CANACOL ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

THREE MONTHS ENDED MARCH 31, 2025

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(in thousands of United States dollars)

As at	Note	March 31, 2025	December 31, 2024
ASSETS			
Current assets			
Cash and cash equivalents		$ **79,139**	$ 79,201
Trade and other receivables	16	**36,964**	67,291
Tax installments and receivables		**22,197**	17,099
Other current assets	6	**13,639**	10,237
		151,939	173,828
Non-current assets			
Trade and other receivables	16	**20,597**	19,585
Exploration and evaluation assets	4	**154,108**	137,451
Property, plant and equipment	5	**704,868**	689,406
Deferred tax assets		**200,418**	185,608
Investments	6	**5,067**	4,818
Other non-current assets	6	**10,448**	5,081
		1,095,506	1,041,949
Total assets		$ **1,247,445**	$ 1,215,777
LIABILITIES AND EQUITY			
Current liabilities			
Current portion of long-term debt	9	$ **25,000**	$ 12,500
Trade and other payables		**93,550**	87,368
Deferred income		**20,527**	18,533
Lease obligations	10	**4,841**	4,479
Taxes payable		**21,360**	20,573
Long-term incentive compensation liabilities	7	**1,397**	1,830
Other long term obligations		**952**	—
		167,627	145,283
Non-current liabilities			
Long-term debt	9	**688,895**	703,428
Lease obligations	10	**6,373**	7,834
Decommissioning obligations		**22,042**	22,784
Deferred tax liabilities		**2,828**	7,534
Long-term incentive compensation liabilities	7	**1,095**	1,338
Other long term obligations		**5,583**	6,435
Total liabilities		**894,443**	894,636
Equity			
Share capital	8	**146,169**	146,169
Other reserves		**69,686**	69,626
Retained earnings		**137,147**	105,346
Total equity		**353,002**	321,141
Total liabilities and equity		$ **1,247,445**	$ 1,215,777

See accompanying notes to the consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (UNAUDITED)

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

Three months ended March 31,	Note		2025		2024
Revenues					
Total revenues, net of royalties	15	**$**	**75,991**	$	83,402
			75,991		83,402
Expenses					
Operating expenses			**7,014**		7,400
Transportation expenses			**3,256**		5,711
General and administrative			**7,006**		8,131
Stock-based compensation expense	7,8		**437**		52
Depletion and depreciation	5		**17,259**		19,026
Foreign exchange gain			**(2,692)**		(47)
Other expenses (income)	11		**(453)**		5,701
			31,827		45,974
Net finance expense	12		**17,281**		16,056
Income before income taxes			**26,883**		21,372
Income tax expense (recovery)					
Current			**14,598**		17,183
Deferred			**(19,516)**		535
			(4,918)		17,718
Net income and comprehensive income		**$**	**31,801**	$	3,654
Net income per share					
Basic and diluted	13	**$**	**0.93**	$	0.11

See accompanying notes to the consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

(in thousands of United States dollars)

	Note		Share Capital		Other Reserves		Retained Earnings (Deficit)		Total Equity
Balance at December 31, 2023		$	146,142	$	67,454	$	138,078	$	351,674
Stock-based compensation	8		—		376		—		376
Net income			—		—		3,654		3,654
Balance at March 31, 2024		**$**	**146,142**	**$**	**67,830**	**$**	**141,732**	**$**	**355,704**
Balance at December 31, 2024		$	146,169	$	69,626	$	105,346	$	321,141
Stock-based compensation	8		—		60		—		60
Net income			—		—		31,801		31,801
Balance at March 31, 2025		**$**	**146,169**	**$**	**69,686**	**$**	**137,147**	**$**	**353,002**

See accompanying notes to the consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands of United States dollars)

Three months ended March 31,	Note	2025	2024
Operating activities			
Net income and comprehensive income		**$ 31,801**	$ 3,654
Non-cash adjustments:			
Depletion and depreciation	5	**17,259**	19,026
Stock-based compensation expense	7,8	**437**	52
Net financing expense	12	**17,281**	16,056
Unrealized foreign exchange loss (gain) and other		**(4,207)**	947
Deferred income tax expense (recovery)		**(19,516)**	535
Equity investment loss		**—**	2,976
Unrealized loss (gain) on financial instruments	6	**(249)**	30
Gain on Senior Note buyback	9,11	**(2,291)**	—
Settlement of decommissioning obligation		**—**	(701)
Settlement of long-term incentive compensation	7	**(1,199)**	(1,050)
Changes in non-cash working capital	14	**23,272**	13,194
		62,588	54,719
Investing activities			
Expenditures on exploration and evaluation assets	4	**(20,189)**	(12,965)
Expenditures on property, plant and equipment		**(30,288)**	(22,971)
Proceeds on disposition of property, plant and equipment		**—**	58
Other investing activities	14	**(5,364)**	(1,202)
Changes in non-cash working capital	14	**7,742**	(10,822)
		(48,099)	(47,902)
Financing activities			
Repayment of debt	9	**(2,709)**	—
Net financing expense paid	12	**(13,486)**	(13,328)
Lease principal payments	10	**(1,203)**	(1,021)
Dividends paid		**—**	(6,706)
		(17,398)	(21,055)
Change in cash and cash equivalents		**(2,909)**	(14,238)
Cash and cash equivalents, beginning of period		**79,201**	39,425
Foreign exchange impact on cash and cash equivalents		**2,847**	(65)
Cash and cash equivalents, end of period		**$ 79,139**	$ 25,122

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 interim condensed consolidated financial statements (the "financial statements") for issuance on May 7, 2025.

NOTE 2 - BASIS OF PREPARATION

The financial statements were prepared by management in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". These financial statements do not include all of the information required for the annual consolidated financial statements; however they were prepared in accordance with the accounting policies outlined and should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended December 31, 2024, which were prepared 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.

NOTE 3 – MATERIAL ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year as described in note 3 of the Corporation's consolidated financial statements for the year ended December 31, 2024.

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.

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

NOTE 4 – EXPLORATION AND EVALUATION ASSETS

Balance at December 31, 2024	$	137,451
Additions		20,189
Transferred to D&P assets (note 5)		(3,532)
Balance at March 31, 2025	**$**	**154,108**

During the three months ended March 31, 2025, the Corporation transferred $3.5 million of exploration costs to D&P assets as a result of natural gas discoveries at its VIM-33 block.

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

		Property, Plant and Equipment		Right-of-Use Leased Assets		Total
Cost						
Balance at December 31, 2024	$	1,426,867	$	33,673	$	1,460,540
Additions		29,053		66		29,119
Transferred from E&E assets (note 4)		3,532		—		3,532
Derecognition		(531)		—		(531)
Balance at March 31, 2025	**$**	**1,458,921**	**$**	**33,739**	**$**	**1,492,660**
Accumulated depletion and depreciation						
Balance at December 31, 2024	$	(755,803)	$	(15,331)	$	(771,134)
Depletion and depreciation		(16,464)		(795)		(17,259)
Derecognition		601		—		601
Balance at March 31, 2025	**$**	**(771,666)**	**$**	**(16,126)**	**$**	**(787,792)**
Carrying value						
As at December 31, 2024	$	671,064	$	18,342	$	689,406
As at March 31, 2025	**$**	**687,255**	**$**	**17,613**	**$**	**704,868**

During the three months ended March 31, 2025, $3.5 million of exploration costs have been transferred from E&E assets (note 4).

NOTE 6 – INVESTMENTS AND OTHER ASSETS

Investment

Balance at December 31, 2024	$	4,818
Unrealized gain		249
Balance at March 31, 2025	**$**	**5,067**

As at March 31, 2025, the carrying value of the Corporation's investment in Tesorito was $5.1 million (2024 - $4.8 million).

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

Other Assets

	March 31, 2025	December 31, 2024
Current		
Restricted cash	$ **5,623**	$ 5,626
Prepaid expenses and deposits	**7,730**	4,192
Inventory	**286**	419
	$ **13,639**	$ 10,237
Non-Current		
Prepaid expenses and deposits	**10,448**	5,081
	$ **10,448**	$ 5,081

NOTE 7 – LONG-TERM INCENTIVE COMPENSATION LIABILITY

	RSUs	PSUs	DSUs	Total
Balance at December 31, 2024	$ 1,825	$ 1,025	$ 318	$ 3,168
Amortized	410	135	(11)	534
Settled/Cancelled	(1,218)	—	—	(1,218)
Foreign exchange gain	4	4	—	8
Balance at March 31, 2025	**$ 1,021**	**$ 1,164**	**$ 307**	**$ 2,492**

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 $0.4 million (2024 - recovery of $0.3 million) for the three months ended March 31, 2025. The amortized long-term incentive compensation liability as at March 31, 2025 was $2.5 million (2024 - $3.2 million).

The number of outstanding RSUs, PSUs and DSUs as at March 31, 2025 were as follows:

	RSUs (000’s)	PSUs (000’s)	DSUs (000’s)	Total (000’s)
Balance at December 31, 2024	1,135	1,047	119	2,301
Settled	(458)	—	—	(458)
Cancelled	(11)	—	—	(11)
Balance at March 31, 2025	**666**	**1,047**	**119**	**1,832**

Restricted Share Units

For the three months ended March 31, 2025, the Corporation settled 125,615 and 332,866 RSUs outstanding at a price of C$3.76 and C$3.75, per unit, respectively, for a total of $1.2 million in cash.

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

NOTE 8 – EQUITY

Share Capital

	Number (000's)	Amount
Balance at December 31, 2024 and March 31, 2025	**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, 2024	1,105	11.14
Forfeited, cancelled, and expired	(403)	20.55
Balance at March 31, 2025	**702**	**5.74**

Information with respect to stock options outstanding as at March 31, 2025 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	702	3.9	5.74	434	5.94

NOTE 9 – LONG-TERM DEBT

	Senior Notes	RCF	Term Loan	Total
Balance at December 31, 2024	$ 475,349	$ 195,750	$ 44,829	$ 715,928
Repayment of long-term debt	(2,709)	—	—	(2,709)
Gain on Senior Note buyback	(2,291)	—	—	(2,291)
Amortization of discount	—	—	242	242
Amortization of transaction costs	1,521	490	714	2,725
Balance at March 31, 2025	**$ 471,870**	**$ 196,240**	**$ 45,785**	**$ 713,895**
Long-term debt - current	$ —	$ —	$ 25,000	$ 25,000
Long-term debt - non-current	471,870	196,240	20,785	688,895
Balance at March 31, 2025	**$ 471,870**	**$ 196,240**	**$ 45,785**	**$ 713,895**

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

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.

On March 26, 2025, the Corporation repurchased $5.0 million of Senior Notes for $2.7 million of cash. The repurchased Senior Notes were subsequently cancelled in April 2025.

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 4.5% interest margin throughout the availability period. The RCF is not subject to typical periodic redeterminations. The amount drawn and outstanding as at March 31, 2025 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 + 10% 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 C$3.80. 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) at inception and were recognized under Other Reserves as at March 31, 2025.

Net Carrying Value

	Senior Notes	RCF	Term Loan	Total
Long-term debt - principal	$ 495,000	$ 200,000	$ 50,000	$ 745,000
Unamortized discount	—	—	(1,034)	(1,034)
Unamortized transaction costs	(23,130)	(3,760)	(3,181)	(30,071)
Balance at March 31, 2025	**$ 471,870**	**$ 196,240**	**$ 45,785**	**$ 713,895**

As at March 31, 2025, 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;

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

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 March 31, 2025.

NOTE 10 – LEASE OBLIGATIONS

	Compression Stations	Other	Total
Balance at December 31, 2024	$ 8,856	$ 3,457	$ 12,313
Additions	—	66	66
Settlements	(671)	(532)	(1,203)
Foreign exchange loss	—	38	38
Balance at March 31, 2025	**$ 8,185**	**$ 3,029**	**$ 11,214**
Lease obligations - current	$ 2,788	$ 2,053	$ 4,841
Lease obligations - non-current	5,397	976	6,373
Balance at March 31, 2025	**$ 8,185**	**$ 3,029**	**$ 11,214**

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:

Three months ended March 31,	2025	2024
Low-value right-of-use assets	**$ 6**	$ 39
Short-term lease arrangements	**1**	1
Variable lease payments	**3,710**	706
Total lease payments	**$ 3,717**	$ 746

Future lease payments related to short-term, low-value or variable lease arrangements as at March 31, 2025 are as follows:

	Less than 1 year	1-3 years	Thereafter	Total
Future lease payments	$ 18,186	$ —	$ —	$ 18,186

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

NOTE 11 – OTHER EXPENSES (INCOME)

Three months ended March 31,	Note		2025		2024
Pre-license costs			**70**		189
Other income			**(1,352)**		(1,778)
Commitment fees			**2,305**		3,835
Other tax expense			**1,064**		449
Equity investment loss			**—**		2,976
Gain on Senior Note buyback	9		**(2,291)**		—
Loss (gain) on financial instruments	6		**(249)**		30
		$	**(453)**	$	5,701

NOTE 12 – FINANCE INCOME AND EXPENSE

Three months ended March 31,		2025		2024
Finance income				
Interest income	**$**	**1,071**	$	393
Finance expense				
Accretion on decommissioning and other obligations		**827**		719
Amortization of upfront transaction costs		**2,726**		2,009
Amortization of discount		**242**		—
Interest expense on lease obligations		**183**		251
Interest and other financing costs		**14,374**		13,470
		18,352		16,449
Net finance expense	**$**	**17,281**	$	16,056

NOTE 13 – NET INCOME PER SHARE

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

Three months ended March 31,		2025		2024
Net income	**$**	**31,801**	$	3,654
Weighted-average common shares outstanding:				
Weighted-average common shares outstanding, basic		**34,120**		34,111
Weighted-average common shares outstanding, diluted		**34,209**		34,111
Net income per share:				
Basic and diluted	**$**	**0.93**	$	0.11

NOTE 14 – OTHER CASH FLOW ACTIVITIES

Other Investing Activities

Three months ended March 31,		2025		2024
Change in restricted cash		**3**		291
Change in non-current prepaid expenses and deposits		**(5,367)**		(1,493)
	$	**(5,364)**	$	(1,202)

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

Change in Non-Cash Working Capital

Three months ended March 31,	2025	2024
Change in:		
Trade and other receivables	$ 31,123	$ 19,679
Prepaid expenses and deposits	(3,403)	(2,095)
Tax installments and receivables	(5,098)	(1,401)
Crude oil inventory	63	(38)
Trade and other payables	5,495	(13,510)
Deferred income	1,994	3,258
Taxes payable	840	(3,521)
	$ 31,014	$ 2,372
Attributable to:		
Operating activities	$ 23,272	$ 13,194
Investing activities	7,742	(10,822)
	$ 31,014	$ 2,372

NOTE 15 – SUPPLEMENTAL INFORMATION

Total Revenues, Net of Royalties

Three months ended March 31,	2025	2024
Natural gas and LNG revenues, net of royalties	$ 72,567	$ 78,789
Crude oil revenue, net of royalties	2,668	3,751
Power generation standby revenue	756	753
Take-or-pay natural gas income	—	109
	$ 75,991	$ 83,402

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

Three months ended March 31,	2025	2024
Natural gas royalties	$ 14,439	$ 17,031
Crude oil royalties	65	144
	$ 14,504	$ 17,175

Income Taxes and Interest Cash Payments

Cash payments of income taxes and interest were as follows:

Three months ended March 31,	2025	2024
Income tax payments and installments	$ 14,636	$ 13,578
Withholding tax	$ 9,418	$ 6,396
Interest paid	$ 6,846	$ 5,290

NOTE 16 – 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 March 31, 2025. 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 March 31, 2025, the fair value of Senior Notes, the RCF, and the Term Loan was $265.2 million, $200 million, and $48.5 million, respectively.

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 three months ended March 31, 2025.

(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 March 31, 2025, the COP to USD exchange rate was 4,193:1 (December 31, 2024 – 4,409:1) and the CAD to USD exchange rate was 1.44:1 (December 31, 2024 – 1.44:1). 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 three months ended March 31, 2025.

(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 three months ended March 31, 2025.

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.

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

The following table outlines the contractual maturities of the Corporation's financial liabilities as at March 31, 2025:

	Less than 1 year	1-2 years	Thereafter	Total
Long-term debt – principal	$ 25,000	$ 225,000	$ 495,000	$ 745,000
Lease obligations – undiscounted	5,203	4,133	2,620	11,956
Trade and other payables	93,550	—	—	93,550
Taxes payable	21,360	—	—	21,360
Other long term obligations	952	2,005	3,578	6,535
Long-term incentive compensation liability	1,397	1,095	—	2,492
	$ 147,462	**$ 232,233**	**$ 501,198**	**$ 880,893**

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 March 31, 2025, the Corporation has invoices from a certain customer totaling $20.6 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 17 - contingencies).

As at March 31, 2025, trade and other receivables was comprised of a) $38.6 million (December 31, 2024 - $65.8 million) of trade receivables, b) $6.1 million related to the recovery of transportation costs passed-through to customers (December 31, 2024 - $8.2 million), and c) $12.8 million of other receivables (December 31, 2024 - $12.9 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	March 31, 2025	December 31, 2024
Senior Notes - principal (5.75%)	9	**495,000**	$ 500,000
RCF (SOFR + 4.5%)(1)	9	**200,000**	200,000
Term Loan (SOFR + 10%)(1)	9	**50,000**	50,000
Lease obligation	10	**11,214**	12,313
Total debt		**756,214**	762,313
Working capital surplus		**(14,153)**	(45,524)
Net debt		**$ 742,061**	$ 716,789

(1) The SOFR rate for the three months ended March 31, 2025 was 4.33%.

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

NOTE 17 – COMMITMENTS AND CONTINGENCIES

Presented below are the Corporation's contractual commitments as at March 31, 2025:

	Less than 1 year	1-3 years	Thereafter	Total
Exploration and production contracts	$ 13,324	$ 9,911	$ 1,759	$ 24,994
Compression station operating contracts	1,016	1,777	—	2,793
	$ 14,340	**$ 11,688**	**$ 1,759**	**$ 27,787**

Letters of Credit

As at March 31, 2025, the Corporation had letters of credit outstanding totaling $61 million (December 31, 2024 - $66.9 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 March 31, 2025 of $25 million and has issued $13.8 million of the total $61 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 $20.6 million of gas deliveries as at March 31, 2025 (note 16 - credit risk). The Corporation has entered into an arbitration with this customer during the three months ended March 31, 2025. In Canacol's view, this 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 $20.6 million of receivable in full.