



Canacol Energy Ltd. Announces 5.7 TCF of Gross Mean Un-risked Prospective Conventional Natural Gas Resources in Colombia

CALGARY, ALBERTA - (April 21, 2021) - Canacol Energy Ltd. (“Canacol” or the “Corporation”) (TSX: CNE; OTCQX: CNNEF; BVC: CNEC) is pleased to report on the conventional natural gas prospective resources (resources other than reserves, “ROTR”) for its Esperanza, VIM-21, VIM-5, VIM-19, VIM-33, VIM-44 and SSJN-7 exploration blocks located in the Lower Magdalena Valley basin, and VMM-45, VMM-47 and VMM-49 exploration blocks located in the Middle Magdalena Valley basin of Colombia. Prospective resources are based on a new independent resources audit prepared by Gaffney, Cline & Associates (“GaffneyCline”), effective December 31, 2020 (the “GaffneyCline Report”). Canacol is a natural gas focused exploration and production company, and the largest independent gas producer in Colombia.

Canacol Energy Ltd. Gross Prospective Resources Summary

Conventional Natural Gas (Bcf)	Gross Prospective Resources ⁽¹⁾	
	Mean	
	Un-risked	Risked
As of December 31, 2020	5,718	1,666
As of December 31, 2019	4,669	1,378

- (1) Gross prospective resources are represented at Canacol's gross working interest share before royalties
- (2) The representation of prospective resources in the GaffneyCline report reflects the resource potential of the Corporation's net working interest land position (1,561,665 acres) in the Lower Magdalena Valley basin and in the Middle Magdalena Valley basin.
- (3) The GaffneyCline Report includes estimates of un-risked prospective resources and risked prospective resources. The aggregation of these estimates presented in this press release was carried out by Canacol

Mr. Mark Teare, Senior Vice President of Exploration for Canacol, stated “Canacol is the largest independent producer of gas in Colombia, with an impressive track record of gas exploration success. GaffneyCline's independent prospective resource audit evaluated and estimated conventional natural gas prospective resources for 188 individual prospects and leads, which Canacol has aggregated to an un-risked mean of 5.7 trillion standard cubic feet and a risked mean of 1.7 trillion standard cubic feet. The estimated prospective resources underline the significant potential of Canacol's seven exploration blocks located in the Lower Magdalena Valley basin and three exploration blocks in the Middle Magdalena Valley basin of northern Colombia.

Using 3D seismic, the Corporation continues to achieve a high success rate with its gas exploration program. In the Lower Magdalena valley basin, the application of the Amplitude Versus Offset (AVO) methodology to investigate the presence of gas-charged reservoir sandstones has significantly reduced the risk on the outcome of our gas exploration wells in both the Corporation's key play types in the Cienaga de Oro Formation (“CDO”) and in the Porquero Formation.

In the Middle Magdalena Valley basin, the Corporation continues to build out its gas exploration portfolio by means of the successful acquisition of an additional exploration block (VMM-47) at the 2020 bid round (Proceso Permanente de Asignación de Areas Ciclo 3) administered by Colombia's hydrocarbon regulatory authority, the Agencia Nacional de Hidrocarburos. The Corporation also secured the VIM-44 block adjacent to its core operating area in the Lower Magdalena Valley basin.

At present, the Corporation has embarked on an expansive exploratory program comprising the acquisition of 3D seismic and continued drilling activity to further assess the significant prospective resource for conventional natural gas across its large acreage position.”

Third Party Independent Audit for Conventional Natural Gas Prospective Resources (Resources Other Than Reserves, ROTR)

The following discussion is subject to a number of cautionary statements, assumptions and risks as set forth therein. See “Information Regarding Disclosure on Oil and Gas Resources and Operational Information” at the end of this release for additional cautionary language, explanations and discussion, and see “Forward-looking Statements” for a statement of principal assumptions and risks that may apply. See also “Definitions” in this press release. The discussion includes reference to prospective resources as per the GaffneyCline Report, which was prepared in accordance with the COGE Handbook.

GaffneyCline was commissioned to conduct an independent prospective resources audit of Canacol’s internal estimates of prospective resources for the Corporation’s 100% Working Interest position in exploration blocks Esperanza, VIM-21, VIM-5, VIM-19, VIM-33 and VIM-44 and its 50% Working Interest position in SSJN-7 in the Lower Magdalena Valley basin, and the Corporation’s 100% Working Interest position in exploration blocks VMM-45, VMM-47 and VMM-49 in the Middle Magdalena Valley basin (the “Audited Areas”) effective December 31, 2020. All references in the following discussion to prospective resources are in reference to conventional natural gas in the Audited Areas included in the GaffneyCline Report.

On an un-risked and risked basis, the following table represents an aggregation of gross prospective resources for identified plays, leads and prospects (1, 2, 3) on the eight exploration blocks.

- (1) Play: A family of geologically similar fields, discoveries, prospects and leads.
- (2) Lead: A potential accumulation within a play that requires more data acquisition and/or evaluation in order to be classified as a prospect.
- (3) Prospect: A potential accumulation within a play that is sufficiently well defined to represent a viable drilling target.

Canacol Energy Ltd Gross Prospective Resources Detail

As of December 31, 2020

	Gross Prospective Resources (Bcf)				
	Un-risked				Risked
	Low P90	Best P50	Mean	High P10	Mean
Total	4,427	5,530	5,718	7,202	1,666

Cautionary Statement

There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

Table Notes

- (1) The GaffneyCline Report includes estimates of un-risked prospective resources and risked prospective resources for individual prospects and leads. The aggregations of these estimates were prepared by Canacol.
- (2) The Corporation aggregates probabilistically to the country level for internal portfolio management and long term planning. As required by COGEH Section 5.7, an explanation of this aggregation methodology is provided. A single distribution of prospective resources volumes on an un-risked and risked basis was generated by means of a multiple trial Monte Carlo simulation incorporating Chance of Discovery (Geological Chance of Success (GCoS)), and Chance of Development (CoD) of all 188 prospects and leads from GaffneyCline’s audit. From the distribution, the Mean is the average value of the distribution, and as such represents the most accurate single point estimation of the expected recoverable volume. The Mean of the distribution is represented on a risked basis relative to the un-risked case to provide the reader a more balanced perspective on the likely outcome of an exploration drilling program of all 188 prospects and leads.
- (3) CoD was quantified by GaffneyCline for each prospect and lead by combining the chance of achieving a minimum economic field size (MEFS) with the chance that a discovery would be developed, i.e., the chance of achieving commerciality. The overall risked volume for a given prospect or lead is the combination of GCoS and CoD applied to the un-risked volume with the exception that if the risked mean volume for the prospect is less than MEFS, the CoD was set to zero resulting in zero risked resource.
- (4) The volumes reported in the table above (Low (P90), Best (P50), Mean, High (P10)) are Gross Prospective Resources volumes at Canacol’s Gross Working Interest of 100% in the blocks Esperanza, VIM5, VIM19, VIM21, VIM33 and VIM44 and Canacol’s Gross Working Interest of 50% in the block SSJN7, and Canacol’s Gross Working Interest of 100% in the blocks VMM45, VMM47 and VMM49.
- (5) All prospects and leads included in this release are conventional natural gas. Conventional natural gas volumes are reported in billions of

cubic feet (Bcf) at standard conditions of 1 Bar and 20° Celsius.

- (6) Opportunities reported above are potential hydrocarbon accumulations identified on the basis of available data, and depending on the level of information available for their assessment are sub classified as plays, leads and prospects. The assessed GCoS varies, from opportunity to opportunity, and GaffneyCline has stated that the leads may require additional seismic data prior to becoming viable drillable prospects.
- (7) The representation of prospective resources in the GaffneyCline report reflects the resource potential of the Corporation's net working interest land position (1,561,665 acres) in the Lower Magdalena Valley basin and in the Middle Magdalena Valley basin.

Of primary importance in the Lower Magdalena Valley basin is the resource potential of the CDO comprised of up to 5000 feet of deltaic and marginal marine sandstones and shales. The CDO play is characterized by structural features such as faulted horst blocks and faulted three-way dip anticlinal closures. Specific prospects are identified and mapped using 3D seismic, and technical risk is further mitigated by the application of seismic attribute analysis to investigate the presence of gas-charged sandstones. Since 2014, the Corporation has enjoyed significant success in both its exploration and development drilling program with the CDO play, with 23 out of 27 exploration and appraisal wells encountering gas (85% GCoS), and 10 out of 10 development wells encountering gas.

In addition, the Corporation has further investigated the emerging play type in the turbiditic sandstone reservoirs of the shallow Porquero Formation. As for the CDO play, Porquero exploration prospects are identified and mapped using 3D seismic, and technical risk is further mitigated by the application of seismic attribute analysis to investigate the presence of gas-charged sandstones. Since 2016, the Corporation has achieved noted success in its exploration drilling program with the Porquero play, with 5 out of 5 exploration and appraisal wells encountering gas (100% GCoS).

For the exploratory opportunity on the recently acquired exploration blocks in the Middle Magdalena Valley basin, the Corporation has identified conventional natural gas plays it anticipates to mature by means of investigative geological studies, the reprocessing of existing 2D and 3D seismic, seismic acquisition and drilling over the next three years.

For all plays in the Lower and Middle Magdalena Valley basins and based upon the representation of prospective resources in the GaffneyCline Report, management expects that significant additional resources will be developed in the future with continued drilling success on currently undeveloped blocks. In the future, significant factors that may change the prospective resource estimates include the outcome of further exploration and appraisal drilling that may change the estimates either positively or negatively. Furthermore, prospective resource estimates may be impacted by future improvements in technologies such as optimized seismic acquisition parameters, drilling fluid properties, and downhole petrophysical data acquisition methodologies. In addition, recoverable volumes may be enhanced by improved downhole completion and production technologies, additional processing capacity and compression.

In accordance with COGE Handbook 1.4.7.2, GaffneyCline represents risked prospective resources as a function of the Chance of Development (CoD) of any future discovery. Estimating CoD requires that the related development project be commercial such that the commerciality conditions of regulatory approval for facilities, flow lines and access to markets are met.

For the Lower Magdalena Valley basin, the prospects and leads fall within 50 km of the Corporation's central processing facility at Jobo that may be expanded as required. For the Middle Magdalena Valley basin, the Corporation has recently acquired three exploration blocks situated near existing infrastructure with access to local markets in the interior of the country assuming a successful outcome of its proposed exploration program over the next three years.

Historically, the Corporation has successfully secured sales contracts for its existing production. It is confident of its ability to secure future contracts in an expanding market along the Caribbean coast and the Colombian interior. Since 2012, the Corporation has demonstrated its ability to manage other contingencies such as legal, regulatory, political, social license, internal and external approvals, and access to project finance to ensure the timely execution of its exploration and field development plans with respect to achieving existing production levels for natural gas in northern Colombia.

Appropriate levels of capital investment are anticipated to ensure future full field development including drilling, tie-in, infrastructure buildout for facilities and flow-lines, and abandonment and reclamation. The Corporation has prepared a realistic time and capital schedule for the execution of its proposed exploration campaign over the next three years to ensure compliance with its contractual obligations during the exploratory phase of each block while accounting for additional time for follow-up appraisal and development drilling, installation of flow-lines, and plant expansion as required.



Future field development will be for conventional natural gas. The Corporation does not expect undue challenges related to HPHT (High Pressure High Temperature) reservoirs in its go forward exploration and development programs. Any discovery will be developed using existing industry technology with standard gas completions in the well-bores, and standard surface treatment and compression facilities in the same manner as the seventeen operated fields presently tied-in and under production (Nelson, Palmer, Clarinete, Oboe, Chirimia, Acordeon, Ocarina, Pandereta, Nispero, Trombon, Toronja, Breva, Arandala, Canahuate, Ariana, Canaflecha, and Katana).

Definitions

Resource definitions, including those set out below, are as specified by NI 51-101, and the COGE Handbook.

“**Resources**” encompasses all petroleum quantities that originally existed on or within the earth’s crust in naturally occurring accumulations, including discovered and undiscovered (recoverable and unrecoverable) plus quantities already produced.

“**Prospective Resources**” are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by applying future development projects. Prospective Resources have both an associated Chance of Discovery and a Chance of Development. Prospective Resources are further categorised according to the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

As used in this press release, “**Bcf**” means billion standard cubic feet.

Prospective resource volumes under the heading “un-risked” have not been adjusted for the Chance of Discovery and the Chance of Development. Prospective resource volumes under the heading “risked” have been risk discounted to reflect GaffneyCline’s estimates of Chance of Discovery (Geological Chance of Success (GCoS)) and Chance of Development (CoD) which involves assessing various risks based upon a number of assumptions and other factors.

The Chance of Development is the probability that a resource, once it has been discovered, will ultimately be commercially developed. While the Corporation believes that such estimates and underlying assumptions are reasonable, many of these assumptions are beyond the Corporation’s control, are subject to change and may not, over time, prove to be accurate. As a result, the actual level of various risks (including those currently identified and that may be identified in the future) could prove to be greater and the Chance of Development lower than currently estimated. Such differences could be material.

The estimates of prospective resources provided in this press release are estimates only, and there is no guarantee that the estimated prospective resources will be recovered. Actual prospective resources may be greater than or less than the estimates provided in this press release and the differences may be material. There is no certainty that any portion of the prospective resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources.

Estimates of prospective resources are by their nature more speculative than estimates of proved reserves. They would require substantial capital spending over a significant number of years to implement recovery. Actual locations drilled and quantities that may be recovered from our properties may differ from one property to another quite substantially. In addition, Canacol has made no commitment to drill, and likely will not drill, all of the drilling locations that have been attributable to these estimates of prospective resources.

The following classification of prospective resources represented probabilistically as used in this press release:

- Low Estimate is a conservative estimate of the quantity that will be recovered. It is likely the actual remaining quantities recovered will exceed the Low Estimate. If probabilistic methods are used, there should be at least a 90 percent probability (P90) the quantities actually recovered will equal or exceed the Low Estimate.
 - Best Estimate is considered to be the Best Estimate of the quantity that will be recovered. It is equally likely the actual remaining quantities recovered will be greater or less than the Best Estimate. If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually recovered will equal or exceed the Best Estimate.
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- High Estimate is considered to be an optimistic estimate of the quantity that will be recovered. It is unlikely the actual remaining quantities recovered will exceed the High Estimate. If probabilistic methods are used, there should be at least a 10 percent probability (P10) the quantities actually recovered will equal or exceed the High Estimate.
- Mean Estimate represents the arithmetic average of the expected recoverable volume. It is the most accurate single point representation of the volume distribution.

Information Regarding Disclosure on Oil and Gas Resources and Operations

Other than as otherwise disclosed in this press release, not all projects are yet defined to develop the resources in the evaluated areas as of the evaluation date. Such projects have historically been developed sequentially over a number of drilling seasons and are subject to annual budget constraints.

Canacol's policy of orderly development on a staged basis is influenced by the timing of the growth of third-party infrastructure, Canacol's short and long-term view of gas prices, the results of exploration and development activities of Canacol and others, and possible infrastructure capacity constraints.

About Canacol

Canacol is a natural gas exploration and production company with operations focused in Colombia. The Corporation's common stock trades on the Toronto Stock Exchange, the OTCQX in the United States of America, and the Colombia Stock Exchange under ticker symbol CNE, CNNEF, and CNE.C, respectively.

Forward-Looking Information and Statements

This press release contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "strategy", and similar expressions are intended to identify forward looking information or statements.

The forward-looking information and statements contained in this press release reflect several material factors and expectations and assumptions of Canacol including, without limitation: that Canacol will continue to conduct its operations in a manner consistent with past operations; results from drilling and development activities are consistent with past results; the continued and timely development of infrastructure in areas of new production; the general continuance of current industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; the accuracy of the estimates of Canacol's resource volumes; certain commodity price and other cost assumptions; and the continued availability of adequate debt and equity financing and cash flow to fund its planned expenditures. There are a number of assumptions associated with the development of the prospects and leads, including the quality of the reservoirs, continued performance from existing wells, future drilling programs and performance from new wells, the growth of infrastructure, well density per section, and recovery factors and development necessary involves known and unknown risks and uncertainties, including those risks identified in this press release. Canacol believes the material factors, expectations and assumptions reflected in the forward- looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

The forward-looking information and statements included in this press release are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; the early stage of development of some areas in the evaluated areas; the potential for variation in the quality of formations, changes in the demand for or supply of Canacol's products; unanticipated operating results or production declines unanticipated results from Canacol's exploration and development activities; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of Canacol, increased debt levels or debt service requirements; inaccurate estimation of Canacol's oil and gas reserve and resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time to time in Canacol's public disclosure documents (including, without limitation, those risks identified in this news release and in Canacol's most recent Annual Information Form).

The forward-looking information and statements contained in this news release speak only as of the date of this news release, and none of Canacol or its subsidiaries assumes any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

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