Canacol Energy Ltd. Reports Net Income of $86 million for the Year Ended December 31, 2023

CALGARY, ALBERTA - (March 21, 2024) - 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, 2023. 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, 2023

- Adjusted EBITDAX increased 2% and 11% to $53.1 million and $236.8 million for the three months and year ended December 31, 2023, respectively, compared to $52 million and $212.9 million for the same periods in 2022.
- Conventional natural gas and crude oil proved plus probable reserves and deemed volumes ("2P") before tax NPV-10 increased 10% to $2.1 billion at December 31, 2023, compared to $1.9 billion at December 31, 2022.
- 2P after tax NPV-10 increased 34% to $1.8 billion at December 31, 2023, compared to $1.3 billion at December 31, 2022. The significant increase in 2P after tax NPV-10 value is primarily impacted by the Corporation's restructuring in the fourth quarter of 2022, the results of which are first incorporated into this year's reserves report.
- The Corporation's natural gas and LNG operating netback increased 18% and 12% to $4.39 per Mcf and $4.11 per Mcf for the three months and year ended December 31, 2023, respectively, compared to $3.73 per Mcf and $3.68 per Mcf for the same periods in 2022. The increase is mainly due to an increase in average sales prices, net of transportation expenses, offset by an increase in operating expenses and royalties.
- Total revenues, net of royalties and transportation expenses for the three months and year ended December 31, 2023 increased 17% and 11% to $79.7 million and $304.9 million, respectively, compared to $68 million and $274.2 million for the same periods in 2022, mainly due to higher average sales price, net of transportation expenses.
- Adjusted funds from operations increased to $31 million for the three months ended December 31, 2023 compared to an outflow of $17 million for the same period in 2022. Adjusted funds from operations increased to $146.3 million for the year ended December 31, 2023, compared to $94.6 million for the same period in 2022. The increase is mainly due to an increase in EBITDAX combined with a decrease in current income tax expense.
- Realized contractual natural gas sales volume decreased 6% and 2% to 164.8 MMcfpd and 178.3 MMcfpd for the three months and year ended December 31, 2023, respectively, compared to 175.6 MMcfpd and 182.4 MMcfpd for the same periods in 2022. The decrease is due to the unusual and unexpected decrease in the Corporation's production capacity.
- The Corporation realized a net income of $29.9 million and $86.2 million for the three months and year ended December 31, 2023, respectively, compared to a net income of $133.7 million and $147.3 million for the same periods in 2022.
- Net cash capital expenditures for the three months and year ended December 31, 2023 were $72.2 million and $215.2 million, respectively, compared to $50.4 million and $166.3 million for the same periods in 2022.
- As at December 31, 2023, the Corporation had $39.4 million in cash and cash equivalents and $10 million in working capital deficit.

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Dividend

The Corporation has discontinued the quarterly dividend in order to strengthen its balance sheet.

Outlook

Charle Gamba, President and CEO of Canacol, stated: "As we previously stated, the Corporation's long-term plan is focused on i) maintaining and growing our reserve base and production from our core assets in the Lower Magdalena Valley Basin ("LMV"), targeting the full use of existing transportation infrastructure; ii) exploring high impact exploration opportunities in the Middle Magdalena Valley Basin ("MMV"); iii) strategic entrance into the gas market in Bolivia, and iv) continue to develop and improve in the area of ESG."

For 2024, the Corporation is focused on the following objectives:

1) In line with maintaining and growing Canacol's reserves and production in its core gas assets in the LMV, the Corporation has planned comprehensive development and exploration programs. The Corporation aims to optimize its production and increase reserves by drilling up to five development wells, install new compression and processing facilities as required, and workover operations of producing wells in the Corporation's key gas fields. The Corporation is expected to also drill four exploration wells, complete the acquisition of 85 square kilometers of 3D seismic to add new reserves and production and to identify new drilling prospects. These development and exploration activities are planned to support Canacol's robust EBITDA generation and allow the Corporation to capitalize on strong market dynamics in 2024. Towards this end, the Corporation successfully drilled the Clarinete-10 development well, which entered production in February 2024, and has made a gas discovery at the Pomelo-1 exploration well, which encountered 96 feet of gas pay and is currently being tied into production.

2) Maintaining a low cost of capital, cash liquidity and balance sheet flexibility to invest for the long term. In a year of expected, highly supportive gas market dynamics, the Corporation is tactically prioritizing investments in the LMV and have therefore decided to postpone drilling of the Pola-1 exploration well located in the MMV to 2025.

3) Bolivia: achieve the government's approval of a fourth E&P contract that covers an existing gas field reactivation, to begin development operations with a view to adding reserves and production and commencing gas sales in 2025.

4) Continue with the Corporation's commitment to its environmental, social and governance strategy.

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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,		
	2023	2022	Change	**2023**	2022	Change
Total revenues, net of royalties and transportation expense	**79,718**	67,956	17%	**304,854**	274,228	11%
Adjusted EBITDAX[1]	**53,144**	52,003	2%	**236,829**	212,850	11%
Adjusted funds from operations[1]	**30,958**	(16,977)	n/a	**146,287**	94,640	55%
Per share – basic ($)[1]	**0.91**	(0.50)	n/a	**4.29**	2.77	55%
Per share – diluted ($)[1]	**0.91**	(0.50)	n/a	**4.29**	2.77	55%
Cash flows provided by operating activities	**22,571**	50,034	(55%)	**95,339**	185,429	(49%)
Per share – basic ($)	**0.66**	1.47	(55%)	**2.79**	5.43	(49%)
Per share – diluted ($)	**0.66**	1.47	(55%)	**2.79**	5.43	(49%)
Net income and comprehensive income	**29,897**	133,722	(78%)	**86,237**	147,270	(41%)
Per share – basic ($)	**0.88**	3.92	(78%)	**2.53**	4.31	(41%)
Per share – diluted ($)	**0.88**	3.92	(78%)	**2.53**	4.31	(41%)
Weighted average shares outstanding – basic	**34,111**	34,113	—%	**34,111**	34,144	—%
Weighted average shares outstanding – diluted	**34,111**	34,113	—%	**34,111**	34,144	—%
Net cash capital expenditures[1]	**72,246**	50,382	43%	**215,184**	166,288	29%
				Dec 31, 2023	Dec 31, 2022	Change
Cash and cash equivalents				**39,425**	58,518	(33%)
Working capital deficit				**(10,028)**	(22,603)	(56%)
Total debt				**713,435**	550,752	30%
Total assets				**1,233,428**	1,014,848	22%
Common shares, end of period (000's)				**34,111**	34,111	—%

Operating	Three months ended December 31,			Year ended December 31,		
	2023	2022	Change	**2023**	2022	Change
Production						
Natural gas and LNG (Mcfpd)	**168,127**	177,985	(6%)	**181,277**	184,584	(2%)
Colombia oil (bopd)	**627**	546	15%	**563**	522	8%
Total (boepd)	**30,123**	31,771	(5%)	**32,366**	32,905	(2%)
Realized contractual sales						
Natural gas and LNG (Mcfpd)	**164,840**	175,580	(6%)	**178,293**	182,367	(2%)
Colombia oil (bopd)	**590**	541	9%	**553**	519	7%
Total (boepd)	**29,509**	31,345	(6%)	**31,833**	32,513	(2%)
Operating netbacks[1]						
Natural gas and LNG ($/Mcf)	**4.39**	3.73	18%	**4.11**	3.68	12%
Colombia oil ($/bbl)	**13.29**	22.81	(42%)	**20.77**	23.69	(12%)
Corporate ($/boe)	**24.82**	21.27	17%	**23.39**	20.99	11%

(1) Non-IFRS measures – see "Non-IFRS Measures" 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, 2023 with Canadian securities regulatory authorities. These filings are available for review on SEDAR+ at www.sedarplus.ca.

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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