CANACOL ENERGY LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024

FINANCIAL & OPERATING HIGHLIGHTS

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

Financial	Three months ended December 31,			Year ended December 31,		
	2024	2023	Change	**2024**	2023	Change
Total revenues, net of royalties and transportation expense[(1)]	**98,339**	79,718	23%	**352,252**	304,854	16%
Adjusted funds from operations[(1)]	**52,119**	30,958	68%	**209,375**	146,287	43%
Per share – basic ($)[(1)]	**1.53**	0.91	68%	**6.14**	4.29	43%
Per share – diluted ($)[(1)]	**1.53**	0.91	68%	**6.07**	4.29	41%
Net (loss) income and comprehensive (loss) income	**(25,434)**	29,897	n/a	**(32,732)**	86,237	n/a
Per share – basic ($)	**(0.75)**	0.88	n/a	**(0.96)**	2.53	n/a
Per share – diluted ($)	**(0.75)**	0.88	n/a	**(0.96)**	2.53	n/a
Cash flows provided by operating activities	**42,428**	22,571	88%	**168,041**	95,339	76%
Per share – basic ($)[(1)]	**1.24**	0.66	88%	**4.93**	2.79	77%
Per share – diluted ($)[(1)]	**1.24**	0.66	88%	**4.87**	2.79	75%
Adjusted EBITDAX[(1)]	**76,054**	53,144	43%	**296,126**	236,829	25%
Weighted average shares outstanding – basic	**34,115**	34,111	—%	**34,112**	34,111	—%
Weighted average shares outstanding – diluted	**34,115**	34,111	—%	**34,483**	34,111	1%
Net cash capital expenditures[(1)]	**28,634**	72,246	(60%)	**122,293**	215,184	(43%)
				December 31, 2024	December 31, 2023	Change
Cash and cash equivalents				**79,201**	39,425	101%
Working capital surplus (deficit)				**45,524**	(10,028)	n/a
Total debt				**762,313**	713,435	7%
Total assets				**1,215,777**	1,233,428	(1%)
Common shares, end of period (000's)				**34,120**	34,111	—%

Operating	Three months ended December 31,			Year ended December 31,		
	2024	2023	Change	**2024**	2023	Change
Production						
Natural gas and LNG (Mcfpd)	**161,360**	168,127	(4%)	**160,664**	181,277	(11%)
Colombia oil (bopd)	**933**	627	49%	**1,411**	563	151%
Total (boepd)	**29,242**	30,123	(3%)	**29,598**	32,366	(9%)
Realized contractual sales						
Natural gas and LNG (Mcfpd)	**158,033**	164,840	(4%)	**156,702**	178,293	(12%)
Colombia oil (bopd)	**947**	590	61%	**1,402**	553	154%
Total (boepd)	**28,672**	29,509	(3%)	**28,894**	31,833	(9%)
Operating netbacks[(1)]						
Natural gas and LNG ($/Mcf)	**6.12**	4.39	39%	**5.41**	4.11	32%
Colombia oil ($/bbl)	**11.54**	13.29	(13%)	**19.14**	20.77	(8%)
Corporate ($/boe)	**34.18**	24.82	38%	**30.28**	23.39	29%

(1) Non-IFRS measures – see "Non-IFRS Measures" section within this MD&A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 (the "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.

Advisories

The following management's discussion and analysis ("MD&A") is dated March 19, 2025 and is the Corporation's explanation of its financial performance for the period covered by the audited consolidated financial statements for the years ended December 31, 2024 and 2023 ("the financial statements"), along with an analysis of the Corporation's financial position. Comments relate to and should be read in conjunction with the financial statements. The financial statements were prepared by management in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), and all amounts herein are expressed in United States dollars ("USD"), unless otherwise noted, and all tabular amounts are expressed in thousands of USD, except per share amounts or as otherwise noted. Additional information for the Corporation, including the Annual Information Form, may be found on SEDAR+ at www.sedarplus.ca.

Forward-Looking Statements – *Certain information set forth in this document contains forward-looking statements. All statements other than historical facts contained herein are forward-looking statements, including, without limitation, statements regarding the future financial position, business strategy, production rates, and plans and objectives of or involving the Corporation. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Corporation's control, including the impact of general economic conditions, industry conditions, governmental regulation, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and the ability to access sufficient capital from internal and external sources. In particular, with respect to forward-looking comments in this MD&A, readers are cautioned that there can be no assurance that the Corporation will complete its planned capital projects on schedule, or that natural gas and petroleum production will result from such capital projects, or that additional natural gas sales contracts will be secured, or that hydrocarbon-based royalties assessed will remain consistent, or that royalties will continue to be applied on a sliding-scale basis as production increases on any one block, or that there will be no penalties on the termination of the Medellin gas sales contract. The Corporation's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits the Corporation will derive therefrom.*

In addition to historical information, this MD&A contains forward-looking statements that are generally identifiable as any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events of performance (often, but not always, through the use of words or phrases such as "will likely result," "expected," "is anticipated," "believes," "estimated," "intends," "plans," "projection" and "outlook"). These statements are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in such forward-looking statements. Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. Such factors include, but are not limited to: general economic, market and business conditions; fluctuations in natural gas, LNG and oil prices; the results of exploration and development drilling and related activities; fluctuations in foreign currency exchange rates; the uncertainty of reserve estimates; changes in environmental and other regulations; and risks associated with natural gas and oil operations, many of which are beyond the control of the Corporation and are subject to a high degree of uncertainty. Accordingly, there is no representation by the Corporation that actual results achieved during the forecast period will be the same in whole or in part as those forecasted. Except to the extent required by law, the Corporation assumes no obligation to publicly update or revise any forward-looking statements made in this MD&A or otherwise, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements, whether written or oral, attributable to the Corporation or persons acting on the Corporation's behalf, are qualified in their entirety by these cautionary statements.

Readers are further cautioned not to place undue reliance on any forward-looking information or statements.

Non-IFRS Measures – *Some of the benchmarks the Corporation uses to evaluate its performance are adjusted funds from operations, adjusted EBITDAX, and net cash capital expenditures, which are measures not defined in IFRS Accounting Standards. Adjusted funds from operations represents cash flow provided by operating activities before the settlement of decommissioning obligations and changes in non-cash working capital, adjusted for non-recurring charges. Adjusted EBITDAX is calculated on a rolling 12-month basis and is defined as net income (loss) and comprehensive income (loss) adjusted for interest, income taxes, depreciation, depletion, amortization, pre-license costs and other similar non-recurring or non-cash charges. Net cash capital expenditures represents capital expenditures net of dispositions, excluding non-cash costs and adjustments such as the addition of right-of-use leased assets and change in decommissioning obligations. The Corporation considers these measures as key measures to demonstrate its ability to generate the cash flow necessary to fund future growth through capital investment, pay dividend and repay its debt. These measures should not be considered as an alternative to, or more meaningful than, cash provided by operating activities, or net income (loss) and comprehensive income (loss), or capital expenditures as determined in accordance with IFRS Accounting Standards as an indicator of the Corporation's performance. The Corporation's determination of these measures may not be comparable to that reported by other companies.*

The Corporation also presents adjusted funds from operations per share, whereby per share amounts are calculated using the weighted-average shares outstanding consistent with the calculation of net income (loss) and comprehensive income (loss) per share.

The following table reconciles the Corporation's cash provided by operating activities to adjusted funds from operations:

	Three months ended December 31,		Year ended December 31,	
	2024	2023	**2024**	2023
Cash flows provided (used) by operating activities	**$ 42,428**	$ 22,571	**$ 168,041**	$ 95,339
Changes in non-cash working capital	**8,897**	8,387	**39,639**	50,731
Settlement of decommissioning obligations	**794**	—	**1,695**	217
Adjusted funds from operations	**$ 52,119**	$ 30,958	**$ 209,375**	$ 146,287

The following table reconciles the Corporation's net income (loss) and comprehensive income (loss) to adjusted EBITDAX:

	2024				
	Q1	**Q2**	**Q3**	**Q4**	**Rolling**
Net income (loss) and comprehensive income (loss)	$ 3,654	$ (21,298)	$ 10,346	$ (25,434)	$ (32,732)
(+) Interest expense	13,721	14,270	15,395	14,682	58,068
(+) Income tax expense	17,718	53,789	31,473	51,806	154,786
(+) Amortization of debt fees	2,009	2,014	2,175	2,759	8,957
(+) Depletion and depreciation	19,026	19,433	20,254	23,071	81,784
(+) Exploration impairment	—	—	—	2,252	2,252
(+) Pre-license costs	189	185	109	437	920
(+) Unrealized foreign exchange loss (gain)	561	(550)	2,825	4,073	6,909
(+/-) Other non-cash or non-recurring items(1)	4,163	5,344	3,267	2,408	15,182
Adjusted EBITDAX	**$ 61,041**	**$ 73,187**	**$ 85,844**	**$ 76,054**	**$ 296,126**

(1) Primarily comprised of equity investment income, stock based compensation expense, accretion expense, and write-off of deposits.

	2023				
	Q1	**Q2**	**Q3**	**Q4**	**Rolling**
Net income (loss) and comprehensive income (loss)	$ 16,874	$ 39,990	$ (524)	$ 29,897	$ 86,237
(+) Interest expense	9,671	12,182	12,001	12,998	46,852
(+) Income tax expense (recovery)	8,869	(14,500)	(5,596)	(14,076)	(25,303)
(+) Amortization of debt fees	3,159	1,997	2,016	2,021	9,193
(+) Depletion and depreciation	18,971	19,249	17,619	20,086	75,925
(+) Impairment of long lived assets	—	—	32,604	2,750	35,354
(+) Pre-license costs	408	198	270	327	1,203
(+) Unrealized foreign exchange loss (gain)	1,745	245	1,354	(2,316)	1,028
(+/-) Other non-cash or non-recurring items(1)	1,231	1,293	2,359	1,457	6,340
Adjusted EBITDAX	**$ 60,928**	**$ 60,654**	**$ 62,103**	**$ 53,144**	**$ 236,829**

(1) Primarily comprised of equity investment income, stock based compensation expense, accretion expense, and write-off of deposits.

In addition to the above, management uses the operating netback measure. Operating netback is a benchmark common in the oil and gas industry and is calculated as revenue, net of transportation expense, less royalties, less operating expenses, calculated on a per unit basis of sales volumes. Operating netback is an important measure in evaluating operational performance as it demonstrates profitability relative to current commodity prices.

Operating netback as presented does not have any standardized meaning prescribed by IFRS Accounting Standards and therefore may not be comparable with the calculation of similar measures for other entities.

The term "boe" is used in this MD&A. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of cubic feet of natural gas to barrels of oil equivalent is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In this MD&A, boe is expressed using the Colombian conversion standard of 5.7 Mcf: 1 bbl required by the Ministry of Mines and Energy of Colombia. Natural gas and LNG volumes per day are expressed in thousand cubic feet per day ("Mcfpd") or million cubic feet per day ("MMcfpd") throughout this MD&A.

Annual 2024 Reserves Highlights

- Conventional natural gas and crude oil proved plus probable reserves and deemed volumes ("2P") before tax NPV-10 increased 21% to $2.6 billion at December 31, 2024, compared to $2.1 billion at December 31, 2023.
- 2P after tax NPV-10 increased 13% to $2.0 billion at December 31, 2024, compared to $1.8 billion at December 31, 2023.
- The Corporation's 2P reserves decreased 1% since December 31, 2023, totaling 599 billion cubic feet equivalent ("Bcfe") at December 31, 2024.
- The Corporation achieved a 1P and 2P reserves life index ("RLI") of 4.3 years and 10.2 years, respectively, based on annualized fourth quarter 2024 total sales of 28,296 boepd.

Three Months and Year Ended December 31, 2024 Financial and Operating Highlights

- Adjusted EBITDAX increased 43% and 25% to $76.1 million and $296.1 million for the three months and year ended December 31, 2024, respectively, compared to $53.1 million and $236.8 million for the same periods in 2023, respectively. The increase is mainly due to an increase of natural gas and liquefied natural gas ("LNG") operating netback, offset by a decrease in realized contractual natural gas and LNG sales volume.
- Adjusted funds from operations increased 68% and 43% to $52.1 million and $209.4 million for the three months and year ended December 31, 2024, respectively, compared to $31.0 million and $146.3 million for the same periods in 2023, respectively, mainly due to an increase in EBITDAX.
- The Corporation's natural gas and LNG operating netback increased 39% and 32% to $6.12 per Mcf and $5.41 per Mcf for the three months and year ended December 31, 2024, respectively, compared to $4.39 per Mcf and $4.11 per Mcf for the same periods in 2023, respectively. The increase is due to an increase in average sales prices, net of transportation expenses, offset by an increase in royalties.
- Total revenues, net of royalties and transportation expenses for the three months and year ended December 31, 2024 increased 23% and 16% to $98.3 million and $352.3 million, respectively, compared to $79.7 million and $304.9 million for the same periods in 2023, respectively, mainly due to higher average sales price, net of transportation expenses of $7.81 per Mcf and $6.99 per Mcf for the three months and year ended December 31, 2024, respectively, compared to $6.04 per Mcf and $5.41 per Mcf for the same periods in 2023, offset by a decrease in realized natural gas and LNG sales volume.
- Realized contractual natural gas sales volume decreased 4% and 12% to 158.0 MMcfpd and 156.7 MMcfpd for the three months and year ended December 31, 2024, respectively, compared to 164.8 MMcfpd and 178.3 MMcfpd for the same periods in 2023, respectively.
- The Corporation realized a net loss of $25.4 million and $32.7 million for the three months and year ended December 31, 2024, respectively, compared to a net income of $29.9 million and $86.2 million for the same periods in 2023, respectively. The decrease in net income for the three months and year ended December 31, 2024 is the result of recognizing a non-cash deferred income tax expense of $28.9 million and $77.2 million for the three months and year ended December 31, 2024, respectively, as compared to a non-cash deferred income tax recovery of $31.7 million and $103.6 million in 2023, respectively, offset by an increase in EBITDAX.
- Net cash capital expenditures for the three months and year ended December 31, 2024 was $28.6 million and $122.3 million, respectively, compared to $72.2 million and $215.2 million for the same periods in 2023, respectively. The decrease is due to reduced spending on land and seismic, workovers, and drilling and completion.
- As at December 31, 2024, the Corporation had $79.2 million in cash and cash equivalents and $45.5 million in working capital surplus.

Results of Operations

For the three months ended December 31, 2024, the Corporation's production primarily consisted of natural gas from the Esperanza, VIM-5, VIM-21 and VIM-33 blocks located in the Lower Magdalena Valley basin in Colombia. The Corporation's production also included crude oil from its Rancho Hermoso block in Colombia ("Colombia oil"). The Corporation's LNG production was less than one percent of total natural gas and LNG production and, therefore, the results have been combined as "Natural gas and LNG".

On October 4, 2024, the Corporation spud the Nispero-2 appraisal well located on its Esperanza block. The Nispero-2 well encountered a gross gas column of 625 feet true vertical depth ("ft TVD") within the Cienaga de Oro ("CDO") reservoir. The Nispero-2 well was tied in and put on production.

On November 2, 2024, the Corporation spud the Natilla-2 exploration well located on its SSJN-7 block, targeting a large natural gas prospect with primary and secondary targets within the CDO and overlying middle Porquero formations, respectively. The well encountered drilling difficulties at a depth of 13,631 feet measured depth ("ft MD") within the middle Porquero formation. The Natilla-2 well was sidetracked and reached a total depth of 15,050 ft TVD near the base of the Porquero formation, which is the planned intermediate casing point of the well situated just above the underlying CDO primary target. Drilling through the Porquero took longer than anticipated due to high pressure and wellbore issues. The well encountered an approximately 550 ft TVD gross section of interbedded sandstone and shales within the Porquero with good reservoir quality as indicated by sonic and resistivity logs collected while drilling. Formation pressures across this section of the Porquero ranged from 12,500 – 13,500 psi based on the PWD (Pressure While Drilling) tool, indicating gas at very high pressure, and very high mud weights of up to 18.8 pounds per gallon while drilling were required to prevent the influx of gas into the wellbore. Despite the heavy mud weights used while drilling through this section of the Porquero, total measured gas confirmed that the sandstones are gas charged. Casing is currently being run to isolate the Porquero prior to continuing to drill to the primary CDO target to a total planned depth of 16,510 ft TVD. Upon completion of drilling, open hole and cased hole logs will be run across both the CDO and Porquero formations, and production tests will subsequently be conducted across any potential gas producing intervals.

On November 7, 2024, the Corporation spud the Kite-1 exploration well located on its Esperanza block. The Kite-1 well encountered a gross gas column of 102 ft TVD within the CDO reservoir. The Kite-1 well was tied in and put on production.

On November 23, 2024, the Corporation spud the Pibe-1 exploration well located on its VIM-21 block. The Pibe-1 well encountered a gross gas column of 1,044 ft TVD within the CDO reservoir. The Pibe-1 well was tied in and put on production. The Corporation then spud the Pibe-2 appraisal well on December 19, 2024. Non-commercial amount of gas was encountered within the CDO reservoir and the well was subsequently abandoned.

On December 21, 2024, the Corporation spud the Clarinete-11 development well located on its VIM-5 block. The Clarinete-11 well encountered approximately 205 ft TVD of net gas pay within the CDO reservoir. The Clarinete-11 well was tied in and put on production.

Average Daily Production and Realized Contractual Sales Volumes

Production and sales volumes in this MD&A are reported before royalties.

	Three months ended December 31,			Year ended December 31,		
	2024	2023	Change	**2024**	2023	Change
Natural Gas and LNG (Mcfpd)						
Natural gas and LNG production	**161,360**	168,127	(4%)	**160,664**	181,277	(11%)
Field consumption	**(5,468)**	(3,856)	42%	**(4,565)**	(3,176)	44%
Natural gas and LNG sales	**155,892**	164,271	(5%)	**156,099**	178,101	(12%)
Take-or-pay volumes (2)	**2,141**	569	276%	**603**	192	214%
Realized contractual natural gas and LNG sales	**158,033**	164,840	(4%)	**156,702**	178,293	(12%)
Colombia Oil (bopd)						
Crude oil production	**933**	627	49%	**1,411**	563	151%
Inventory movements and other	**14**	(37)	(138%)	**(9)**	(10)	(10%)
Colombia oil sales	**947**	590	61%	**1,402**	553	154%
Corporate (boepd)						
Natural gas and LNG production	**28,309**	29,496	(4%)	**28,187**	31,803	(11%)
Colombia oil production	**933**	627	49%	**1,411**	563	151%
Total production	**29,242**	30,123	(3%)	**29,598**	32,366	(9%)
Field consumption and inventory	**(946)**	(714)	32%	**(810)**	(567)	43%
Total corporate sales	**28,296**	29,409	(4%)	**28,788**	31,799	(9%)
Take-or-pay volumes (2)	**376**	100	276%	**106**	34	212%
Total realized contractual sales	**28,672**	29,509	(3%)	**28,894**	31,833	(9%)

The Corporation has three types of natural gas and LNG sales:

1) *Natural Gas and LNG sales* - represents natural gas and LNG production less a typically small amount of gas volume that is consumed at the field level;
2) *Take-or-pay income* - represents the portion of natural gas and LNG sales nominations by the Corporation's off-takers that do not get delivered, due to the off-taker's inability to accept such natural gas and for which the off-takers have no recourse or legal right to delivery at a later date. As such, they are recorded as revenue in the period; and
3) *Undelivered natural gas and LNG nomination*s - represents the portion of undelivered natural gas and LNG sales nominations for which the off-takers have a 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, alongside natural gas and LNG sales and take-or-pay income, and as such are included in deferred income for the period. The Corporation recognizes revenues associated with such make-up rights ("settlements") at the earlier of: a)when the make-up volume is delivered, b) the make-up right expires, or c) when it is determined that the likelihood that the off-taker will utilize the make-up right is remote.

Realized contractual natural gas and LNG sales for the three months and year ended December 31, 2024 averaged 158 and 156.7 MMcfpd, respectively. Realized contractual sales is defined as natural gas and LNG produced and sold plus income received from nominated take-or-pay contracts without the actual delivery of natural gas or LNG and the expiry of the customers' rights to take the deliveries.

The 4% and 12% decrease in realized contractual natural gas and LNG sales for the three months and year ended December 31, 2024, respectively, compared to the same periods in 2023, respectively, is mainly due to natural decline, offset by exploration successes during 2024.

The 61% and 154% increase in Colombia oil sales for the three months and year ended December 31, 2024, respectively, compared to the same periods in 2023, respectively, is mainly due to the reactivation of the RH-12 well in late January 2024.

Revenues, Net of Royalties and Transportation Expenses

	Three months ended December 31,			Year ended December 31,		
	2024	2023	Change	**2024**	2023	Change
Natural Gas and LNG						
Natural gas and LNG revenues	**$117,089**	$ 94,282	24%	**$422,813**	$362,318	17%
Transportation expenses	**(5,015)**	(3,012)	67%	**(23,539)**	(10,779)	118%
Revenues, net of transportation expenses	**112,074**	91,270	23%	**399,274**	351,539	14%
Royalties	**(17,717)**	(15,665)	13%	**(65,603)**	(59,225)	11%
Revenues, net of royalties and transportation	**$ 94,357**	$ 75,605	25%	**$333,671**	$292,314	14%
Colombia Oil						
Crude oil revenues	**$ 2,336**	$ 2,704	(14%)	**$ 14,990**	$ 9,360	60%
Transportation expenses	**(48)**	(76)	37%	**(125)**	(170)	(26%)
Revenues, net of transportation expenses	**2,288**	2,628	(13%)	**14,865**	9,190	62%
Royalties	**(93)**	(185)	(50%)	**(487)**	(587)	(17%)
Revenues, net of royalties and transportation	**$ 2,195**	$ 2,443	(10%)	**$ 14,378**	$ 8,603	67%
Corporate						
Natural gas and LNG revenues	**$117,089**	$ 94,282	24%	**$422,813**	$362,318	17%
Crude oil revenues	**2,336**	2,704	(14%)	**14,990**	9,360	60%
Total revenues	**119,425**	96,986	23%	**437,803**	371,678	18%
Royalties	**(17,810)**	(15,850)	12%	**(66,090)**	(59,812)	10%
Natural gas, LNG and crude oil production revenues, net of royalties	**101,615**	81,136	25%	**371,713**	311,866	19%
Power generation standby revenue	**773**	882	(12%)	**3,080**	3,050	1%
Take-or-pay natural gas income	**1,014**	788	29%	**1,123**	887	27%
Total revenues, net of royalties, as reported	**103,402**	82,806	25%	**375,916**	315,803	19%
Transportation expenses	**(5,063)**	(3,088)	64%	**(23,664)**	(10,949)	116%
Total revenues, net of royalties and transportation expenses	**$ 98,339**	$ 79,718	23%	**$352,252**	$304,854	16%

Natural Gas and LNG Sales and Power Generation Standby Revenue

Natural gas and LNG revenues, net of transportation expenses for the three months and year ended December 31, 2024 increased 23% and 14% to $112.1 million and $399.3 million, respectively, compared to $91.3 million and $351.5 million for the same periods in 2023, respectively, due to an increase in average sales price, net of transportation expenses, offset by lower sales volume.

Colombia oil revenues, net of transportation expenses for the three months ended December 31, 2024 decreased 13% compared to the same period in 2023, mainly due to lower average sales price. Colombia oil revenues, net of transportation expenses for the year ended December 31, 2024 increased 62%, compared to the same period in 2023, mainly due to an increase in sales volume as a result of the reactivation of the RH-12 well, offset by lower average sales price.

During the three months and year ended December 31, 2024, the Corporation realized power generation standby revenue of $0.8 million and $3.1 million, respectively, for its commitment to supply natural gas to a Colombian power generation plant owned by Termoelectrica el Tesorito S.A.S. ESP ("Tesorito"). The power generation standby revenue is earned on a daily basis, regardless of whether natural gas is actually delivered.

As at December 31, 2024, the Corporation had deferred income of $18.5 million (2023 - $6.6 million), which was related to undelivered natural gas and LNG sales 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. The increase in deferred income as at December 31, 2024, compared to the balance as at December 31, 2023, is due to certain customers elected to pay for their natural gas deliveries one month in advance on a rolling basis. Should the off-taker not accept delivery within the allotted period, the Corporation will recognize the corresponding nominations as take-or-pay income as explained on page 7 of this MD&A.

Natural Gas Transportation Expenses

The Corporation either sells its natural gas at its Jobo gas plant gate (whereby the off-taker incurs the transportation expenses, and as such Canacol does not recognize a transportation expense), or delivers its natural gas to the off-takers' locations (whereby Canacol pays and recognizes the transportation expenses directly). In the latter case, the Corporation's transportation expenses on such contracts are compensated by higher gross sales prices, resulting in average realized sales prices (net of transportation) being consistent with the Corporation's realized price in which the off-taker incurs the transportation expense. The blend of these two types of delivery options varies from contract to contract and from quarter to quarter, hence the Corporation refers to an average net realized sales price, which in either case, is net of any transportation costs, regardless of which party incurs the transportation expense. Natural gas transportation expenses increased 67% and 118% for the three months and year ended December 31, 2024, respectively, compared to the same periods in 2023, respectively, due to the increase in natural gas sales subject to transportation expenses, as described above.

Natural Gas Royalties

	Three months ended December 31,			Year ended December 31,		
	2024	2023	Change	**2024**	2023	Change
Natural Gas						
Esperanza royalties	**$ 1,478**	$ 691	114%	**$ 4,311**	$ 3,711	16%
VIM-5 royalties	**12,895**	12,658	2%	**49,830**	46,543	7%
VIM-21 royalties	**3,305**	2,316	43%	**11,417**	8,971	27%
VIM-33 royalties	**39**	—	n/a	**45**	—	n/a
Royalty expense	**$ 17,717**	$ 15,665	13%	**$ 65,603**	$ 59,225	11%
Natural Gas Royalty Rates						
Esperanza	**8.6%**	9.0%	(4%)	**8.8%**	8.9%	(1%)
VIM-5	**21.7%**	21.9%	(1%)	**22.1%**	21.8%	1%
VIM-21	**9.6%**	9.4%	2%	**9.5%**	9.7%	(2%)
VIM-33	**7.7%**	—%	n/a	**7.8%**	—%	n/a
Natural gas royalty rate	**15.8%**	17.2%	(8%)	**16.4%**	16.8%	(2%)

The Corporation's natural gas royalties are generally at a rate of 6.4%, until net field production reaches 5,000 boepd, at which point the royalty rates increase on a sliding scale up to a 20% maximum rate at 600,000 boepd field production. The Corporation's Esperanza and VIM-5 natural gas production is subject to an additional overriding royalty of 2% to 4%. The Corporation's VIM-5, VIM-21 and VIM-33 natural gas production is subject to additional x-factor royalty rates of 13%, 3% and 1%, respectively.

Average Benchmark and Realized Sales Prices, Net of Transportation

	Three months ended December 31,			Year ended December 31,		
	2024	2023	Change	**2024**	2023	Change
Average Benchmark Prices						
Henry Hub ($/MMBtu)	**$ 3.41**	$ 2.54	34%	**$ 2.60**	$ 2.53	3%
Alberta Energy Company ("AECO") ($/MMBtu)	**$ 1.46**	$ 1.55	(6%)	**$ 0.96**	$ 1.72	(44%)
Brent ($/bbl)	**$ 73.13**	$ 77.32	(5%)	**$ 78.42**	$ 81.03	(3%)
Average Sales Prices, Net of Transportation						
Natural gas and LNG ($/Mcf)	**$ 7.81**	$ 6.04	29%	**$ 6.99**	$ 5.41	29%
Colombia oil ($/bbl)	**$ 26.26**	$ 48.42	(46%)	**$ 28.97**	$ 45.53	(36%)
Corporate average ($/boe)	**$ 43.93**	$ 34.70	27%	**$ 39.31**	$ 31.08	26%

The sales prices of the Corporation's natural gas sales contracts are largely fixed, with a portion of its portfolio sold on the spot (interruptible) market. The Corporation's transportation expenses associated with the spot sales are typically compensated by higher gross sales prices, resulting in realized sales prices, net of transportation that are consistent with the Corporation's firm fixed-priced contracts.

Average natural gas and LNG sales prices, net of transportation increased 29% to $7.81 per Mcf and $6.99 per Mcf, respectively, for both the three months and year ended December 31, 2024, compared to $6.04 per Mcf and $5.41 per Mcf the same periods in 2023, respectively. The increase in average natural gas and LNG sales prices, net of transportation for the three months and year ended December 31, 2024 is due to a) a 21% increase in average sales price of firm long-term fixed-priced contracts to $6.16 per Mcf for the year ended December 31, 2024, compared to $5.10 per Mcf for the same period in 2023, and b) an increase in interruptible prices as a result of tight natural gas supply in Colombia.

The 46% and 36% decrease in average crude oil prices for both the three months and year ended December 31, 2024, compared to the same periods in 2023, respectively, is due to a higher portion of total oil production sold under tariff agreement.

Operating Expenses

	Three months ended December 31,			Year ended December 31,		
	2024	2023	Change	**2024**	2023	Change
Natural gas and LNG	**$ 6,392**	$ 9,158	(30%)	**$ 24,518**	$ 25,093	(2%)
Colombia oil	**1,189**	1,722	(31%)	**4,559**	4,410	3%
Total operating expenses	**$ 7,581**	$ 10,880	(30%)	**$ 29,077**	$ 29,503	(1%)
Natural gas and LNG ($/Mcf)	**$ 0.45**	$ 0.61	(26%)	**$ 0.43**	$ 0.39	10%
Colombia oil ($/bbl)	**$ 13.65**	$ 31.72	(57%)	**$ 8.88**	$ 21.85	(59%)
Corporate ($/boe)	**$ 2.91**	$ 4.02	(28%)	**$ 2.76**	$ 2.54	9%

Natural gas and LNG operating expenses decreased 30% and 2% to $6.4 million and $24.5 million for the three months and year ended December 31, 2024, respectively, compared to $9.2 million and $25.1 million for the same periods in 2023, respectively. The decrease in natural gas and LNG operating expenses for the three months and year ended December 31, 2024 is due to the combination of a) decrease in maintenance activities, which are postponed to 2025, b) decrease in environmental costs, c) decrease in equipment rental costs, offset by increase in water treatment and sand handling costs, increase in insurance premium, and inflation.

Colombia oil operating expenses decreased 31% for the three months ended December 31, 2024, compared to the same period in 2023, mainly due to a decrease in equipment rental costs, offset by an increase in maintenance activities. For the year ended December 31, 2024, Colombia oil operating expenses increased 3%, compared to the same period in 2023, mainly due to an increase in maintenance activities and inflation, offset by a decrease in equipment rental costs.

Operating Netbacks

	Three months ended December 31,			Year ended December 31,		
$/Mcf	**2024**	2023	Change	**2024**	2023	Change
Natural Gas and LNG						
Revenue, net of transportation expense[(1)]	**$ 7.81**	$ 6.04	29%	**$ 6.99**	$ 5.41	29%
Royalties	**(1.24)**	(1.04)	19%	**(1.15)**	(0.91)	26%
Operating expenses[(2)]	**(0.45)**	(0.61)	(26%)	**(0.43)**	(0.39)	10%
Operating netback	**$ 6.12**	$ 4.39	39%	**$ 5.41**	$ 4.11	32%

$/bbl	Three months ended December 31, 2024	2023	Change	Year ended December 31, 2024	2023	Change
Colombia oil						
Revenue, net of transportation expense(1)	**$ 26.26**	$ 48.42	(46%)	**$ 28.97**	$ 45.53	(36%)
Royalties	**(1.07)**	(3.41)	(69%)	**(0.95)**	(2.91)	(67%)
Operating expenses(2)	**(13.65)**	(31.72)	(57%)	**(8.88)**	(21.85)	(59%)
Operating netback	**$ 11.54**	$ 13.29	(13%)	**$ 19.14**	$ 20.77	(8%)

(1) Refer to the "Average Benchmark and Realized Sales Prices, Net of Transportation" of this MD&A for more information.
(2) Refer to the "Operating Expenses" section of this MD&A for more information.

$/boe	Three months ended December 31, 2024	2023	Change	Year ended December 31, 2024	2023	Change
Corporate						
Revenue, net of transportation expense	**$ 43.93**	$ 34.70	27%	**$ 39.31**	$ 31.08	26%
Royalties	**(6.84)**	(5.86)	17%	**(6.27)**	(5.15)	22%
Operating expenses	**(2.91)**	(4.02)	(28%)	**(2.76)**	(2.54)	9%
Operating netback	**$ 34.18**	$ 24.82	38%	**$ 30.28**	$ 23.39	29%

General and Administrative Expenses

	Three months ended December 31, 2024	2023	Change	Year ended December 31, 2024	2023	Change
Gross costs	**$ 12,528**	$ 11,723	7%	**$ 41,853**	$ 42,671	(2%)
Less: capitalized amounts	**(1,780)**	(2,139)	(17%)	**(7,878)**	(9,331)	(16%)
General and administrative expenses	**$ 10,748**	$ 9,584	12%	**$ 33,975**	$ 33,340	2%
$/boe	**$ 4.13**	$ 3.54	17%	**$ 3.22**	$ 2.87	12%

General and administrative ("G&A") gross costs increased 7% for the three months ended December 31, 2024, compared to the same period in 2023, mainly due to inflation. G&A gross costs decreased 2% for the year ended December 31, 2024, compared to the same period in 2023, mainly due to costs incurred in 2023 relating to Canacol's corporate restructuring which were non-recurring, offset by inflation.

Net Finance Expense

	Three months ended December 31, 2024	2023	Change	Year ended December 31, 2024	2023	Change
Net financing expense paid	**$ 14,131**	$ 12,281	15%	**$ 56,607**	$ 43,922	29%
Non-cash net financing expenses	**3,815**	2,688	42%	**12,368**	12,135	2%
Net finance expense	**$ 17,946**	$ 14,969	20%	**$ 68,975**	$ 56,057	23%

Net finance expense increased 20% and 23% for the three months and year ended December 31, 2024, respectively, compared to the same periods in 2023, respectively, mainly as a result of an increase in total debt offset by a decrease in benchmark interest rates.

Stock-Based Compensation Expense

	Three months ended December 31,			Year ended December 31,		
	2024	2023	Change	**2024**	2023	Change
Equity-settled unit expense	**$ 85**	$ —	n/a	**$ 671**	$ 14	>999%
Cash-settled unit expense	**526**	(516)	n/a	**2,478**	4,037	(39%)
Stock-based compensation	**$ 611**	$ (516)	n/a	**$ 3,149**	$ 4,051	(22%)

Equity-settled unit expense is related to stock options, the fair value of which are amortized and expensed over their respective vesting periods. Stock options are settled in shares when exercised. Equity-settled unit expense increased for both the three months and year ended December 31, 2024 compared to the same periods in 2023, due to new stock options granted to employees.

Cash-settled unit expense is related to restricted share units ("RSUs"), performance share units ("PSUs") and deferred share units ("DSUs"), the fair value of which are amortized and expensed over their respective vesting periods and revalued at each reporting date based on the Corporation's share price. RSUs, PSUs and DSUs are expected to be settled in cash. Cash-settled unit expense increased for the three months ended December 31, 2024, compared to the same period in 2023, due to a recovery recorded in Q4 of 2023. Cash-settled unit expense decreased 39% for the year ended December 31, 2024, compared to the same period in 2023, due to the decrease in Canacol's share price.

Depletion and Depreciation Expense

	Three months ended December 31,			Year ended December 31,		
	2024	2023	Change	**2024**	2023	Change
Depletion and depreciation expense	**$ 23,071**	$ 20,086	15%	**$ 81,784**	$ 75,925	8%
$/boe	**$ 8.86**	$ 7.42	19%	**$ 7.76**	$ 6.54	19%

Depletion and depreciation expense per boe increased 19% for both the three months and year ended December 31, 2024, respectively, compared to the same periods in 2023, respectively, as a result of higher depletion rate.

Income Tax Expense

	Three months ended December 31,			Year ended December 31,		
	2024	2023	Change	**2024**	2023	Change
Current income tax expense	**$ 22,945**	$ 17,599	30%	**$ 77,540**	$ 78,330	(1%)
Deferred income tax expense (recovery)	**28,861**	(31,675)	n/a	**77,246**	(103,633)	n/a
Income tax expense (recovery)	**$ 51,806**	$ (14,076)	n/a	**$ 154,786**	$ (25,303)	n/a

The Corporation's pre-tax income was subject to the Colombian statutory income tax rate of 35% for the three months and year ended December 31, 2024. In addition, taxable income generated from business relating to crude oil was subject to an additional 10% surtax.

The current income tax expense for the year ended December 31, 2024 decreased by 1% compared to the same period in 2023, despite a 25% increase in EBITDAX. This is as a result of the ongoing corporate restructuring process that began in Q4 2022, which involved reallocating the Esperanza and VIM-21 assets between wholly-owned subsidiaries to enhance operational alignment and create a more cost-effective structure.

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.

Income Tax Cash Payments

	Three months ended December 31, 2024	2023	Change	Year ended December 31, 2024	2023	Change
Income tax payments and installments	**$ 7,615**	$ 7,292	4%	**$ 73,556**	$ 113,402	(35%)
Withholding tax	**$ 2,422**	$ 5,239	(54%)	**$ 11,976**	$ 8,953	34 %

Capital Expenditures

	Three months ended December 31, 2024	2023	Year ended December 31, 2024	2023
Land, seismic, EIAs and communities	**$ 598**	$ 9,807	**$ 6,895**	$ 17,232
Drilling, completion, testing and workovers	**27,234**	40,689	**84,450**	108,064
Facilities, equipment and infrastructures	**5,070**	7,968	**31,480**	33,915
Medellin pipeline	**—**	2,750	**(9)**	8,991
Warehouse inventory, corporate assets and other	**(6,034)**	8,893	**(8,271)**	38,130
Capitalized G&A	**1,780**	2,139	**7,878**	9,331
Proceeds on disposition	**(14)**	—	**(130)**	(479)
Net cash capital expenditures	**28,634**	72,246	**122,293**	215,184
Non-cash costs and adjustments:				
Right-of-Use leased assets	**350**	650	**3,439**	768
Disposition	**13**	(6)	**122**	431
Change in decommissioning obligations and other	**(11,926)**	6,618	**(9,364)**	7,841
Net capital expenditures	**$ 17,071**	$ 79,508	**$ 116,490**	$ 224,224
Net capital expenditures recorded as:				
Expenditures on exploration and evaluation assets	**$ 14,134**	$ 12,623	**$ 49,649**	$ 53,192
Expenditures on property, plant and equipment	**2,938**	66,891	**66,849**	171,082
Disposition	**(1)**	(6)	**(8)**	(50)
Net capital expenditures	**$ 17,071**	$ 79,508	**$ 116,490**	$ 224,224

Net capital expenditures for the three months ended December 31, 2024 are primarily related to:

- Nispero-2 appraisal well;
- Pibe-1 exploration well;
- Pibe-2 appraisal well;
- Kite-1 exploration well;
- Clarinete-11 development well;
- Natilla-2 exploration well (majority of the cost was offset by insurance reimbursement - see note 4 of the financial statements);
- Compression facilities and workovers related costs at the VIM-5, and VIM-21 blocks; and
- Land, communities and other costs at the VIM-5, VMM-47, VIM-21, VMM10-1, VMM-53 and VMM-45 blocks.

Liquidity and Capital Resources

Capital Management

The Corporation's policy is to maintain a strong capital base in order to provide flexibility in the future development of the business and maintain investor, creditor and market confidence. The Corporation manages its capital structure and makes adjustments in response to changes in economic conditions and the risk characteristics of the underlying assets. The Corporation considers its capital structure to include share capital, long-term debt, lease obligations and working capital, defined as current assets less current liabilities excluding the current portion of long-term obligations. In order to maintain or adjust the capital structure, from time to time the Corporation may issue or repurchase common shares or other securities, sell assets or adjust its capital spending to manage current and projected debt levels.

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, as defined above. 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.

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.

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 of C$3.80, which is 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.

Financial Covenants

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; and

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

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 ("PDP PV10 Value"), to the principal drawn and outstanding on the Term Loan ratio of 2.50 to 1.00.

As at December 31, 2024, the Corporation was in compliance with the covenants.

	December 31, 2024	December 31, 2023
Senior Notes - principal (5.75%)	**$ 500,000**	$ 500,000
RCF (SOFR + 4.5%)(1)	**200,000**	200,000
Term Loan (SOFR + 8.0%)(1)	**50,000**	—
Lease obligations	**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%.

The Consolidated Leverage Ratio is calculated as follows:

	December 31, 2024	December 31, 2023
Total debt	**$ 762,313**	$ 713,435
Less: cash and cash equivalents	**(79,201)**	(39,425)
Net debt for covenant purposes	**$ 683,112**	$ 674,010
Adjusted EBITDAX	**$ 296,126**	$ 236,829
Consolidated Leverage Ratio	**2.31**	2.85

The Consolidated Interest Coverage Ratio is calculated as follows:

	December 31, 2024	December 31, 2023
Adjusted EBITDAX	**$ 296,126**	$ 236,829
Interest expense, excluding non-cash expenses	**58,068**	46,852
Consolidated Interest Coverage Ratio	**5.10**	5.05

The Consolidated Current Ratio is calculated as follows:

	December 31, 2024	December 31, 2023
a) Consolidated Current Assets		
Consolidated current assets, as reported	**$ 173,828**	$ 151,635
Plus: Materials inventory in warehouse (capped)	**20,000**	20,000
Consolidated current assets for covenant purposes	**$ 193,828**	$ 171,635
b) Consolidated Current Liabilities		
Consolidated current liabilities, as reported	**$ 145,283**	$ 164,904
Less: Current portion of lease obligations	**4,479**	3,241
Less: Current portion of long term debt	**12,500**	—
Less: Deferred income (capped)	**15,000**	6,640
Consolidated current liabilities for covenant purposes	**$ 113,304**	$ 155,023
Consolidated Current Ratio	**1.71**	**1.11**

The Consolidated Assets Coverage Ratio is calculated as follows:

	December 31, 2024	December 31, 2023
PDP PV10 value	**$ 263,106**	$ 398,593
Term Loan principal balance	**50,000**	—
Consolidated Assets Coverage Ratio	**5.26**	n/a

As at March 19, 2025, the Corporation had 34.1 million common shares, 1.1 million stock options, 2.3 million RSU's, DSU's and PSU's, and 1.9 million share purchase warrants outstanding.

Contractual Obligations

The following table provides a summary of the Corporation's cash requirements to meet its financial liabilities and contractual obligations existing as at December 31, 2024:

	Less than 1 year	1-3 years	Thereafter	Total
Long-term debt – principal	$ 12,500	$ 237,500	$ 500,000	$ 750,000
Lease obligations – undiscounted	5,201	7,866	140	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
Exploration and production contracts	3,977	26,140	1,758	31,875
Compression station operating contracts	2,824	5,696	124	8,644
	$ 134,273	**$ 284,975**	**$ 502,022**	**$ 921,270**

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 in Colombia 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.

Related Party Transactions

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. 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.

Sustainability

As indicated in the Corporation's 2023 ESG Integrated Report, Canacol is currently a leading sustainable natural gas producer in the Americas. In 2023, the Corporation achieved Scope 1 and 2 GHG emission intensities that were more than 45% lower on average than its gas focused peers and more than 75% lower on average than its oil focused peers in North and South America. Canacol's ambition is to continue to lead the oil and gas industry in Colombia in terms of supplying the increasing energy demands of Colombians while reducing carbon emissions, exploring avenues for renewable energy generation, fostering national energy self-sufficiency, and catalyzing the growth and development of Colombia's economy and its people. Canacol enthusiastically supports the global objectives to meet the Paris Agreement targets and remains committed to supporting Colombia's objective of achieving a 51% reduction in emissions by 2030. In line with this commitment, Canacol has set its decarbonization goals, whereby we aim to reduce Scope 1 and 2 emissions by 35% by 2035 and achieve carbon neutrality by 2050. The Corporation's objective on ESG is to improve the quality of life of millions of people through the exploration, production and supply of conventional natural gas in Colombia. Alongside this, Canacol is focused on generating value for its stakeholders in a sustainable, collaborative, co-responsible, respectful and transparent way. With the Corporation's transition to natural gas, it has an environmentally friendly value proposition that contributes to the reduction of CO2 emissions in Colombia and provides for a more efficient use of resources.

The Corporation continues to support its communities in essential social projects such as access to water and utilities, local economic projects, construction and improvement of public and community infrastructure, technical and university scholarships, amongst others.

The Corporation has strong corporate governance standards and procedures, which are aligned with best global practices, and uses control mechanisms that protect shareholder's interests, respect and promote human rights, guarantee ethical behavior, integrity and transparency, ensure regulatory compliance and minimize risk.

These accomplishments reflect Canacol's dedication to sustainability and its role as a leader in the industry. This is recognized by third-party ESG and sustainability rating agencies, where we maintained an 'A' qualification in MSCI for the second consecutive year and were added to the S&P Sustainability Yearbook for 2024.

The Corporation is committed to continuing to develop and maintain a robust ESG strategy and, as such, has implemented a plan with the following three pillars:

1. A cleaner energy future – deliver natural gas under the highest environmental and operational efficiency standards.
2. Empowering our people – make a positive impact on people and demonstrate Canacol's commitment to enhancing the well-being, prosperity, and health and safety of our employees, contractors, and the communities we serve.
3. A transparent and ethical business – adopt best practices, incorporate governance, encourage respect for human rights and ensure ethics and integrity in everything Canacol does.

Outlook

In 2025, the Corporation is focused on:

i. Maintaining and growing Canacol's EBITDA generation and reserves via both higher commodity pricing and investment in drilling, workover, and new facilities projects;

ii. Exploring higher impact gas exploration opportunities in the Lower Magdalena Valley ("LMV");

iii. Reducing debt;

iv. Laying the groundwork to be able to commence operations in Bolivia in 2026; and

v. Continue the Corporation's commitment to its ESG strategy.

The Corporation expects that commodity pricing will remain strong for the remainder of 2025, and for this reason, in 2025, the Corporation lowered its take-or-pay volumes to maximize exposure to the spot sales market. In line with maintaining and growing Canacol's reserves and production in its core assets in the LMV, the Corporation plans to optimize its production and increase reserves by drilling up to 11 exploration and three development wells, installing new compression and processing facilities as required, and completing workovers of producing wells in its key gas fields. These development and exploration activities are planned to support the Canacol's robust EBITDA generation and allow the Corporation to capitalize on strong gas market dynamics in 2025. Planned development wells include the Clarinete-11, Siku-2 and Lulo-3 wells, all of which have already been successfully drilled and brought on production as of the date of this MD&A. The exploration drilling plan includes 10 gas exploration wells in the LMV and one gas and condensate exploration well in the Middle Magdalena Valley ("MMV"). Notable exploration wells in the LMV include continuing operations at Natilla-2.

Over the last several years, the Corporation has assembled a significant acreage position in the MMV and in 2025, the Corporation plans to drill the Valiente prospect targeting a large shallow structure located approximately five kilometers to the south and up dip of the Opon gas field discovered in 1965 by Cities Services and later developed by Amoco in 1997.

The Corporation is also continuing its efforts with respect to the Pola exploration project located in the MMV. Pola is a large prospect targeting gas within Cretaceous aged reservoirs at depths close to 17,000 feet. Given the relatively high cost of the well, the Corporation is currently evaluating its options with respect to how to proceed with the project.

In Bolivia, the Corporation is awaiting ratification and formalization by Congress of three exploration contracts (Arenales, Ovai, and Florida Este) and one field redevelopment contract (Tita) in order to establish the effective date of all four contracts. The Corporation is currently preparing to apply for the environmental permit for Tita, along with formulating development plans, in order to commence field reactivation activities in 2026.

SUMMARY OF QUARTERLY RESULTS

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

	2024				2023			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Financial								
Total revenues, net of royalties and transportation expense(1)	**98,339**	**87,934**	88,288	77,691	79,718	76,618	74,605	73,913
Adjusted funds from operations(1)	**52,119**	**57,909**	57,121	42,226	30,958	48,950	33,686	32,693
Per share – basic ($)(1)	**1.53**	**1.70**	1.67	1.24	0.91	1.44	0.99	0.96
Per share – diluted ($)(1)	**1.53**	**1.70**	1.67	1.24	0.91	1.44	0.99	0.96
Cash flows provided (used) by operating activities	**42,428**	**21,692**	49,202	54,719	22,571	66,212	(24,413)	30,969
Net income (loss) and comprehensive income (loss)	**(25,434)**	**10,346**	(21,298)	3,654	29,897	(524)	39,990	16,874
Per share – basic ($)	**(0.75)**	**0.30**	(0.62)	0.11	0.88	(0.02)	1.17	0.49
Per share – diluted ($)	**(0.75)**	**0.30**	(0.62)	0.11	0.88	(0.02)	1.17	0.49
Adjusted EBITDAX(1)	**76,054**	**85,844**	73,187	61,041	53,144	62,103	60,654	60,928
Weighted average shares outstanding – basic	**34,115**	**34,111**	34,111	34,111	34,111	34,111	34,111	34,111
Weighted average shares outstanding – diluted	**34,115**	**34,111**	34,111	34,111	34,111	34,111	34,111	34,111
Net cash capital expenditures(1)	**28,634**	**23,928**	33,853	35,878	72,246	43,830	51,985	47,123
Operations								
Production								
Natural gas and LNG (Mcfpd)	**161,360**	**164,551**	162,652	154,043	168,127	181,028	187,687	188,384
Colombia oil (bopd)	**933**	**1,607**	1,700	1,405	627	531	527	565
Total (boepd)	**29,242**	**30,476**	30,235	28,430	30,123	32,290	33,455	33,615
Realized contractual sales								
Natural gas and LNG (Mcfpd)	**158,033**	**159,764**	158,541	150,421	164,840	178,188	184,752	185,624
Colombia oil (bopd)	**947**	**1,594**	1,681	1,389	590	511	523	587
Total (boepd)	**28,672**	**29,623**	29,495	27,779	29,509	31,772	32,936	33,153
Operating netbacks(1)								
Natural gas and LNG ($/Mcf)	**6.12**	**5.25**	5.34	4.90	4.39	4.14	3.94	4.01
Colombia oil ($/bbl)	**11.54**	**19.81**	21.98	20.15	13.29	25.99	18.57	25.86
Corporate ($/boe)	**34.18**	**29.42**	29.95	27.51	24.82	23.62	22.36	22.88

(1) Non-IFRS measure – see "Non-IFRS Measures" section within this MD&A.

SUMMARY OF ANNUAL INFORMATION

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

Year ended December 31,	2024	2023	2022
Financial			
Total natural gas and crude oil revenues, net of royalties and transportation expense[1]	**352,252**	304,854	274,228
Net income and comprehensive income	**(32,732)**	86,237	147,270
Per share – basic ($)	**(0.96)**	2.53	4.31
Per share – diluted ($)	**(0.96)**	2.53	4.31
Adjusted funds from operations[1]	**209,375**	146,287	94,640
Per share – basic ($)[1]	**6.14**	4.29	2.77
Per share – diluted ($)[1]	**6.07**	4.29	2.77
Cash flow from operations	**168,041**	95,339	185,429
Adjusted EBITDAX[1]	**296,126**	236,829	212,850
Cash and cash equivalents	**79,201**	39,425	58,518
Total assets	**1,215,777**	1,233,428	1,014,848
Total debt	**762,313**	713,435	550,752
Net cash capital expenditures[1]	**122,293**	215,184	166,288
Operating			
Natural gas and crude oil production, before royalties			
Natural gas (Mcfpd)	**160,664**	181,277	184,584
Colombia oil (bopd)	**1,411**	563	522
Total (boepd)	**29,598**	32,366	32,905
Realized contractual sales, before royalties			
Natural gas (Mcfpd)	**156,702**	178,293	182,367
Colombia oil (bopd)	**1,402**	553	519
Total (boepd)	**28,894**	31,833	32,513
Operating netbacks ($/boe)[1]			
Natural gas ($/Mcf)	**5.41**	4.11	3.68
Colombia oil ($/bbl)	**19.14**	20.77	23.69
Corporate ($/boe)	**30.28**	23.39	20.99

(1) Non-IFRS measures – see “Non-IFRS Measures” section within this MD&A.

RISKS AND UNCERTAINTIES

The Corporation is subject to several risk factors including, but not limited to: the volatility of natural gas and crude oil prices; foreign exchange and currency risks; general risks related to foreign operations such as political, economic, regulatory and other uncertainties as they relate to both foreign investment policies and energy policies; governments exercising from time to time significant influence on the economy to control inflation; developing environmental regulations in foreign jurisdictions; discovery of natural gas and oil reserves; concentration of sales transactions with a few major customers; substantial capital expenditures for the acquisition, exploration, development and production of natural gas and crude oil reserves in the long-term for which additional financings may be required to implement the Corporation's business plan.

The periodic volatility of financial and capital markets may severely limit access to capital; however, the Corporation has successfully been able to attract capital in the past and has sufficient anticipated cash flow from operations to support its current operations and capital program.

The Corporation is exposed to foreign exchange and currency risk as a result of fluctuations in exchange rates through its cash deposits and investments denominated in the COP and the CAD. Most of the Corporation's revenues and funds from financing activities are expected to be received in reference to USD denominated prices while a portion of its operating, capital, and general and administrative costs are denominated in COP and CAD. As at and for the year ended December 31, 2024, the Corporation has not entered into any foreign currency hedges.

The majority of the Corporation's interest bearing debt, being the Senior Notes, are subject to fixed interest rates, which limits the Corporation's exposure to interest rate risk. The Corporation's Revolving Credit Facility 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.

Fluctuations in natural gas spot prices will not only impact revenues of the Corporation but may also impact the Corporation's ability to raise capital, if required. The Corporation's exposure to the volatility of natural gas spot prices is limited due to a significant portion of the Corporation's natural gas are sold under USD denominated fixed priced contracts.

The Corporation's policy is to enter into agreements with customers that are well established and well-financed in the oil and gas industry such that the level of risk associated with one or more of its customers facing financial difficulties are mitigated while balancing factors of economic dependence with profit maximization. To date, the Corporation has not experienced any material credit loss in the collection of its trade accounts receivable. The Corporation's trade receivables primarily relate to sales of natural gas, LNG 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 and currently still ongoing, the Corporation has a dispute with a certain customer and, therefore, the receivable from that customer totaling $21 million has become past due. The dispute is currently in the process of arbitration and the Corporation expects to be able to collect the total outstanding balance in full.

The Corporation attempts to mitigate its business and operational risk exposures by maintaining comprehensive insurance coverage on its assets and operations, by employing or contracting competent technicians and professionals, by instituting and maintaining operational health, safety and environmental standards and procedures and by maintaining a prudent approach to exploration and development activities. The Corporation also addresses and regularly reports on the impact of risks to its shareholders and writing down the carrying values of assets that may not be recoverable.

A more comprehensive discussion of risks and uncertainties is contained in the Corporation's Annual Information Form for the year ended December 31, 2024 as filed on SEDAR+ and hereby incorporated by reference.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Corporation's management made judgements, assumptions and estimates in the preparation of the financial statements. Actual results may differ from those estimates, and those differences may be material. The basis of presentation and the Corporation's significant accounting policies can be found in the notes to the financial statements.

CHANGES IN ACCOUNTING POLICIES

The Corporation has not implemented new accounting policies during the three months ended December 31, 2024. Detailed discussions of new accounting policies and impact are provided in the financial statements.

REGULATORY POLICIES

Disclosure Controls and Procedures

Disclosure Controls and Procedures ("DC&P") are designed to provide reasonable assurance that all material information is gathered and reported on a timely basis to senior management so that appropriate decisions can be made regarding public disclosure and that information required to be disclosed by the issuer under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), along with other members of management, have designed, or caused to be designed under the CEO and CFO's supervision, DC&P and have assessed the design and operating effectiveness of the Corporation's DC&P as at December 31, 2024. Based on this assessment, it was concluded that the design and operation of the Corporation's DC&P were effective as at December 31, 2024.

Internal Controls over Financial Reporting

The CEO and CFO, along with participation from other members of management, are responsible for establishing and maintaining adequate Internal Control over Financial Reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial statements prepared in accordance with IFRS Accounting Standards. The Corporation's CEO and CFO, with support of management have assessed the design and operating effectiveness of the Corporation's ICFR as at December 31, 2024 based on criteria described in "Internal Control - Integrated Framework" issued in 2013 by the Committee of Sponsoring Organization of the Treadway Commission. Based on this assessment, it was concluded that the design and operation of the Corporation's ICFR were effective as at December 31, 2024.

During the three months ended December 31, 2024, there has been no change in the Corporation's ICFR that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR.

Limitations of Controls and Procedures

The Corporation's management, including its CEO and CFO, believe that any DC&P or ICFR, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Corporation have been prevented or detected. These inherent limitations include the realities that judgements in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.