Canacol Energy Ltd. Provides 2022 Capital and Gas Sales Guidance

CALGARY, Alberta (December 15, 2021) – Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; OTCQX:CNNEF; BVC:CNEC) is pleased to provide its capital and gas sales guidance for 2022. 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 2022 capital budget is between $172 million and $209 million which will be fully funded from existing cash and 2022 cash flows. Record capital spending of up to $209 million will make good on Canacol's commitment to becoming an increasingly large supplier for Colombia's gas needs. Forecast realized contractual gas sales for 2022, which include downtime, are anticipated to range between approximately 160 and 200 million standard cubic feet per day ("MMscfpd"). The Corporation's firm 2022 take-or-pay contracts alone average 160 MMscfpd net of 2022 contractual downtime. The average wellhead sales price, net of transportation costs where applicable, is expected to be approximately $4.61/Mcf to $4.74/Mcf.

Charle Gamba, President and CEO of Canacol, stated: "For 2022, the Corporation is focused on the following objectives:

1) the drilling of up to 12 exploration and development wells in a continuous program targeting a 2P reserves replacement ratio of more than 200%;

2) the acquisition of the 470 square kilometers of 3D seismic on the VIM-5 block to expand the Corporation's exploration prospect inventory;

3) the purchase of rental facilities equipment and the installation of gas compression to lower opex and increase recovery factors, respectively;

4) the selection of a contractor for the new gas pipeline from Jobo to Medellin which will add 100 MMscfpd of new gas sales to the interior in late 2024, resulting in Canacol being responsible for 30% of Colombia's domestic gas supply;

5) continuing our return of capital to shareholders in the form of dividends and share buybacks; and

6) 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."

2022 Corporate Guidance

Provided below is the Corporation's guidance for 2022:

Highlights	2021E	2022 Low End Guidance	2022 High End Guidance
Natural Gas Sales Volume (MMscfpd)	183	160	200
EBITDA (US$ millions)	$197	$163	$230
Capital Expenditures (US$ millions) (1)	$108	$172	$209

(1) The Corporation will be reimbursed for the Jobo-Medellin pipeline expenditures (~$25 million from inception to 2022E) if a build, own, operate and maintain ("BOOM") contractor is selected.

2022 Capital Program – Continuing to build our reserves base to sustain growth

In US$ millions	2021E	2022 Low End Guidance	2022 High End Guidance
Maintenance and development drilling	$34	$18	$31
Exploration activities (wells and seismic)	$45	$100	$124
Facilities and infrastructure	$14	$19	$19
Administrative, social, environmental and other	$12	$17	$17
Field capital expenditures	**$105**	**$154**	**$191**
Jobo-Medellin pipeline expenditures (1)	$3	$18	$18
Total capital expenditures	**$108**	**$172**	**$209**

(1) The Corporation will be reimbursed for the Jobo-Medellin pipeline expenditures (~$25 million from inception to 2022E) if a BOOM contractor is selected.

2022 Wells and 3D Seismic Acquisition – Focus on material reserves adds

The bulk of the 2022 base capital program targets the Corporation's large exploration portfolio with the drilling of a total of up to 12 wells, up to eight of which will be exploration wells, and up to four will be development wells. Five of the exploration well targets are in the Corporation's traditional exploration and production ("E&P") contracts located in the Lower Magdalena Basin, while three of the targeted exploration wells are in blocks where the Corporation has not yet drilled: the Pola-1 well on the VMM-45 E&P Contract located in the Middle Magdalena Basin, and the Dividivi-1 and Natilla-1 wells located on the VIM-33 and the SSJN-7 E&P Contracts, respectively, located in the Lower Magdalena Basin.

- The Pola-1 exploration well is the first of several exploration wells targeting a new deep conventional gas play on the Corporation's 100% operated VMM-45 E&P Contract located in the Middle Magdalena Basin. Over the past two years, the Corporation has built a material 100% operated exploration position consisting of five E&P Contracts covering 611,000 net acres within the deep conventional gas exploration play. As Colombia's largest independent natural gas producer, with significant experience both operating and participating in drilling of deep wells in the Middle Magdalena Basin, and with a technical team with experience in deep gas plays elsewhere in the world, Canacol is well positioned to identify and pursue potentially large new plays in Colombia. The Pola-1 exploration well is anticipated to spud in the second quarter of 2022, and the Corporation estimates it will take approximately 5 months to drill, complete, and test. The Pola-1 exploration well is located within 10 kilometers of 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 Pola-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 declining gas fields.

- The Dividivi-1 exploration well will be drilled on the VIM-33 E&P Contract which was awarded to the Corporation in the 2020 exploration bid round. The Dividivi-1 exploration well will target gas bearing reservoirs of the Cienaga de Oro ("CDO") sandstone reservoirs that are currently producing in the nearby Arjona and El Dificil gas condensate fields. If commercial, Dividivi-1 can be tied into the nearby TGI gas pipeline located approximately 50 kilometers to the east.

- The Natilla-1 exploration well will be drilled on the SSJN-7 E&P Contract where Canacol has a 50% operated working interest. Canacol acquired its interest in the SSJN-7 E&P Contract from Frontera Energy Corporation in 2017 for a consideration of one US dollar plus the assumption of the exploration commitments which consisted of the acquisition of a 3D seismic program and the drilling of one exploration well. The Corporation acquired the 185 square kilometer Mayupa 3D seismic program on the block in 2021, and identified 10 gas prospects, Natilla being the largest. The Natilla-1 exploration well is situated midway between Canacol's gas fields located approximately 60 kilometers to the south, and the Frontera operated La Creciente gas fields located approximately 30 kilometers to the north. The Corporation is targeting gas bearing reservoirs within the CDO and Porquero sandstone along an exploration fairway that connects the La Creciente gas fields to the north with Canacol´s producing gas fields to the south.

The first well in the 2022 drilling program will be the Toronja-2 development well, which is anticipated to spud the third week of January 2022. The 2022 drilling program emphasizes exploration as the Corporation continues to build out its reserve base while ensuring sufficient production capacity to meet our forecast gas sales. 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 79% success rate with its exploration program over the past eight years.

The Corporation also plans to acquire 470 square kilometers of new 3D seismic program on the VIM-5 block, the objective being to identify gas prospects for future exploration drilling.

2022 Facilities Highlights – Lowering opex and increasing recovery factor

The Corporation will continue to optimize and enhance the efficiency of its gas processing facilities with the objectives of reducing opex and increasing recovery factor.

A total of eight gas compression units, each up to 1,740 horsepower, will be purchased and installed in various of the Corporation's gas fields in 2022, resulting in an increase of recovery factor of between 8% and 10% depending on the field. The compression units are modular and can be moved to other fields with minimal effort.

2022 Financial Highlights

	2021E	**2022 Low End Guidance**	**2022 High End Guidance**
Natural gas sales volume (MMscfpd)	183	160	200
Interruptible spot sales as a % of total	22%	0%	20%
Assumed average gas sales price ($/Mcf)	$4.35	$4.74	$4.61
Netback ($/Mcf)	$3.38	$3.60	$3.60
EBITDA (US$ millions)	$197	$163	$230
Capital expenditures (US$ millions)	$108	$172	$209
Quarterly dividend (C$/share)	$0.052	$0.052	$0.052

The low end guidance assumes no interruptible sales in 2022. The Corporation's best estimate is that there will be interruptible gas sales demand, and reflects allowances for reduced interruptible gas demand and sales due to the ongoing COVID-19 pandemic inherent in its 2022 high end guidance of 200 MMscfpd, including contractual downtime. Due to the uncertainty of interruptible demand pricing associated with COVID-19, the interruptible spot sales price is conservatively modelled, resulting in a total average natural gas sales price being $4.61/Mcf at the wellhead for the 200 MMscfpd high end scenario. As such, the wellhead netback, after operating costs and royalties, is anticipated to average approximately $3.60/Mcf. The high end scenario expects approximately 80%

of the total anticipated gas sales will be take-or-pay, with the remaining 20% (approximately 40 MMscfpd) being interruptible spot sales.

Canacol currently has abundant productive capacity of approximately 230 MMscfpd to fulfill expected 2022 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 2022.

For the high end scenario, the Corporation expects to exit 2022 with a healthy cash position of approximately $49 million and an unused revolving line of credit of $46 million, and anticipates a net debt to EBITDAX leverage ratio of 2.2x at December 31, 2022.

2022 Jobo to Medellin Gas Pipeline Activities – Taking us to 30% of the national gas market share in 2025

In 2022, the Corporation will continue to progress its Jobo to Medellin gas pipeline project, including the following activities:

1) selection of a contractor by the end of Q1 2022;
2) submission of the environmental license by the end of Q1 2022; and
3) the contracting of an additional 45 MMscfpd of take-or-pay contracts by the end of Q3 2022 in order to completely fill the 100 MMscfpd of initial transportation capacity.

The Corporation is likely to pursue a BOOM type contract based on the bids received for the project in November 2021. Under the terms of a BOOM contract, the Corporation will not participate in the project, nor have any capital commitments associated with the project, with the exception of the costs for the environmental license, consulta privias, and purchase of right of way, the costs of which will be reimbursed to the Corporation by the BOOM contractor. In exchange for the investment made by the BOOM contractor, the Corporation will execute a long term transportation agreement.

Colombian Gas Market 2022

The Corporation has steadily increased gas sales since the third quarter of 2020, reflecting an increase in gas demand following the national COVID-19 related lockdowns in Colombia, which saw a severe reduction in consumption. The Corporation anticipates that gas demand in Colombia in 2022 will continue to increase as it has throughout 2021, and that longer term gas demand will continue to increase at a historic rate of 2% to 3% per year. As part of the Colombian government's energy transition, consumption of natural gas in the energy matrix is anticipated to increase from a current level of 9% to 23% in 2050, as cleaner natural gas will replace other fuels such as coal, bunker and diesel.

2022 Shareholder Return – Maintaining dividend and continuing share buyback

Canacol expects to maintain its quarterly dividend at C$ 0.052 per share throughout 2022 as well as continue its normal course issuer's bid ("NCIB") share buyback plan.

2022 Environment, Sustainability, and Governance Goals – A cleaner future

As part of the Corporation's six-year environment, sustainability and governance ("ESG") strategy announced in 2021, Canacol's objective is to develop the natural gas needed to improve the quality of life for Colombians in a sustainable, 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) a committed team: maintain best-in-class health and safety practices and promote an inclusive culture;

3) a transparent and ethical business creed: adopt best practices, encourage respect for human rights, and ensure ethics and integrity in everything we do; and

4) a mandate guided by sustainable development: promote and maintain close and transparent relationships that guarantee our communities' growth and quality of life.

Canacol supports Colombia's energy transition targets and the country's commitment to the Paris Agreement. Although Canacol already scores very highly in minimizing greenhouse gas ("GHG") emissions, the Corporation will continue to reduce GHG emissions intensity and to progress towards net-zero emissions. During the first half of 2022, the Corporation plans to announce its short- and medium-term carbon emission reduction targets, together with a projected timeline for achieving net-zero emissions. In the meantime, the Corporation is striving to continue achieving scope 1 and 2 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.

Canacol's 2022 initiatives to continue reducing GHG emissions intensity include:

1) continued progress transitioning from liquid fuels for power generation, internal combustion engine transportation, and rig prime-movers by replacing them with natural gas and renewable energy sources including solar; and

2) continued monitoring and elimination of fugitive emissions and venting with an ambition to maintain the significant milestone achieved in 2021, when zero potential leaks were identified with periodic thermal imaging and onsite inspections.

Canacol's ESG initiatives for 2022 include:

1) reduce by at least a further 5% the annual goals set for health and safety performance;

2) achieve the Equipares Silver certification issued by the Colombian Ministry of Labor in collaboration with the United Nations Development Program, supporting the Corporation's commitment to promote gender equality. At Canacol, diversity and equity guidelines are embedded in all company policies and practices, in the recruitment and selection of talent, their compensation, leadership, and professional development; and

3) strengthen ESG commitments within the Corporation's supply chain with increasing requirements for suppliers and contractors to comply with Canacol's enhanced ESG standards.

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.

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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