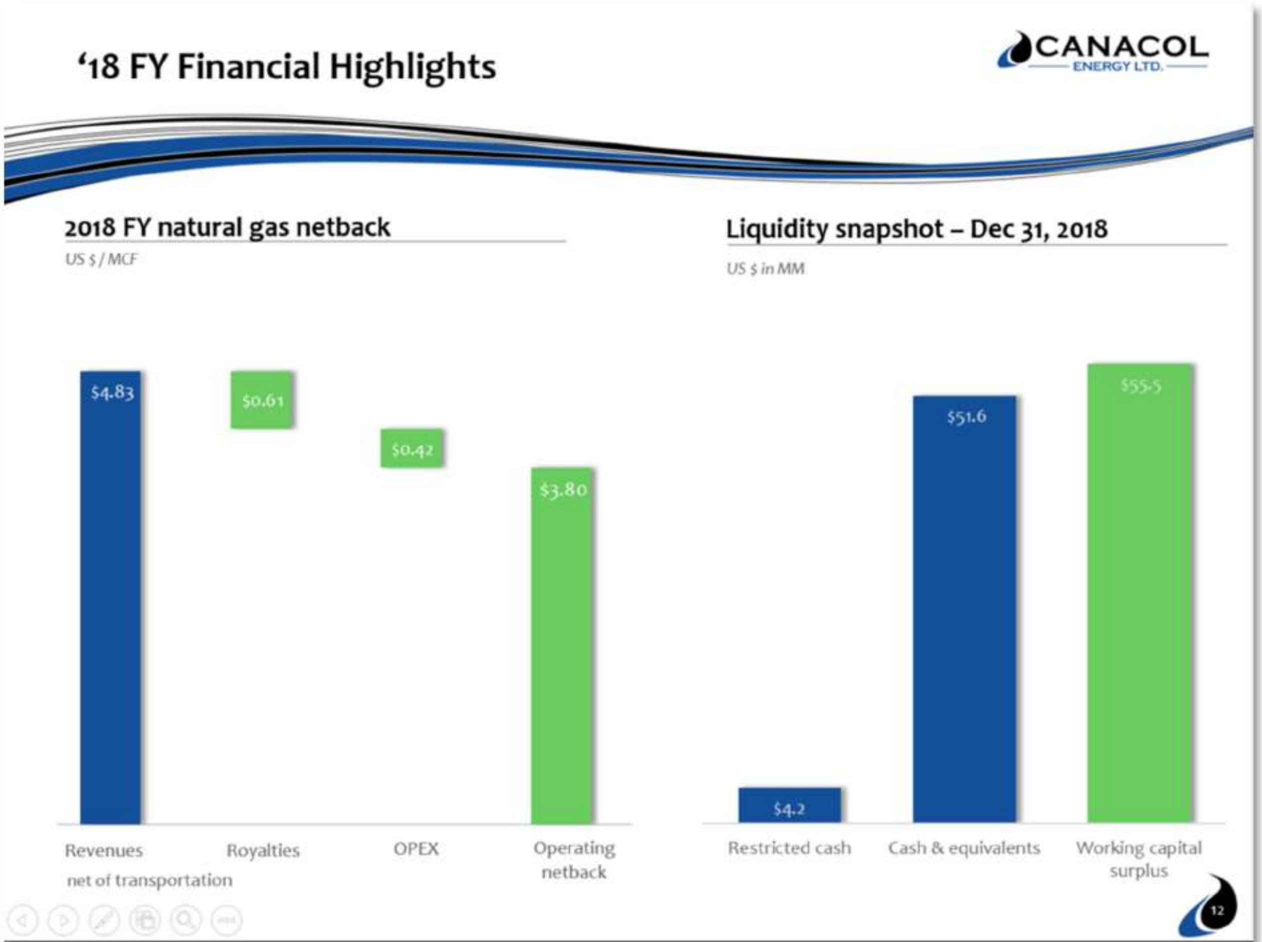


The Corporation's average-realized natural gas sales price, net of transportation, was $4.95 per Mcf in the fourth quarter of 2018. This price is 6 percent higher than the $4.65 per Mcf which was realized in the fourth quarter of 2017. Additionally, our average gas sales price, net of transportation expenses, for the fourth quarter of 2018 was higher than the $4.80 we realized in the third quarter of 2018. The increase in the natural gas prices is due to higher prices from spot sales that generally represent 10 percent of our sales portfolio. This $4.95 price in Q4 drove a very strong natural gas netback of $3.92 per Mcf in the fourth quarter of 2018, or a margin in excess of 79 percent.



Focusing on the other components of the very strong $3.92 netback, natural gas operating expenses per Mcf decreased 19 percent to 44 cents per Mcf for the three months ended December 31, 2018, compared to 54 cents per Mcf for the same period in 2017. The decrease is mainly attributable to largely fixed operating costs over a higher production base. Over 90 percent of the Corporation's natural gas operating expenses are fixed, and, as such, the Corporation expects its natural gas operating expenses per Mcf to further decrease to approximately 30 cents per Mcf upon the commencement of operations at the new Promigas pipeline by mid-2019.

Natural gas royalties averaged 59 cents during Q4, or approximately a 12 percent royalty rate, which is consistent with prior quarters. Once again, due to increased gas volumes, Q4 2018 funds from operations of $28.7 million was 73 percent higher than the $16.6 million reported in Q4 of 2017.



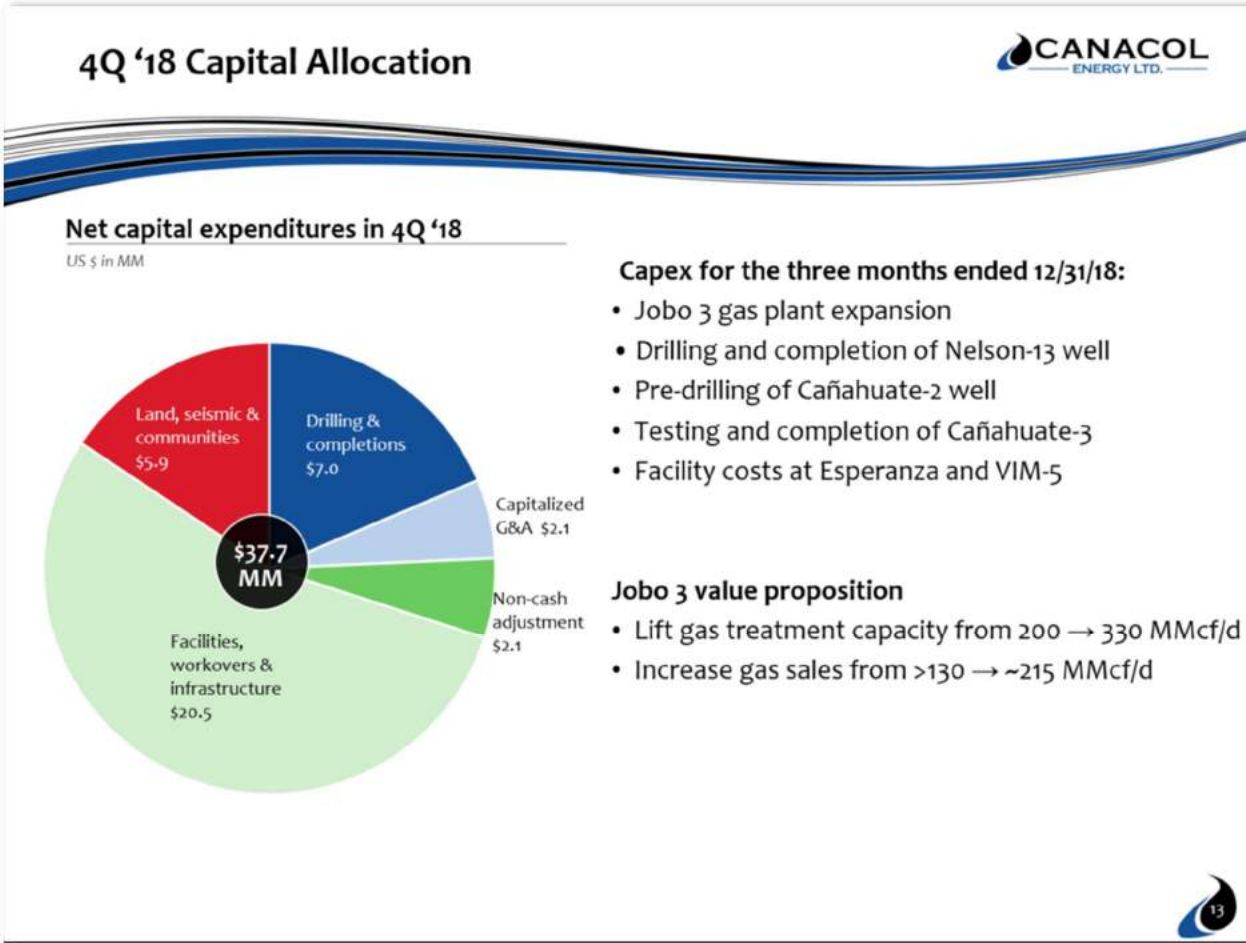
On an annual basis, our realized natural gas price, net of transportation, averaged $4.83 per Mcf for 2018, which is consistent with the sales price we achieved in 2017. I'll also note the $4.83 sales price is higher than the $4.70-$4.75 per Mcf guidance we had released for 2018.

For the year ended December 31, 2018, natural gas operating expenses were 42 cents per Mcf, similar to those in 2017. Royalties of 61 cents per mcf equate to approximately a 12½ percent royalty rate, once again in line with previous guidance.

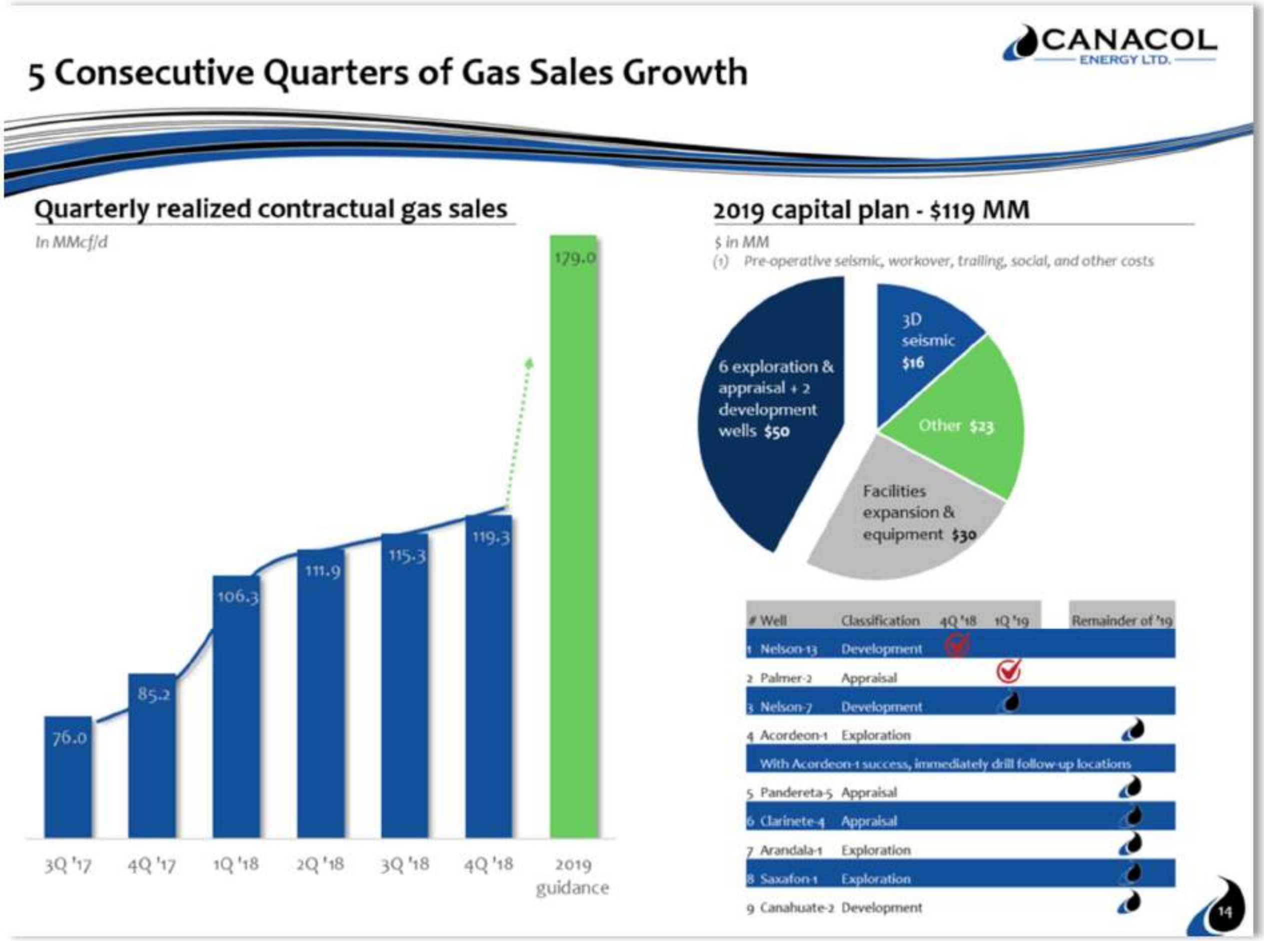
G&A expenses per BOE decreased 19 percent, then 15 percent during the three months and year ended December 31st compared to the same period in 2017, respectively. The decrease is due to the 40 and 43 percent increase in natural gas production during those periods. G&A per BOE is expected to continue to decrease as the Corporation's production base grows into 2019 and 2020.

At December 31, 2018, the Corporation had $51.6 million in cash and $4.2 million in restricted cash and remains well capitalized, while also generating cash flow in excess of its planned 2019 capital budgets. In early December 2018, the Corporation entered into a $30 million term loan with Credit Suisse, the proceeds of which were used to purchase the Jobo-2 gas plant, previously treated on our balance sheet as debt. As such, I would like to stress that this new Credit Suisse term line is not new debt per se, rather simply replacement debt, the benefits of which were twofold.

Firstly, the buyout of the $24.2 million Promisol finance lease was achieved by the Credit Suisse facility which carries interest at a fixed rate of 6.875 percent, which is a lower rate than the previous facility. Secondly, the company is now able to operate Jobo-2 as opposed to Promisol previously operating it, and, as such, is able to reduce its operating costs by approximately $2 million per year going forward.



Capital expenditures for Q4 of 2018 totaled $37.7 million. The largest segment of capex in the quarter included the construction of the Jobo-3 gas plant, which will be completed later this month, at which time the Corporation will have 330 million cubic feet per day of natural gas treatment capacity. Other items in the fourth quarter included the drilling completion of the Nelson-13 well and the testing and completion of the Cañahuate-3 well.



As you can see, the fourth quarter of 2018 marked the fifth consecutive quarter of growth in realized contractual natural gas sales, with Q4 averaging over 119 million cubic feet per day. Earlier this morning, we released an operational update which amongst other things announced that natural gas sales averaged 126 million cubic feet per day in the months of January and February 2019, which continues our trend of growing gas production and sales. By mid-year 2019, the Promigas pipeline expansion should lift gas sales to approximately 250 million cubic feet per day, a number that includes off-take or downtime.

To briefly touch on our 2019 guidance that was released in December, the Corporation announced that its 2019 capital budget is $119 million, which will be fully funded from existing cash and 2019 cash flow. Included in the 2019 capex program are three exploration wells, two appraisal wells, and three development wells. The Corporation will also acquire seismic during Q2 to Q3 of 2019. In addition, as mentioned earlier, the Corporation will complete the Jobo-3 expansion shortly, thereby lifting our gas treatment capacity to $330 million cubic feet per day.

Forecast-realized contractual sales for 2019, which include downtime, are anticipated to average approximately 179 million cubic feet per day, assuming June 1, 2019 for the completion of the Promigas pipeline expansion. Based on the Corporation's current portfolio of 2019 gas contracts, the average sales price, net of transportation where applicable, is approximately $4.75 per Mcf. Oil sales are expected to average approximately 400 barrels of oil per day until such time as the

Corporation disposes of its interest in the Rancho Hermoso oilfield, its only remaining conventional oil assets.

At this point, I'll hand it back to Charle to close with strategy and outlook for the remainder of 2019. Thank you, everyone.

Charle Gamba

Thanks, Jason. Thanks, Ravi. For 2019, we remain focused on lifting gas sales to approximately 215 million standard cubic feet per day from current levels of approximately 130 million standard cubic feet per day, due to the completion of the Promigas pipeline expansion between Jobo and Cartagena.

As Jason just mentioned, we're also focused on drilling the remaining seven exploration, appraisal, and development wells in a continuous program targeting reserves and placement ratio of over 200 percent as we have achieved in the past four years.

And, finally, we are focused on the execution of a definitive agreement to construct a new gas pipeline from Jobo to either the cities of Medellin or Cartagena, thereby increasing the Corporation's gas sales by an additional 100 million standard cubic feet per day to a total sales level greater than 300 million standard cubic feet per day in late 2021, early 2022.

CONCLUSION

Carolina Orozco
Thank you for participating in Canacol's Fourth Quarter and Fiscal Year-End Conference Call. Please join us again in May for our first quarter 2019 conference call. Have a great day.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.