CANACOL ENERGY LTD.

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2024

MANAGEMENT'S REPORT

Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements of Canacol Energy Ltd. (the "Corporation") within reasonable limits of materiality. The consolidated financial statements were prepared by management in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board. Management has established and maintains a system of internal controls that is designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and the financial information is reliable and accurate.

The Corporation's external auditors, PricewaterhouseCoopers LLP, have audited the consolidated financial statements for the years ended December 31, 2023 and 2024. Their audit included such tests and procedures, as they considered necessary, to provide reasonable assurance that the financial statements are presented fairly in accordance with International Financial Reporting Standards.

The Audit Committee of the Board of Directors has reviewed in detail the consolidated financial statements with management and the external auditors. The Audit Committee has reported its findings to the Board of Directors who have approved the consolidated financial statements.

(signed) "Charle Gamba"
Charle Gamba
President and Chief Executive Officer

(signed) "Jason Bednar"
Jason Bednar
Chief Financial Officer

March 19, 2025

Independent auditor's report

To the Shareholders of Canacol Energy Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Canacol Energy Ltd. and its subsidiaries (together, the Corporation) as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited
The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2024 and 2023;
- the consolidated statements of operations and comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impact of natural gas and oil reserves on net development and production (D&P) assets and recoverability of deferred tax assets *Refer to note 2 – Basis of preparation, note 3 – Material accounting policies, note 5 – Property, plant and equipment and note 15 – Income taxes to the consolidated financial statements.* As at December 31, 2024, the Corporation had \$689.4 million of net property, plant and equipment, which included D&P assets. Depletion and depreciation expense was \$81.8 million for the year then ended. D&P assets within each cash generating unit (CGU) are depleted using the unit-of-production method by reference to the ratio of production in the period to the related proved plus probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. The proved plus probable reserves are estimated based on forecasted production, forecasted commodity prices, forecasted operating and royalty costs and timing of future development plans and costs. The proved plus probable reserves are evaluated by the Corporation's independent reserve engineers (management's experts). The deferred tax assets balance was \$185.6 million as at December 31, 2024. The deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. The estimated future taxable profits are based on the cash flows from the related proved plus probable reserves. Significant assumptions developed by management and used to determine the proved plus probable reserves of each CGU include the forecasted	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the proved plus probable reserves, which included the following: – Evaluated the reasonableness of the significant assumptions used: o Forecasted production, forecasted operating and royalty costs and timing of future development plans and costs by considering the past and current performance on select CGUs, and whether these assumptions were consistent with evidence obtained in other areas of the audit. o Forecasted commodity prices by comparing the forecasts for select CGUs with relevant contract terms and the historic natural gas prices. o The work of management's experts was used in performing the procedures to evaluate the reasonableness of the proved plus probable reserves used to determine depletion expense and the deferred tax assets. As a basis for using this work, the competence, capabilities and objectivity of management's experts were evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's experts, tests of the data used by management's experts and an evaluation of their findings.

Key audit matter	How our audit addressed the key audit matter
production, forecasted commodity prices, forecasted operating and royalty costs, and estimated amount and timing of future development costs. We considered this a key audit matter due to (i) the significant judgment made by management, including the use of management's experts, when developing the significant assumptions, and (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures relating to the significant assumptions.	• Recalculated the depletion expense for each of the Corporation's CGUs. • Tested management's assessment of the recoverability of the deferred tax assets by: – evaluating whether it is probable that the future taxable income for select CGUs will be available based on the proved plus probable reserves to utilize the Corporation's temporary differences and tax losses; and – recalculating and evaluating the estimated future taxable profits based on the cash flows from the related proved plus probable reserves for select CGUs.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Corporation as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ryan Lundeen.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
March 19, 2025

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of United States dollars)

As at	Note	December 31, 2024	December 31, 2023
ASSETS			
Current assets			
Cash and cash equivalents		$ **79,201**	$ 39,425
Trade and other receivables	20	**67,291**	97,785
Tax installments and receivables		**17,099**	10,070
Other current assets	6	**10,237**	4,355
		173,828	151,635
Non-current assets			
Trade and other receivables	20, 21	**19,585**	—
Exploration and evaluation assets	4	**137,451**	113,381
Property, plant and equipment	5	**689,406**	681,034
Deferred tax assets	15	**185,608**	261,195
Investments	6	**4,818**	17,310
Other non-current assets	6	**5,081**	8,873
		1,041,949	1,081,793
Total assets		$ **1,215,777**	$ 1,233,428
LIABILITIES AND EQUITY			
Current liabilities			
Current portion of long-term debt	9	$ **12,500**	$ —
Trade and other payables		**87,368**	107,911
Deferred income	17	**18,533**	6,640
Dividend payable		**—**	6,706
Lease obligations	11	**4,479**	3,241
Taxes payable		**20,573**	38,861
Long-term incentive compensation liabilities	7	**1,830**	1,545
		145,283	164,904
Non-current liabilities			
Long-term debt	9	**703,428**	663,000
Lease obligations	11	**7,834**	10,194
Decommissioning obligations	10	**22,784**	30,121
Deferred tax liabilities	15	**7,534**	5,875
Long-term incentive compensation liabilities	7	**1,338**	1,273
Other long term obligations		**6,435**	6,387
Total liabilities		**894,636**	881,754
Equity			
Share capital	8	**146,169**	146,142
Other reserves		**69,626**	67,454
Retained earnings		**105,346**	138,078
Total equity		**321,141**	351,674
Total liabilities and equity		$ **1,215,777**	$ 1,233,428

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors

(signed) "Michael Hibberd"
Director

(signed) "Francisco Diaz"
Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(in thousands of United States dollars, except per share amounts)

Year ended December 31,	Note	2024	2023
Revenues			
Total revenues, net of royalties	17	$ **375,916**	$ 315,803
		375,916	315,803
Expenses			
Operating expenses		**29,077**	29,503
Transportation expenses		**23,664**	10,949
Exploration impairment	4	**2,252**	—
Impairment of long lived assets	5,6	**—**	35,354
General and administrative		**33,975**	33,340
Stock-based compensation expense	7,8	**3,149**	4,051
Depletion and depreciation	5	**81,784**	75,925
Foreign exchange loss (gain)		**3,993**	(4,566)
Other expenses	12	**6,993**	14,256
		184,887	198,812
Net finance expense	13	**68,975**	56,057
Income before income taxes		**122,054**	60,934
Income tax expense (recovery)			
Current	15	**77,540**	78,330
Deferred	15	**77,246**	(103,633)
		154,786	(25,303)
Net income (loss) and comprehensive income (loss)		$ **(32,732)**	$ 86,237
Net income (loss) per share			
Basic and diluted	14	$ **(0.96)**	$ 2.53

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of United States dollars)

	Note	Share Capital	Other Reserves	Retained Earnings (Deficit)	Total Equity
Balance at December 31, 2022		$ 146,142	$ 67,439	$ 78,359	$ 291,940
Stock-based compensation	8	—	15	—	15
Dividends declared		—	—	(26,518)	(26,518)
Net income		—	—	86,237	86,237
Balance at December 31, 2023		**$ 146,142**	**$ 67,454**	**$ 138,078**	**$ 351,674**
Balance at December 31, 2023		$ 146,142	$ 67,454	$ 138,078	$ 351,674
Stock options exercised	8	27	(6)	—	21
Warrants	9	—	1,418	—	1,418
Stock-based compensation	8	—	760	—	760
Net loss		—	—	(32,732)	(32,732)
Balance at December 31, 2024		**$ 146,169**	**$ 69,626**	**$ 105,346**	**$ 321,141**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of United States dollars)

Year ended December 31,	Note	2024	2023
Operating activities			
Net income (loss) and comprehensive income (loss)		**$ (32,732)**	$ 86,237
Non-cash adjustments:			
Depletion and depreciation	5	**81,784**	75,925
Exploration impairment	4	**2,252**	—
Impairment of long lived assets	5,6	**—**	35,354
Stock-based compensation expense	7,8	**3,149**	4,051
Net financing expense	13	**68,975**	56,057
Unrealized foreign exchange loss and other expenses		**7,982**	962
Deferred income tax expense (recovery)	15	**77,246**	(103,633)
Equity investment loss (income)	6	**2,976**	(2,806)
Unrealized loss (gain) on financial instruments	6	**740**	(1,152)
Realized gain on investment	6	**(4,473)**	—
Write-off of deposit	6	**3,825**	—
Settlement of decommissioning obligation	10	**(1,695)**	(217)
Settlement of long-term incentive compensation	7	**(2,349)**	(4,708)
Changes in non-cash working capital	16	**(39,639)**	(50,731)
		168,041	95,339
Investing activities			
Expenditures on exploration and evaluation assets	4	**(49,649)**	(53,192)
Expenditures on property, plant and equipment		**(72,774)**	(162,471)
Proceeds on disposition of property, plant and equipment		**130**	479
Proceeds from sale of Arrow shares	6	**13,249**	(2,018)
Other investing activities	16	**(5,179)**	4,107
Changes in non-cash working capital	16	**11,970**	6,989
		(102,253)	(206,106)
Financing activities			
Draw on long-term debt, net of financing fees	9	**45,093**	192,151
Repayment of debt	9	**—**	(34,930)
Net financing expense paid	13	**(56,607)**	(43,922)
Lease principal payments	11	**(4,430)**	(3,111)
Dividends paid		**(6,706)**	(26,354)
Issue of common shares	8	**21**	—
		(22,629)	83,834
Change in cash and cash equivalents		**43,159**	(26,933)
Cash and cash equivalents, beginning of year		**39,425**	58,518
Foreign exchange impact on cash and cash equivalents		**(3,383)**	7,840
Cash and cash equivalents, end of year		**$ 79,201**	$ 39,425

See accompanying notes to the consolidated financial statements.

NOTE 1 - GENERAL INFORMATION

Canacol Energy Ltd. and its subsidiaries ("Canacol" or the "Corporation") are primarily engaged in natural gas exploration and development activities in Colombia. The Corporation's head office is located at 2000, 215 - 9th Avenue SW, Calgary, Alberta, T2P 1K3, Canada. The Corporation's shares are traded on the Toronto Stock Exchange ("TSX") 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 and the Bolsa Mexicana de Valores under the symbol CNEN.

The Board of Directors approved these consolidated financial statements (the "financial statements") for issuance on March 19, 2025.

NOTE 2 - BASIS OF PREPARATION

The consolidated financial statements were prepared by management in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

Basis of Measurement

These financial statements have been prepared on a historical cost basis, except for certain financial instruments, and restricted share units, which are measured at fair value with changes in fair value recorded in profit or loss ("fair value through profit or loss").

Estimates and judgements made by management in the preparation of these financial statements are subject to a higher degree of measurement uncertainty during volatile periods.

These financial statements have been prepared on a going concern basis.

Functional and Presentation Currency

These financial statements are presented in United States dollars ("USD"), which is both the functional and presentation currency, with the exception of Canadian dollar unit prices ("C$") where indicated.

Significant Estimates and Management Judgements

The timely preparation of financial statements in accordance with IFRS Accounting Standards requires that management make estimates, assumptions and use judgement regarding the measured amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur. The following discussion relates to amounts determined by management which required significant estimation and/or judgement.

Management judgement is required in determining the functional currency that represents the economic effect of underlying transactions, events and conditions. The USD is the Corporation's functional currency as it is the currency of the primary economic environment in which the Corporation operates; the Corporation's revenues, funds from financing and a portion of its expenditures are denominated in USD.

The Corporation held an investment in a public company, Arrow Exploration Corp. ("Arrow"), of which two of the board of directors of Arrow are also key members of the Corporation's management. Management has used judgement in determining that the Corporation had significant influence over Arrow by considering the Corporation's voting rights and ownership interest of Arrow until the Corporation sold all of its Arrow common share on April 26, 2024 (note 6).

Significant management judgement is required in determining the provision for deferred income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Corporation has not recognized a benefit for the net deferred tax asset created from a portion of its non-capital losses and capital losses carried forward due to the uncertainty of realization of such amounts.

Management evaluates tax positions, annually, or when circumstances require, which involves judgment and could be subject to differing interpretations of applicable tax legislation. The results of audits and reassessments and changes in the interpretations of standards may result in changes to those positions and, potentially, a material increase or decrease in the Corporation's assets, liabilities and net earnings.

The calculation of long-term incentive compensation liability relating to the performance share units is subject to uncertainty as it reflects the Corporation's best estimate of whether or not obligations will be incurred. In particular, the number of performance share units that is expected to vest are estimated based on the likelihood of unit holders meeting certain performance conditions.

Natural gas and crude oil assets and processing facilities are grouped into cash generating units ("CGUs") identified as having largely independent cash flows and are geographically integrated. The determination of the CGUs was based on management's interpretation and judgement. The recoverability of development and production asset carrying values is assessed at the CGU level. The asset composition of a CGU can directly impact the recoverability of the assets included therein.

The Corporation's natural gas cash flows are generated through common processing and transportation systems rather than at the individual block or field level, as such, the Corporation's natural gas fields and processing facilities are included in an aggregate natural gas CGU. The Corporation's crude oil asset is included in a separate CGU.

Amounts recorded for depletion, depreciation, amortization, accretion and provisions for decommissioning obligations are based on their expected lives and other relevant assumptions.

Indicators of impairment or impairment recovery are assessed by management using judgement, considering market conditions and commodity prices. In assessing the recoverability of oil and gas properties, each CGU's carrying value is compared to its recoverable amount, defined as the greater of its fair value less cost to sell and value in use.

In assessing the recoverable amount, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved plus probable reserves.

Assumptions used in the determination of future cash flows from crude oil and natural gas reserves include the following:

i) Reserves - Assumptions that are valid at the time of reserve estimation may change significantly when new information becomes available. Changes in forward price estimates, production costs or recovery rates may change the economic status of reserves and may ultimately result in reserves being revised.

ii) Commodity prices - Forward price estimates of crude oil and natural gas are used in the cash flow model. Commodity prices have fluctuated in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, exchange rates, weather, economic and geopolitical factors; however a significant portion of the Corporation's natural gas production is sold based on firm priced contracts, which are not subject to management's estimate.

iii) Discount rate - The discount rate used to calculate the net present value of cash flows is based on estimates of an approximate industry peer group weighted average cost of capital. Changes in the general economic environment could result in significant changes to this estimate.

iv) Decommissioning obligation - The decommissioning obligation is determined based on management's best estimate for future costs for decommissioning activities at the end of the asset's useful life. The timing and amount of costs are subject to change based on local legal and regulatory requirements as well as market conditions.

NOTE 3 – MATERIAL ACCOUNTING POLICIES

Principles of Consolidation

Subsidiaries - Subsidiaries are entities controlled by the Corporation. Control exists when the Corporation is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases.

The acquisition method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS Accounting Standards. The cost of an acquisition is measured as the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the acquisition over the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in profit or loss as a gain on acquisition. Acquisition related costs, other than share issue costs, are expensed as period costs in the consolidated statements of operations and comprehensive income.

An associate is an entity for which the Corporation has significant influence and thereby has the power to participate in the financial and operational decisions but does not control or jointly control the investee. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost and subsequently adjusted for the proportionate share of the investee's net assets. The Corporation's financial statements include its share of the investee's net income (loss) and other comprehensive income (loss) until the date that significant influence ceases. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

Joint arrangements - Joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Canacol only has joint operations. The financial statements include the Corporation's share of these jointly-controlled assets and a proportionate share of the relevant revenue, related operating costs and capital costs.

Transactions eliminated on consolidation - Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated on consolidation.

Foreign Currency

The USD is the functional currency of the Corporation and its subsidiaries. Monetary assets and liabilities denominated in foreign currencies are translated to USD at the period-end exchange rate. Non-monetary assets, liabilities, revenues and expenses are translated at exchange rates at the transaction date. Foreign exchange gains or losses are recognized in the consolidated statements of operations and comprehensive income.

Financial Instruments

Non-derivative financial instruments - Non-derivative financial instruments include cash and cash equivalents, restricted cash, trade and other receivables, investments, long-term debt, trade and other payables, dividend payable, and lease obligations. Non-derivative financial instruments are initially recognized at fair value plus any directly attributable transaction costs, except for financial assets and liabilities at fair value through profit or loss whereby any directly attributable transaction costs are expensed as incurred. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Cash and cash equivalents - Cash and cash equivalents are measured similar to other non-derivative financial instruments. Subsequent to initial recognition, this financial instrument is measured at amortized cost.

Restricted cash - Restricted cash is measured similar to other non-derivative financial instruments. Subsequent to initial recognition, this financial instrument is measured at amortized cost.

Investments - Investments are recorded at fair value through profit or loss. Subsequent to initial recognition, investments are measured at fair value and changes therein are recognized in the consolidated statements of operations and comprehensive income.

Long-term debt - Long-term debt is recorded at amortized cost, net of directly attributable transaction costs. Subsequent to initial recognition, the directly attributable transaction costs are amortized into the carrying value using the effective interest method over the term of the debt facility through the consolidated statements of operations and comprehensive income or capitalized as part of a qualifying asset, as applicable. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Other - Other non-derivative financial instruments, such as trade and other receivables, trade and other payables, and dividend payable, are measured at amortized cost, less any impairment losses.

Property, Plant and Equipment and Exploration and Evaluation Assets

Recognition and measurement

Exploration and evaluation ("E&E") assets - E&E costs, including the costs of acquiring licenses, farming into or acquiring rights to working interest and directly attributable general and administrative costs, initially are capitalized either as tangible or intangible E&E assets according to the nature of the assets acquired. The costs are accumulated in cost centers by well, field or exploration area pending determination of technical feasibility and commercial viability.

When E&E assets are determined to be technically feasible and commercially viable (generally upon assignment of proved plus probable reserves), the accumulated costs are transferred to property, plant and equipment ("PP&E"). When E&E assets are determined not to be technically feasible and commercially viable and the Corporation decides not to continue with its activity, the unrecoverable costs are charged to the consolidated statements of operations and comprehensive income as exploration impairment.

E&E assets are allocated into CGUs and assessed for impairment when they are transferred to PP&E or in any circumstances where sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Development and production ("D&P") assets - Items of property, plant and equipment, which include natural gas and crude oil development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. D&P assets are grouped into CGUs for impairment testing.

When significant parts of an item of PP&E, including natural gas and crude oil interests, have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of an item of PP&E are determined by comparing the proceeds from disposal, net of transaction costs with the carrying amount of PP&E and are recognized net within the consolidated statements of operations and comprehensive income.

Subsequent costs - Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as PP&E only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in the consolidated statements of operations and comprehensive income as incurred. Such capitalized PP&E generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves. The carrying amount of any replaced or sold component is de-recognized. The costs of the day-to-day servicing of PP&E are recognized in the consolidated statements of operations and comprehensive income as incurred.

Depletion and depreciation - The net carrying value of D&P assets is depleted using the unit-of-production method by reference to the ratio of production in the period to the related proved plus probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated by taking into account the level of development required to produce the reserves.

Proved plus probable reserves are evaluated using independent reserve engineer reports and represent the estimated quantities of natural gas, crude oil and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially viable. Estimates are based on forecasted production, forecasted commodity prices, forecasted operating and royalty costs and the estimated amount and timing of future development plans and costs, all of which are subject to uncertainty.

Reserves may be considered commercially viable if management has the intention of developing and producing them and such intention is based upon:

i) A reasonable assessment of the future economics of such production;

ii) A reasonable expectation that there is a market for all or substantially all the expected natural gas and crude oil production; and

iii) Evidence that the necessary production, transmission and transportation facilities are available or can be made available.

For other PP&E, depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of the asset. Land is not depreciated.

The estimated useful lives for other assets for the current and comparative years are as follows:

Equipment and other	2 - 5 years
Right-of-Use assets	Over the term of the lease agreements

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Lease Obligations and Right-of-Use Assets

The Corporation holds leases related to office leases, compressors and information technology equipment. The lease arrangements are assessed based on whether they meet the following definition of a lease under IFRS 16:

i) Identified asset - The Corporation has access to the use of a physically distinct asset and the counterparty does not hold the right to substitute an alternative asset for use;

ii) Right to direct the use of an asset - The Corporation has relevant operational decision-making rights for the use and purpose of the underlying asset; and

iii) Exclusive rights to the economic rights and benefits - The Corporation obtains sole and exclusive benefit from the use of the asset throughout the duration of the lease term.

Lease arrangements which meet the criteria of a lease are recognized as right-of-use assets and lease obligations at the lease commencement date.

The right-of-use asset and lease obligation are initially measured at the present value of the lease payments outstanding at the lease commencement date, discounted using the implicit rate, and when not determinable, the Corporation's incremental borrowing rate. Subsequently, the right-of-use asset is measured at cost less accumulated depreciation and impairment losses and adjusted for certain re-measurements of the lease obligation. The lease obligation is re-measured when there is a change in estimated future payments arising from a change in a lease term, index or rate, residual guarantee or purchase option.

The Corporation has applied judgment and estimates when determining the estimated lease payments, including the lease term. The assessment of whether a renewal, extension, termination or purchase option is reasonably certain to be exercised was considered, based on facts and circumstances, and has the potential to significantly impact the amount of right-of-use asset and lease obligation recognized.

Impairment loss and recovery

Financial assets - A financial asset is assessed at each reporting date for being credit-impaired or having significantly increased credit risk since initial recognition; if so determined, an estimated loss allowance is measured at an amount equal to the lifetime expected credit losses ("ECL"). Lifetime ECLs are a probability-weighted estimate of credit losses from all possible default events over the expected life of a financial asset. Credit losses are defined as the PV of all expected cash shortfalls relative to the carrying value of the financial asset. The ECLs are discounted at the effective interest rate.

The Corporation considers reasonable and supportable information that is relevant and available without undue cost or effort when determining credit impairment, significantly increased credit risk and any resulting ECLs. The financial asset is written off when the Corporation has determined the financial asset is credit-impaired with no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

Non-financial assets - The carrying amounts of the Corporation's non-financial assets, other than E&E assets and deferred income tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the asset is estimated. E&E assets are assessed for impairment when they are reclassified to PP&E, and also if facts and circumstances suggest that their carrying amount exceeds the recoverable amount. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

E&E assets are allocated to related CGUs when they are assessed for impairment, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to D&P assets.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount (See note 2, "Significant Estimates and Management Judgements").

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

All impairment losses are recognized in the consolidated statements of operations and comprehensive income.

Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

Decommissioning obligations - The Corporation's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the period-end date. Subsequent to initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases or decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

Other long term obligations - The Corporation is required to invest approximately 1% of well costs in reforestation activities in Colombia. Provision is made for the estimated cost of reforestation and capitalized in the relevant asset category.

Inventory

Inventory consists of crude oil in transit, in pipelines or in storage tanks at the reporting date, and is valued at the lower of cost, using the weighted-average cost method, or net realizable value. Costs include direct and indirect expenditures including depletion and depreciation incurred in bringing the crude oil to its existing condition and location.

Revenue

The Corporation's revenues are primarily derived from the production of natural gas. Revenue from contracts with customers is recognized when the Corporation satisfies a performance obligation by physically transferring the product and control to a customer. The Corporation satisfies its performance obligations at the point of delivery of the product and not over a period of time. Revenue is measured based on the consideration specified in contracts with customers.

The Corporation recognizes take-or-pay natural gas income relating to the portion of natural gas sales nominations by the Corporation's off-takers that do not get delivered, typically due to the off-takers' inability to accept such gas when they have no recourse or legal right to delivery at a later date. Certain take-or-pay contracts grant the off-takers the legal right to take delivery at a later date, for a fixed period of time ("make-up rights"). These nominations are paid for at the time and are recorded as deferred income. The Corporation recognizes revenue associated with such make-up rights at the earliest of: a) when the make-up volume is delivered; b) when the make-up rights expires; or c) when it is determined that the likelihood of the off-taker will utilize the make-up right is remote.

Revenue is recorded net of any royalties when the amount of revenue and the costs incurred in respect of the transaction can be measured reliably.

Stock-Based Compensation

The grant date fair value of stock options granted to officers, employees and directors is recognized as stock-based compensation expense with a corresponding increase in other reserves on a graded vesting basis over the vesting period. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of awards that vest. The fair value of the stock options granted is estimated using the Black-Scholes option pricing model. Upon exercise of stock options, the fair value of the stock options are transferred from other reserves to share capital.

Long-term Incentive Compensation Liability

The grant date fair value of cash-settled restricted share units ("RSUs"), performance share units ("PSUs") and deferred share units ("DSUs") granted to officers, employees and directors is recognized as an expense with a corresponding increase in long-term incentive compensation liability on a graded vesting or cliff vesting basis over the vesting period or vesting date. Subsequent to initial recognition, the long-term incentive compensation liability and corresponding stock-based compensation expense is measured at fair value. The PSUs are subject to certain non-market performance conditions, of which, the impact is estimated at the grant date. The units are expected to be settled through a cash payment equal to the fair market value of the Corporation's common shares on the settlement date.

Finance Income and Expenses

Net finance income or expense is comprised of interest income, interest expense on borrowings and leases, amortization of upfront fees and accretion of the discount on decommissioning liabilities.

Income Taxes

Income tax expense comprises current and deferred income taxes. Income tax expense is recognized in the consolidated statements of operations and comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred income tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred income tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. The estimated future taxable profits are based on the cash flows from the related proved plus probable reserves. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The benefits of uncertain tax positions that the Corporation has taken or expects to take in its income tax returns are recognized in the financial statements if management concludes that it is more likely than not that the position will be sustained with the tax authorities.

Net Income (Loss) per Share

Basic net income (loss) per share is calculated by dividing the net income (loss) attributable to common shareholders of the Corporation by the weighted-average number of common shares outstanding during the period. Diluted net income per share is determined by adjusting the weighted-average number of common shares outstanding during the period for the effects of dilutive instruments such as stock options.

Recent Accounting Pronouncements - Amendments to IAS 1 Presentation of Financial Statements

In April 2024, the IASB issued new IFRS 18 - Presentation and Disclosure in Financial Statements ("IFRS 18") replacing IAS 1. The new guidance is expected to improve the usefulness of information presented and disclosed in the financial statements of companies. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027, with early adoption permitted. Canacol is currently assessing the impact of this new IFRS accounting standard on its consolidated financial statements.

In May 2024, the IASB issued amendments to IFRS 9 - Financial Instruments and IFRS - 7 Financial Instruments: Disclosures related to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets. The amendments will be effective January 1, 2026, but are not expected to have a material impact on Canacol’s consolidated financial statements.

NOTE 4 – EXPLORATION AND EVALUATION ASSETS

Balance at December 31, 2022	$	86,027
Additions		53,192
Transferred to D&P assets (note 5)		(25,838)
Balance at December 31, 2023	$	113,381
Additions		49,649
Exploration impairment		(2,252)
Transferred to D&P assets (note 5)		(23,327)
Balance at December 31, 2024	**$**	**137,451**

In late 2022 through to early 2023, the Corporation drilled the Natilla-1 exploration well located on its SSJN-7 block (50% working interest at the time, 100% working interest as at December 31, 2024). The Natilla-1 exploration well encountered mechanical issues and did not reach the primary Cienaga de Oro formation target. This event was covered by the Corporation's insurance policy and, during the year ended December 31, 2023, the Corporation received $5.1 million of insurance reimbursement (net to Canacol) related to the drilling costs of Natilla-1. The well was subsequently side-tracked but was ultimately plugged and abandoned.

The Corporation's insurance policy also covers the re-drill cost up to the depth of where mechanical issues were previously encountered at the Natilla-1 well. The Corporation accrued $10.1 million of insurance reimbursement, thereby reducing the cost of Natilla-2 as at December 31, 2024.

During the year ended December 31, 2023, the Corporation transferred $25.8 million of exploration costs to D&P assets as a result of natural gas discoveries and conclusion of its near-field exploration program at the Esperanza, VIM-5 and VIM-21 blocks.

During the year ended December 31, 2024, the Corporation transferred $23.3 million of exploration costs to D&P assets as a result of natural gas discoveries at its Esperanza, VIM-5 and VIM-21 blocks.

The Corporation assessed its E&E assets for impairment for the year ended December 31, 2024 and, as a result of a planned relinquishment of its VMM-47 block, $2.3 million of associated costs were expensed as exploration impairment. There were no indications of impairment on the Corporation's E&E assets as at December 31, 2023.

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

	Property, Plant and Equipment	Right-of-Use Leased Assets	Total
Cost			
Balance at December 31, 2022	$ 1,176,734	$ 29,579	$ 1,206,313
Additions	170,357	768	171,125
Transferred from E&E assets (note 4)	25,838	—	25,838
Dispositions	(19)	(72)	(91)
Impairment	(27,828)	—	(27,828)
Derecognition	(1,113)	—	(1,113)
Balance at December 31, 2023	$ 1,343,969	$ 30,275	$ 1,374,244
Additions	63,410	3,439	66,849
Transferred from E&E assets (note 4)	23,327	—	23,327
Dispositions	(184)	(41)	(225)
Derecognition	(3,655)	—	(3,655)
Balance at December 31, 2024	**$ 1,426,867**	**$ 33,673**	**$ 1,460,540**
Accumulated depletion and depreciation			
Balance at December 31, 2022	$ (608,048)	$ (10,349)	$ (618,397)
Dispositions	1	42	43
Depletion and depreciation	(74,044)	(1,881)	(75,925)
Derecognition and inventory adjustments	1,069	—	1,069
Balance at December 31, 2023	$ (681,022)	$ (12,188)	$ (693,210)
Dispositions	179	38	217
Depletion and depreciation	(78,603)	(3,181)	(81,784)
Derecognition	3,643	—	3,643
Balance at December 31, 2024	**$ (755,803)**	**$ (15,331)**	**$ (771,134)**
Carrying value			
As at December 31, 2023	$ 662,947	$ 18,087	$ 681,034
As at December 31, 2024	**$ 671,064**	**$ 18,342**	**$ 689,406**

During the year ended December 31, 2023, $25.8 million of exploration costs have been transferred from E&E assets (note 4).

On October 19, 2023, the Corporation announced the termination of the natural gas pipeline project that connects the Corporation's gas processing facility at Jobo to the city of Medellin, Colombia (the "Medellin Project"). As a result, the cumulative costs associated with the Medellin Project that were previously recorded in D&P assets totaling $27.8 million were expensed as impairment for the year ended December 31, 2023.

During the year ended December 31, 2024, $23.3 million of exploration costs have been transferred from E&E assets (note 4).

There were no indications of impairment on the Corporation's D&P assets as at December 31, 2024.

NOTE 6 – INVESTMENTS AND OTHER ASSETS

Investments

	Office Sub-Lease	Arrow Equity Investment	Arrow Warrants	Tesorito Investment	Total Investments
Balance at December 31, 2022	$ 33	$ 4,646	$ 2,235	$ 4,416	$ 11,330
Additions	—	4,300	—	—	4,300
Warrants exercised	—	—	(2,282)	—	(2,282)
Sub-lease receipts	(33)	—	—	—	(33)
Equity investment income	—	2,806	—	—	2,806
Unrealized gain (loss)	—	—	(2,237)	1,142	(1,095)
Realized gain on warrants	—	—	2,247	—	2,247
Foreign exchange gain	—	—	37	—	37
Balance at December 31, 2023	$ —	$ 11,752	$ —	$ 5,558	$ 17,310
Proceeds from sale of Arrow shares	—	(13,249)	—	—	(13,249)
Equity investment loss	—	(2,976)	—	—	(2,976)
Realized gain on sale of shares	—	4,473	—	—	4,473
Unrealized loss	—	—	—	(740)	(740)
Balance at December 31, 2024	**$ —**	**$ —**	**$ —**	**$ 4,818**	**$ 4,818**

During the year ended December 31, 2021, the Corporation purchased a total of $4.1 million of common shares in Termoelectrica el Tesorito S.A.S. ESP (“Tesorito”), a Colombian power generation company. As at December 31, 2024, the carrying value of the Corporation’s total investment in Tesorito was $4.8 million (2023 - $5.6 million).

The Corporation held an investment in a public company, Arrow Exploration Corp. (“Arrow”), of which two of the board of directors of Arrow are also key members of the Corporation’s management.

For the year ended December 31, 2023, the Corporation had an approximately 21% equity interest in Arrow, as a result of exercising all of the 18,357,602 Arrow warrants to purchase 18,357,602 common shares of Arrow at an exercise price of C$0.15 per Arrow common share on October 13, 2023. As at December 31, 2023, the Corporation held an aggregate of 60,072,807 common shares of Arrow, and the carrying value of the equity investment in Arrow was $11.8 million.

On April 26, 2024, the Corporation sold all of its Arrow common shares at £0.185 per share for a total of $13.3 million USD, net of fees.

Other Assets

	December 31, 2024	December 31, 2023
Current		
Restricted cash	**$ 5,626**	$ 480
Prepaid expenses and deposits	**4,192**	3,485
Inventory	**419**	390
	$ 10,237	$ 4,355
Non-Current		
Prepaid expenses and deposits	**5,081**	8,873
	$ 5,081	$ 8,873

During the year ended December 31, 2023, as a result of the termination of the Medellin Project (note 5), $7.5 million of non-current prepaid expenses and deposits was expensed as impairment.

During the year ended December 31, 2024, the Corporation expensed $3.8 million of non-current prepaid expenses and deposits as two vendors filed for bankruptcy and these amounts were deemed to be unrecoverable (note 12). Despite recording the write-off, the Corporation is actively pursuing the recovery of these amounts.

NOTE 7 – LONG-TERM INCENTIVE COMPENSATION LIABILITY

	RSUs	PSUs	DSUs	Total
Balance at December 31, 2022	$ 1,434	$ 1,033	$ 219	$ 2,686
Amortized	3,523	1,402	103	5,028
Settled/Cancelled	(3,152)	(1,708)	(85)	(4,945)
Foreign exchange loss (gain)	63	4	(18)	49
Balance at December 31, 2023	$ 1,868	$ 731	$ 219	$ 2,818
Amortized	2,468	368	129	2,965
Settled/Cancelled	(2,389)	—	(7)	(2,396)
Foreign exchange gain	(122)	(74)	(23)	(219)
Balance at December 31, 2024	**$ 1,825**	**$ 1,025**	**$ 318**	**$ 3,168**

The long-term incentive compensation liability includes restricted share units (“RSUs”), performance share units (“PSUs”) and deferred share units (“DSUs”). The RSUs and PSUs are recognized as a liability and expensed on a graded vesting and cliff vesting basis, respectively, over the vesting term of each grant. The DSUs vest immediately on the grant date and are recognized as an expense. The DSUs are settled at such time the grantee ceases to be a member of the Board of Directors. Dividend share units are accrued and granted on the outstanding units on each dividend payment date. The dividend share units are amortized and settled in accordance with the units’ respective vesting periods. Stock-based compensation relating to RSUs, PSUs and DSUs was $2.5 million (2023 - $4.0 million) for the year ended December 31, 2024. The amortized long-term incentive compensation liability as at December 31, 2024 was $3.2 million (2023 - $2.8 million).

The number of outstanding RSUs, PSUs and DSUs as at December 31, 2024 were as follows:

	RSUs (000’s)	PSUs (000’s)	DSUs (000’s)	Total (000’s)
Balance at December 31, 2022	300	385	30	715
Granted	559	286	27	872
Settled	(353)	(203)	(10)	(566)
Cancelled	(25)	(49)	(5)	(79)
Balance at December 31, 2023	481	419	42	942
Granted	1,364	628	79	2,071
Settled	(695)	—	(2)	(697)
Cancelled	(15)	—	—	(15)
Balance at December 31, 2024	**1,135**	**1,047**	**119**	**2,301**

Restricted Share Units

On January 31, 2023, May 15, 2023 and June 23, 2023, the Corporation granted a total of 506,787 RSUs to its Board of Directors, officers and key employees. The RSUs vest in four equal tranches over two years on January 31 and July 31, and are expected to be settled in cash. In addition, dividend share units were granted on the dividend record dates during the year ended December 31, 2023 for all of the RSUs outstanding, totaling 51,788 units. For the year ended December 31, 2023, the Corporation settled 102,211, 26,738, 126,988 and 97,150 RSUs at a price of C$11.65, C$10.73, C$11.35, and C$12.17 per unit, respectively, for a total of $3.1 million in cash.

On September 23, 2024, the Corporation granted 1,345,666 RSU's to its Board of Directors, officers, and key employees. The RSUs vest in four equal tranches, with the first tranche vesting immediately and the remaining three tranches vesting over 1.5 years from the grant date and are expected to be settled in cash. Dividend share units were granted on January 15, 2024 for all of the RSUs outstanding, totaling 17,990 units. For the year ended December 31, 2024, the Corporation settled 694,703 RSUs at a price range between C$3.55 and C$6.29 per unit for a total of $2.3 million in cash.

Performance Share Units

On May 15, 2023, the Corporation granted 242,731 PSUs to its officers. In addition, dividend share units were granted on dividend record dates during the year ended December 31, 2023 for all of the PSUs outstanding, totaling 43,535 units. For the year ended December 31, 2023, the Corporation settled 203,191 PSUs at a price of C$10.24 per unit for a total of $1.6 million in cash.

On September 23, 2024, the Corporation granted 612,442 PSU's to its officers. The PSU's cliff vest in May 2027 and are expected to be settled in cash. Dividend share units were granted on January 15, 2024 for all of the PSUs outstanding, totaling 15,686 units.

Deferred Share Units

At the option of the Corporation, the grantee of the DSUs is entitled to receive either the Corporation's common shares upon vesting of such units, a cash payment equal to the value of the underlying common shares, or a combination thereof.

During the year ended December 31, 2023, the Corporation granted a total of 22,665 DSUs to its Board of Directors. In addition, dividend share units were granted on dividend record dates during the year ended December 31, 2023 for all of the DSUs outstanding, totaling 3,918 units. For the year ended December 31, 2023, the Corporation settled 10,189 DSUs at a price of C$11.31 per unit for a total of $0.1 million in cash.

On September 23, 2024, the Corporation granted a total of 77,865 DSU's to its Board of Directors. Dividend share units were granted on January 15, 2024 for all of the DSUs outstanding, totaling 1,559 units. For the year ended December 31, 2024, the Corporation settled 2,285 DSU's at a price of C$4.31 per unit.

NOTE 8 – EQUITY

Share Capital

	Number (000's)		Amount
Balance at December 31, 2022 and 2023	34,111	$	146,142
Issued on exercise of stock options	9		21
Transfer from other reserves for stock options exercised	—		6
Balance at December 31, 2024	**34,120**	**$**	**146,169**

Stock Options

The number and weighted-average exercise prices of stock options are as follows:

	Number	Weighted-Average Exercise Price
	(000's)	(C$)
Balance at December 31, 2022	1,248	21.65
Forfeited and cancelled	(461)	21.50
Balance at December 31, 2023	787	21.76
Granted	790	5.75
Exercised	(9)	3.49
Forfeited, cancelled, and expired	(463)	20.14
Balance at December 31, 2024	**1,105**	**11.14**

Information with respect to stock options outstanding as at December 31, 2024 is presented below.

Stock Options Outstanding				Stock Options Exercisable	
Range of Exercise Prices	Number of Stock Options	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number of Stock Options	Weighted-Average Exercise Price
(C$)	(000's)	(years)	(C$)	(000's)	(C$)
$3.03 - $6.10	720	4.2	5.75	242	5.81
$6.11 - $21.20	385	0.1	21.20	385	21.20
	1,105	**2.8**	**11.14**	**627**	**15.26**

Stock-based compensation of $0.7 million (2023 - $ nil) was expensed during the year ended December 31, 2024.

The fair value of the stock options granted was estimated using the Black-Scholes option pricing model with the inputs below. A forfeiture rate of 8% was used when recording stock-based compensation for the year ended December 31, 2024.

At December 31,	2024
Weighted-average fair value at grant date (C$)	1.42
Share price at grant date (C$)	4.21
Exercise price (C$)	4.21
Volatility	39 %
Option life	5 years
Dividend yield	— %
Risk-free interest rate	3.21 %

NOTE 9 – LONG-TERM DEBT

	Senior Notes	RCF	Term Loan	Bridge Loan	Colombia Bank Debt	Total
Balance at December 31, 2022	$ 463,170	$ —	$ —	$ 23,259	$ 10,020	$ 496,449
Draw on long-term debt, net of fees	—	222,151	—	—	—	222,151
Repayment of long-term debt	—	(30,000)	—	(25,000)	(9,930)	(64,930)
Amortization of transaction costs	6,042	1,637	—	1,741	—	9,420
Foreign exchange gain	—	—	—	—	(90)	(90)
Balance at December 31, 2023	$ 469,212	$ 193,788	$ —	$ —	$ —	$ 663,000
Draw on long-term debt, net of fees	—	—	45,093	—	—	45,093
Value of warrants, net of fees	—	—	(1,418)	—	—	(1,418)
Amortization of discount	—	—	296	—	—	296
Amortization of transaction costs	6,137	1,962	858	—	—	8,957
Balance at December 31, 2024	**$ 475,349**	**$ 195,750**	**$ 44,829**	**$ —**	**$ —**	**$ 715,928**

	Senior Notes	RCF	Term Loan	Bridge Loan	Colombia Bank Debt	Total
Long-term debt - current	$ —	$ —	$ 12,500	$ —	$ —	$ 12,500
Long-term debt - non-current	475,349	195,750	32,329	—	—	703,428
Balance at December 31, 2024	**$ 475,349**	**$ 195,750**	**$ 44,829**	**$ —**	**$ —**	**$ 715,928**

Senior Notes

On November 24, 2021, the Corporation completed a private offering of senior unsecured notes in the aggregate principal amount of $500 million ("Senior Notes"). The Senior Notes pay interest semi-annually at a fixed rate of 5.75% per annum, and mature in 2028 unless earlier redeemed or repurchased in accordance with their terms. The Senior Notes are fully and unconditionally guaranteed by certain subsidiaries of Canacol.

Revolving Credit Facility

On February 17, 2023, the Corporation entered into a $200 million senior unsecured revolving credit facility ("RCF") with a syndicate of banks. The RCF bears an annual interest rate of SOFR + 4.5%, has a four-year term, and the Corporation is able to repay/redraw the RCF at any time within the term without penalty. Any undrawn amounts are subject to a commitment fee equal to 30% of the 4.50% interest margin throughout the availability period. The RCF is not subject to typical periodic redeterminations. The amount drawn and outstanding as at December 31, 2024 was $200 million.

Bridge Loan

On February 17, 2023, the Corporation repaid the $25 million outstanding on the Bridge Loan with proceeds from the RCF (see "Revolving Credit Facility" above) and subsequently terminated the loan agreement. The unamortized transaction costs of $1.7 million was amortized and capitalized to PP&E upon termination of the loan agreement.

Colombia Bank Debt

On February 17, 2023, the Corporation repaid the $9.9 million outstanding on the Colombia Bank Debt with proceeds from the RCF (see "Revolving Credit Facility" above) and subsequently terminated the loan agreement.

Senior Term Loan Facility

On September 3, 2024, the Corporation entered into a $75 million senior secured term loan facility (the "Term Loan") with Macquarie Group ("Macquarie"). The initial draw was $50 million, with a further commitment of $25 million available for a 12-month period should certain production metrics be met. The Term Loan bears an

annual interest rate of SOFR + 8.0% on drawn amounts and 2.4% on undrawn amounts. The Term Loan is set to amortize over four equal quarterly installments starting on December 3, 2025. No prepayments may be made during the first 12 months. The Term Loan is secured by all material assets of the Corporation.

In connection with the Term Loan, 1,888,448 common share purchase warrants (the "Warrants") were issued to Macquarie, with each Warrant entitling Macquarie to purchase one common share of the Corporation at an exercise price equal to the five-day volume weighted average trading price of the common shares ending on September 3, 2024. The Warrants will expire three years after the date of issuance. The Warrants were valued at $1.6 million ($1.4 million net of fees) and were recognized under Other Reserves as at December 31, 2024.

The fair value of the Warrants was estimated using the Black-Scholes option pricing model with the inputs below.

At September 3, 2024	
Fair value of warrants at grant date (C$)	1.13
Exercise price (C$)	3.80
Warrant life	3 years
Volatility	41 %
Dividend yield	— %
Risk-free interest rate	3.16 %

Net Carrying Value

	Senior Notes	RCF	Term Loan	Total
Long-term debt - principal	$ 500,000	$ 200,000	$ 50,000	$ 750,000
Unamortized discount	—	—	(1,276)	(1,276)
Unamortized transaction costs	(24,651)	(4,250)	(3,895)	(32,796)
Balance at December 31, 2024	**$ 475,349**	**$ 195,750**	**$ 44,829**	**$ 715,928**

As at December 31, 2024, unamortized transaction costs were netted against the Senior Notes, RCF and Term Loan principal amounts. Unamortized discount, which is the value of the Warrants recognized at inception net of cumulative amortization, was also netted against the Term Loan principal amount. The unamortized transaction costs and unamortized discount are amortized at each reporting date using the effective interest method.

The Corporation's Senior Notes, RCF, and Term Loan include various covenants relating to maximum leverage, minimum interest coverage, minimum liquidity requirements, minimum reserves value, indebtedness, operations, investments, assets sales, capital expenditures and other standard operating business covenants.

The Corporation's financial covenants include:

a) Consolidated Leverage Ratio: a maximum consolidated total debt, less cash and cash equivalents, to 12-month trailing adjusted EBITDAX ratio of 3.25 : 1.00 (incurrence) or 3.50 : 1:00 (maintenance);

b) Consolidated Interest Coverage Ratio: a minimum 12-month trailing adjusted EBITDAX, to 12-month trailing interest expense, excluding non-cash expenses ratio of 2.50 : 1.00;

c) Consolidated Current Ratio: a minimum adjusted current assets, to adjusted current liabilities ratio of 1.00 : 1.00; and

d) Consolidated Asset Coverage Ratio: a minimum aggregate net present value of proved developed producing reserves before tax (discounted at 10%) as at the most recent reserves report date, to the principal drawn and outstanding on the Term Loan ratio of 2.50 to 1.00.

The Corporation was in compliance with its covenants as at December 31, 2024.

NOTE 10 – DECOMMISSIONING LIABILITIES

Balance at December 31, 2022		23,976
Accretion		2,942
Additions		1,909
Settlements		(217)
Change in estimates		1,511
Balance at December 31, 2023		30,121
Accretion		3,114
Additions		2,017
Settlements		(1,695)
Dispositions		1,107
Change in estimates		(11,880)
Balance at December 31, 2024	**$**	**22,784**

The Corporation's decommissioning obligations result from its ownership interests in natural gas and petroleum assets, including well sites, facilities and gathering systems. The total decommissioning obligations are estimated based on the Corporation's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The Corporation estimated the present value of the decommissioning obligations to be $22.8 million as at December 31, 2024 (2023 - $30.1 million) based on an undiscounted total future liability of $52.9 million (2023 - $47.3 million). These payments are expected to be made over the next 12 years. The average discount factor, being the risk-free rate related to the liability was 12% (2023 - 10%) and the average consumer price index was 1.80 (2023 - 1.86).

NOTE 11 – LEASE OBLIGATIONS

		Compression Stations		Other		Total
Balance at December 31, 2022	$	13,744	$	1,988	$	15,732
Additions		—		768		768
Settlements		(2,350)		(761)		(3,111)
De-recognitions		—		(43)		(43)
Foreign exchange loss		—		89		89
Balance at December 31, 2023	$	11,394	$	2,041	$	13,435
Additions		—		3,439		3,439
Settlements		(2,538)		(1,892)		(4,430)
Derecognition		—		(3)		(3)
Foreign exchange gain		—		(128)		(128)
Balance at December 31, 2024	**$**	**8,856**	**$**	**3,457**	**$**	**12,313**
Lease obligations - current	$	2,736	$	1,743	$	4,479
Lease obligations - non-current		6,120		1,714		7,834
Balance at December 31, 2024	**$**	**8,856**	**$**	**3,457**	**$**	**12,313**

The Corporation applies certain IFRS 16 exemptions to not recognize low-value assets and short-term lease arrangements as leases. Lease arrangements with variable payments are also excluded from being recognized as a lease obligation and right-of-use asset. Such payments are recognized on the consolidated statements of operations or capitalized as PP&E. The payments related to short-term lease arrangements and low-value assets are recognized as operating expenses on the consolidated statements of operations. The variable lease payments related to pipeline usage are recognized as transportation expenses on the consolidated statements of operations. In addition, variable lease payments related to a drilling rig contract are capitalized.

Lease payments related to short-term, low-value or variable lease arrangements are summarized as follows:

Year ended December 31,	2024	2023
Low-value right-of-use assets	**$ 154**	$ 183
Short-term lease arrangements	**98**	60
Variable lease payments	**12,593**	26,363
Total lease payments	**$ 12,845**	$ 26,606

Future lease payments related to short-term, low-value or variable lease arrangements as at December 31, 2024 are as follows:

	Less than 1 year	1-3 years	Thereafter	Total
Future lease payments	$ 20,761	$ —	$ —	$ 20,761

NOTE 12 – OTHER EXPENSES (INCOME)

Year ended December 31,	Note	2024	2023
Pre-license costs		**920**	1,203
Other expenses (income)		**(1,826)**	812
Commitment fees		**13,949**	11,289
Promigas settlement gain		**(14,215)**	—
Other tax expense		**5,097**	4,910
Equity investment (income) loss	6	**2,976**	(2,806)
Write-off of deposit	6	**3,825**	—
Realized gain on investments	6	**(4,473)**	—
Loss on financial instruments	6	**740**	(1,152)
		$ 6,993	$ 14,256

The Corporation was in arbitration with Promigas S.A. ("Promigas"), a natural gas transportation company in Colombia, regarding a dispute in the amount of transportation costs charged. During the year ended December 31, 2024, the arbitration tribunal ruled in the Corporation's favor and ordered Promigas to reimburse Canacol for the amount overcharged plus interest, totaling $14.2 million (the "Settlement"). The Settlement was recorded as other income and was collected in full on November 6, 2024.

NOTE 13 – FINANCE INCOME AND EXPENSE

Year ended December 31,	2024	2023
Finance income		
Interest income	**$ 1,461**	$ 2,930
Finance expense		
Accretion on decommissioning obligations	**3,114**	2,942
Amortization of upfront transaction costs	**8,957**	9,193
Amortization of discount	**297**	—
Interest expense on lease obligations	**900**	781
Interest and other financing costs	**57,168**	46,071
	70,436	58,987
Net finance expense	**$ 68,975**	$ 56,057

NOTE 14 – NET (LOSS) INCOME PER SHARE

Basic and diluted net (loss) income per share is calculated as follows:

Year ended December 31,	2024	2023
Net (loss) income	$ (32,732)	$ 86,237
Weighted-average common shares outstanding:		
Weighted-average common shares outstanding, basic and diluted	34,112	34,111
Net income (loss) per share:		
Basic and diluted	$ (0.96)	$ 2.53

The stock options were anti-dilutive for the year ended December 31, 2024 and 2023.

NOTE 15 – INCOME TAXES

Year ended December 31,	2024	2023
Net income before taxes	$ 122,054	$ 60,934
Statutory rates	23%	23%
Expected income taxes	$ 28,072	$ 14,015
Effect on taxes resulting from:		
Non-deductible permanent differences and other	$ 26,632	$ 75,623
Tax differential on foreign jurisdictions	19,160	(38,576)
Change in unrecognized tax benefit	4,051	38,720
Provision to filing true-up	1,872	6,918
Change in enacted tax rate	23	(1,677)
Foreign exchange	74,976	(120,326)
Provision for income tax expense (recovery)	$ 154,786	$ (25,303)
Current tax expense	$ 77,540	$ 78,330
Deferred tax expense (recovery)	77,246	(103,633)
Provision for income tax expense (recovery)	$ 154,786	$ (25,303)

The net deferred tax asset is comprised of:

Year ended December 31,	2024	2023
Property, plant and equipment	$ 144,537	$ 214,971
Losses carried forward	21,394	26,699
Decommissioning liabilities and other provisions	10,724	13,391
Timing differences on revenue and expense recognition and other	1,419	259
Net deferred tax asset	$ 178,074	$ 255,320

The Colombian enacted tax rate is 35% for 2023 and 2024. In addition, taxable income generated from business relating to crude oil was subject to an additional 10% surtax.

For the year ended December 31, 2023, the Corporation recognized a deferred tax recovery of $103.6 million, mainly as a result of a $120.3 million recovery due to the foreign exchange impact on the Corporation's unused tax losses and capital pools.

For the year ended December 31, 2024, the Corporation recognized a deferred tax expense of $77.2 million, mainly as a result of a $75.0 million expense due to the foreign exchange impact on the Corporation's unused tax losses and capital pools.

As at December 31, 2024, the Corporation had non-capital losses carried forward of approximately $54.6 million (2023 - $63.1 million) available to reduce future years taxable income. As at December 31, 2024 , the Corporation had deferred income tax assets of $102.8 million (2023 - $102.9 million) related to Canada and Colombia that were not recognized in the financial statements due to uncertainties associated with its ability to utilize these balances in the future.

NOTE 16 – OTHER CASH FLOW ACTIVITIES

Other Investing Activities

Year ended December 31,	2024	2023
Sub-lease receipts and finance income	$ —	$ 33
Change in restricted cash	(5,146)	(480)
Change in non-current prepaid expenses and deposits	(33)	4,554
	$ (5,179)	$ 4,107

Change in Non-Cash Working Capital

Year ended December 31,	2024	2023
Change in:		
Trade and other receivables	$ 5,109	$ (28,184)
Prepaid expenses and deposits	(1,469)	(408)
Tax installments and receivables	(7,029)	(9,638)
Crude oil inventory	(30)	(36)
Trade and other payables	(17,327)	35,231
Deferred income	11,893	(4,599)
Taxes payable	(18,816)	(36,108)
	$ (27,669)	$ (43,742)
Attributable to:		
Operating activities	$ (39,639)	$ (50,731)
Investing activities	11,970	6,989
	$ (27,669)	$ (43,742)

NOTE 17 – SUPPLEMENTAL INFORMATION

Total Revenues, Net of Royalties

Year ended December 31,	2024	2023
Natural gas and LNG revenues, net of royalties	$ 357,210	$ 303,093
Crude oil revenue, net of royalties	14,503	8,773
Power generation standby revenue	3,080	3,050
Take-or-pay natural gas income	1,123	887
	$ 375,916	$ 315,803

Natural gas and crude oil royalties incurred were allocated as follows:

Year ended December 31,		2024		2023
Natural gas royalties	$	65,603	$	59,225
Crude oil royalties		487		587
	$	66,090	$	59,812

Major Customers

Major customers are customers which represent more than 10% of total revenue for a given period. For the year ended December 31, 2024, three major customers represented 13%, 12%, and 12% (2023 - four major customers represented 34%, 13%, 11%, and 11%) of total revenues in the year, respectively.

Take-or-pay Natural Gas Income

For the year ended December 31, 2024, the Corporation realized take-or-pay natural gas income of $1.1 million (2023 - $0.9 million) relating to the portion of natural gas sales nominations by the Corporation's off-takers that did not get delivered, due to the off-takers' inability to accept such gas, and for which the off-takers have no recourse or legal right to delivery at a later date.

Deferred Income

Deferred income as at December 31, 2024 was $18.5 million (2023 - $6.6 million), which was related to undelivered natural gas nominations that were paid for or accrued in accounts receivable, for which the off-takers have a legal right to take delivery at a later date, at which point they will be recognized as revenue. Should the off-takers not accept delivery within the allotted period, the Corporation will recognize the corresponding nominations as take-or-pay income as explained in "Take-or-pay Natural Gas Income" above.

Power Generation Standby Revenue

During the year ended December 31, 2024, the Corporation realized standby revenue of $3.1 million (2023 - $3.1 million) for its commitment to supply natural gas for the Tesorito power generation plant. The standby revenue is earned on a daily basis, regardless of whether natural gas is actually delivered.

Income Taxes and Interest Cash Payments

Cash payments of income taxes and interest were as follows:

Year ended December 31,		2024		2023
Income tax payments and installments	$	73,556	$	113,402
Withholding tax	$	11,976	$	8,953
Interest paid	$	51,545	$	41,222

NOTE 18 – KEY MANAGEMENT PERSONNEL

The Corporation has determined that the key management personnel of the Corporation consists of its executive management and its Board of Directors. In addition to the salaries and fees paid to key management personnel, the Corporation also provides long-term incentive compensation, including RSUs, PSUs and DSUs. Compensation expenses paid to key management personnel were as follows:

Year ended December 31,	**2024**	2023
Salaries, bonuses and director fees	**$ 5,946**	$ 5,412
Severance	**—**	946
Benefits	**511**	644
Long-term incentive compensation(1)	**1,805**	3,167
Key management personnel compensation	**$ 8,262**	$ 10,169

(1) The long-term incentive compensation includes RSUs, PSUs and DSUs amortized as stock-based compensation expense for the years ended December 31, 2024 and 2023.

NOTE 19 – SIGNIFICANT SUBSIDIARIES

The Corporation has the following significant subsidiaries:

	Country of Incorporation	**Fiscal year end**	**Ownership Interest December 31, 2024**	**Ownership Interest December 31, 2023**
Canacol Energy ULC.	Canada	December 31	100%	100%
CNEOG Colombia	Colombia	December 31	100%	100%
CNE Oil & Gas S.A.S	Colombia	December 31	100%	100%
Canacol Energy Colombia S.A.S.	Colombia	December 31	100%	100%

NOTE 20 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, restricted cash, trade and other receivables, and trade and other payables approximate their fair values at December 31, 2024. The long-term incentive compensation liability and Tesorito Investment are recorded at fair value. Long-term debt, which includes Senior Notes, the RCF, and the Term Loan are carried at amortized cost. As at December 31, 2024, the fair value of Senior Notes, the RCF, and the Term Loan was $280.1 million, $200 million, and $48.5 million, respectively.

The Corporation classifies the fair value of financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Corporation's financial instruments were assessed on the fair value hierarchy described above. The Corporation's long-term incentive compensation liability was classified as Level 1, and the Tesorito Investment

was classified as Level 3 as at December 31, 2024. There has been no reclassification of financial instruments into or out of each fair value hierarchy during the year ended December 31, 2024. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy level.

Market Risk

Market risk is the risk that changes in market factors, such as commodity prices, foreign exchange rates, and interest rates will affect the Corporation's cash flows, profit or loss, liquidity or the value of financial instruments. The objective of market risk management is to mitigate market risk exposures where considered appropriate and to maximize returns.

(i) Commodity Price Risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in commodity prices. Lower commodity prices can also impact the Corporation's ability to raise capital. The majority of Canacol's production volume is subject to long-term fixed price contracts, which limits the Corporation's exposure to commodity price risk. The Corporation had no commodity contracts in place as at or during the year ended December 31, 2024.

(ii) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates. The Corporation is exposed to foreign currency fluctuations as certain expenditures, liabilities and the Corporation's unused tax losses and capital pools, are denominated in Colombian Peso ("COP") and Canadian dollars ("CAD"), which are re-valued at each reporting period.

As at December 31, 2024, the COP to USD exchange rate was 4,409:1 (December 31, 2023 – 3,822:1) and the CAD to USD exchange rate was 1.44:1 (December 31, 2023 – 1.32:1). The Corporation's revenues are not exposed to foreign currency risk as all of Canacol's natural gas sales contracts are denominated in USD. The Corporation had no foreign exchange contracts in place as at or during the year ended December 31, 2024.

(iii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates to the extent that variable interest rate debt instruments are drawn. The majority of the Corporation's interest bearing debt, being the Senior Notes, is subject to a fixed interest rate which limits the Corporation's exposure to interest rate risk. The Corporation's RCF and Term Loan are subject to variable interest rates. The remainder of the Corporation's financial assets and liabilities are not exposed to interest rate risk. The Corporation had no interest rate contracts in place as at or during the year ended December 31, 2024.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation's approach to managing liquidity is to ensure, within reasonable means, sufficient liquidity to meet its liabilities when due, under both normal and unusual conditions, without incurring unacceptable losses or jeopardizing the Corporation's business objectives. The Corporation prepares an annual budget which is monitored regularly and updated as considered necessary. Natural gas, LNG and crude oil production is monitored daily to provide current cash flow estimates and the Corporation utilizes authorizations for expenditures on projects to manage capital expenditures.

The following table outlines the contractual maturities of the Corporation's financial liabilities as at December 31, 2024:

	Less than 1 year	1-2 years	Thereafter	Total
Long-term debt – principal	$ 12,500	$ 37,500	$ 700,000	$ 750,000
Lease obligations – undiscounted	5,201	4,448	3,558	13,207
Trade and other payables	87,368	—	—	87,368
Taxes payable	20,573	—	—	20,573
Other long term obligations	—	6,435	—	6,435
Long-term incentive compensation liability	1,830	1,338	—	3,168
	$ 127,472	**$ 49,721**	**$ 703,558**	**$ 880,751**

Credit Risk

Credit risk reflects the risk of loss if counterparties do not fulfill their contractual obligations. To date, the Corporation has not experienced any material credit losses in the collection of its trade receivables.

The Corporation's trade receivables primarily relate to sales of natural gas and crude oil, which are normally collected within 45 days of the month of production. The Corporation has historically not experienced any collection issues with its customers, however, as at December 31, 2024, the Corporation has invoices from a certain customer totaling $19.6 million that have become past due. The Corporation expects to be able to collect the total outstanding balance in full and is confident in its legal position in respect of the dispute with that certain customer (note 21 - contingencies).

As at December 31, 2024, trade and other receivables was comprised of a) $65.8 million (December 31, 2023 - $79.4 million) of trade receivables, b) $8.2 million related to the recovery of transportation costs passed-through to customers (December 31, 2023 - $13.6 million), and c) $12.9 million of other receivables (December 31, 2023 - $4.8 million).

Capital Management

The Corporation monitors leverage and adjusts its capital structure based on its net debt level. Net debt is defined as the principal amount of its outstanding long-term obligations less working capital, which is defined as current assets less current liabilities, adjusted for the current portion of long-term debt. In order to facilitate the management of its net debt, the Corporation prepares annual budgets, which are updated as necessary depending on varying factors including current and forecast commodity prices, changes in capital structure, execution of the Corporation's business plan and general industry conditions. The annual budget is approved by the Board of Directors and updates are prepared and reviewed as required.

	Note	December 31, 2024	December 31, 2023
Senior Notes - principal (5.75%)	9	**500,000**	$ 500,000
RCF (SOFR + 4.5%)[1]	9	**200,000**	200,000
Term Loan (SOFR + 8%)[1]	9	**50,000**	—
Lease obligation	10	**12,313**	13,435
Total debt		**762,313**	713,435
Working capital deficit (surplus)		**(45,524)**	10,028
Net debt		**$ 716,789**	$ 723,463

(1) The SOFR rate for the year ended December 31, 2024 was 5.05%.

NOTE 21 – COMMITMENTS AND CONTINGENCIES

Presented below are the Corporation's contractual commitments as at December 31, 2024:

	Less than 1 year	1-3 years	Thereafter	Total
Exploration and production contracts	$ 3,977	$ 26,140	$ 1,758	$ 31,875
Compression station operating contracts	2,824	5,696	124	8,644
	$ 6,801	**$ 31,836**	**$ 1,882**	**$ 40,519**

Letters of Credit

As at December 31, 2024, the Corporation had letters of credit outstanding totaling $66.9 million (December 31, 2023 - $87.5 million) to guarantee work commitments on exploration blocks and to guarantee other contractual commitments.

Exploration and Production Contracts

The Corporation has entered into a number of exploration contracts in Colombia which require the Corporation to fulfill work program commitments and issue financial guarantees related thereto. In aggregate, the Corporation has outstanding exploration commitments at December 31, 2024 of $31.9 million and has issued $13.8 million of the total $66.9 million in financial guarantees related thereto.

Contingencies

The Corporation's policy is to record contingent liabilities as they become determinable and the probability of loss is more likely than not. Commencing the second week of August 2023, the Corporation experienced unusual and unexpected production capacity restrictions at some of its gas fields as a result of issues at the Jobo gas treatment facility as well as certain of its producing wells (the "Force Majeure"). As a result of the Force Majeure, the Corporation had to restrict gas deliveries under certain supply contracts dedicated to supplying non-essential gas demand, all in accordance with applicable Colombian regulations and in consultation with the relevant authorities. A certain customer disagrees with the Corporation's assessment of Force Majeure and claims that the Corporation is liable for the natural gas that was not delivered under take-or-pay contract during that period, totaling $12 million, and has withheld payment of regular natural gas sales invoices totaling $19.6 million of gas deliveries as at December 31, 2024 (note 20 - credit risk). The Corporation anticipates entering an arbitration with this customer. In Canacol's view, the certain customer's claim is without merit. The ultimate outcome of the potential arbitration cannot be determined at this time, however, the Corporation is confident in its legal position and expects to be able to collect the $19.6 million of receivable in full.