Canacol Energy Ltd. Reports Q1 2021 Results and the Third Consecutive Quarterly Increase in Natural Gas Sales Volumes and EBITDAX

CALGARY, ALBERTA - (May 13, 2021) - 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 ended March 31, 2021. Dollar amounts are expressed in United States dollars, except as otherwise noted.

Charle Gamba, President and CEO of the Corporation, commented: "Canacol's natural gas sales have proven resilient, even amidst the severe COVID-19 crisis in Colombia and the outlook remains bright for when things normalize.

In April 2021, we provided a new resource estimate for our gas exploration blocks in the Lower and Middle Magdalena Basins, showing an unrisked mean prospective resource potential of 5.7 trillion cubic feet net to Canacol, and a risked mean prospective resource of 1.7 trillion cubic feet, estimated by GaffneyCline in their audited report as of April 2021. That represents an increase of 21% in risked mean prospective resource over the last resource report. With over 188 prospects and leads identified for drilling over the next 10 years, we expect to continue to see our exploration programs deliver on transferring these prospective resources into reserves."

Highlights for the three months ended March 31, 2021

(Production is stated as working-interest before royalties)

Financial and operational highlights of the Corporation include:

- Realized contractual natural gas sales volumes decreased 12% to 177.6 MMscfpd for the three months ended March 31, 2021, compared to 201.5 MMscfpd for the same period in 2020. Average natural gas production volumes decreased 11% to 179.5 MMscfpd for the three months ended March 31, 2021, compared to 201.4 MMscfpd for the same period in 2020 which is due to certain off-takers under take-or-pay contracts utilizing a large portion of their annual contractual downtime for regular maintenance and a decrease in spot market sales as a result of the COVID-19 pandemic.
- Total natural gas revenues, net of royalties and transportation expenses decreased 17% to $58.2 million for the three months ended March 31, 2021, compared to $69.9 million for the same period in 2020, mainly attributable to the decrease of natural gas production and lower gas sales prices, net of transportation costs.
- Adjusted funds from operations decreased 16% to $38.1 million for the three months ended March 31, 2021, compared to $45.3 million for the same period in 2020. Adjusted funds from operations per basic share decreased 16% to $0.21 per basic share for the three months ended March 31, 2021, compared to $0.25 per basic share for the same period in 2020.
- EBITDAX decreased 21% to $46.7 million for the three months ended March 31, 2021, compared to $58.9 million for the same period in 2020.
- The Corporation realized a net loss of $3.1 million for the three months ended March 31, 2021, compared to a net loss of $26 million for the same period in 2020. The net loss realized during the three months ended March 31, 2021 is primarily due to the non-cash deferred tax expense of $11.3 million, which is entirely due to the effect of the reduction in the Colombian Peso exchange rate on the value of unused tax losses and cost pool.
- The Corporation's natural gas operating netback decreased 7% to $3.36 per Mcf in the three months ended March 31, 2021, compared to $3.60 per Mcf for the same period in 2020. The decrease is mainly due to the lower average realized prices, net of transportation related to firm contracts and lower demand of spot sales as a result of the COVID-19 pandemic. In addition, operating expenses per Mcf increased 27% to $0.28 per Mcf during the three months ended March 31, 2021, compared to $0.22 per Mcf for the same period in

2020, mainly due to higher reservoir engineering costs related to certain well testing and lower natural gas sales volumes during the three months ended March 31, 2021, compared to the same period in 2020.

- Net capital expenditures for the three months ended March 31, 2021 were $27.8 million. Net capital expenditures included non-cash adjustments related to decommissioning obligations and right-of-use leased assets of $0.7 million for the three months ended March 31, 2021.
- As at March 31, 2021, the Corporation had $71.5 million in cash and cash equivalents and $66.5 million in working capital surplus.

Annual General Meeting

The Corporation will hold its Annual General and Special Shareholder meeting at 10:00 a.m. (eastern time) on June 28, 2021 in Bogota, Colombia, at the Hotel NH Collection Teleport. The Corporation will provide a toll free dial in for participants to attend the Meeting.

Outlook

For the remainder of 2021, the Corporation is focused on the following operational objectives: 1) a target of up to drilling twelve exploration, appraisal, and development wells in a continuous program with the objective of targeting a 2P reserves replacement ratio of more than 200 percent, 2) the acquisition of the 655 square kilometers of 3D seismic on the Corporation's VIM-5 and SSJN-7 blocks to expand its exploration prospect inventory, 3) the execution of a definitive agreement to construct a new gas pipeline from the Jobo natural gas processing facility to Medellin, Colombia which will increase the Corporation's natural gas sales by an additional 100 MMscfpd in 2024, and 4) the continued strengthening of our environmental, social and governance strategy and reporting.

FINANCIAL & OPERATING HIGHLIGHTS

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

Financial	Three months ended March 31, 2021	2020	Change
Total natural gas, LNG and crude oil revenues, net of royalties and transportation expense	**65,818**	70,994	(7 %)
Adjusted Funds from operations(1)	**38,085**	45,281	(16 %)
Per share – basic ($)(1)	**0.21**	0.25	(16 %)
Per share – diluted ($)(1)	**0.21**	0.25	(16 %)
Net income (loss) and comprehensive income (loss)(2)	**(3,062)**	(25,988)	(88 %)
Per share – basic ($)	**(0.02)**	(0.14)	(86 %)
Per share – diluted ($)	**(0.02)**	(0.14)	(86 %)
Cash flow provided by operating activities	**37,900**	38,018	—
Per share – basic ($)	**0.21**	0.21	—
Per share – diluted ($)	**0.21**	0.21	—
EBITDAX(1)	**46,716**	58,869	(21 %)
Weighted average shares outstanding – basic	**179,515**	180,931	(1 %)
Weighted average shares outstanding – diluted	**179,515**	181,811	(1 %)
Capital expenditures, net of dispositions	**27,844**	19,892	40 %
	Mar 31, 2021	Dec 31, 2020	Change
Cash and cash equivalents	**71,501**	68,280	5 %
Working capital surplus	**66,545**	73,404	(9 %)
Total debt	**412,112**	415,209	(1 %)
Total assets	**751,857**	749,792	—
Common shares, end of period (000's)	**179,515**	179,515	—

Operating	Three months ended March 31, 2021	2020	Change
Production, before royalties(1)			
Natural gas and LNG (MMscfpd)	**179,474**	201,398	(11 %)
Colombia oil (bopd)	**256**	315	(19 %)
Total (boepd)	**31,743**	35,648	(11 %)
Realized contractual sales, before royalties(1)			
Natural gas and LNG (MMscfpd)	**177,633**	201,524	(12 %)
Colombia oil (bopd)	**307**	298	3 %
Total (boepd)	**31,471**	35,653	(12 %)
Operating netbacks(1)			
Natural gas and LNG ($/Mcf)	**3.36**	3.60	(7 %)
Colombia oil ($/bopd)	**34.06**	20.13	69 %
Corporate ($/boe)	**19.33**	20.49	(6 %)

(1) Non-IFRS measures – see "Non-IFRS Measures" section within the MD&A.
(2) The net loss realized during the three months ended March 31, 2021 is primarily due to the non-cash deferred tax expense of $11.3 million, which is entirely due to the effect of the reduction in the Colombian Peso ("COP") exchange rate on the value of unused tax losses and cost pools.

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This press release should be read in conjunction with the Corporation's interim condensed consolidated financial statements and related Management's Discussion and Analysis. The Corporation's has filed its interim condensed consolidated financial statements and related Management's Discussion and Analysis as at and for the three months ended March 31, 2021 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 and 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 by operating activities before changes in non-cash working capital and decommissioning obligation expenditures. The Corporation considers 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. 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 working capital, EBITDAX and operating netback measures. Working capital is calculated as current assets less current liabilities, excluding the current portion of long-term obligations, and is used to evaluate the Corporation's financial leverage. 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. Working capital, 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.*

For further information please contact:

Investor Relations

South America: +571.621.1747 *IR-SA@canacolenergy.com*

Global: +1.403.561.1648 *IR-GLOBAL@canacolenergy.com*

http://www.canacolenergy.com