Canacol Energy Ltd. Reports an 8% Increase in Netback and an Adjusted EBITDAX of $61 million in Q2 2023

CALGARY, ALBERTA - (August 10, 2023) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; OTCQX:CNNEF; BVC:CNEC) is pleased to report its financial and operating results for the three and six months ended June 30, 2023. Dollar amounts are expressed in United States dollars, with the exception of Canadian dollar unit prices ("C$") where indicated and otherwise noted.

Highlights for the three and six months ended June 30, 2023

- Adjusted EBITDAX increased 10% and 16% to $60.7 million and $121.6 million for the three and six months ended June 30, 2023, respectively, compared to $55.2 million and $104.8 million for the same periods in 2022, respectively.
- The Corporation's natural gas and LNG operating netback increased 8% and 9% to $3.94 per Mcf and $3.97 per Mcf, for the three and six months ended June 30, 2023, respectively, compared to $3.66 per Mcf and $3.63 per Mcf for the same periods in 2022, respectively. The increase is mainly due to an increase in average sales prices, net of royalties and transportation expenses.
- Total revenues, net of royalties and transportation expenses increased 6% and 9% to $74.6 million and $148.5 million for the three and six months ended June 30, 2023, respectively, compared to $70.3 million and $136.1 million for the same periods in 2022, respectively, mainly due to higher average sales price, net of transportation expenses.
- Realized contractual natural gas sales volume decreased 2% to 184.8 MMcfpd for the three months ended June 30, 2023, compared to 188.0 MMcfpd for the same period in 2022. The decrease is mainly due to a decrease in spot sales, offset by gas sales to Tesorito. For the six months ended June 30, 2023, realized contractual natural gas sales volume increased slightly to 185.2 MMcfpd, compared to 184.9 MMcfpd for the same period in 2022.
- Adjusted funds from operations decreased 14% and 9% to $33.7 million and $66.4 million for the three and six months ended June 30, 2023, respectively, compared to $39.1 million and $72.9 million for the same periods in 2022, respectively, mainly due to an increase in current tax expense, offset by an increase in total revenue, net of royalties and transportation expenses.
- The Corporation realized a net income of $40 million and $56.9 million for the three and six months ended June 30, 2023, respectively, compared to a net loss of $6.4 million and a net income of $18 million for the same periods in 2022, respectively.
- Net cash capital expenditures for the three and six months ended June 30, 2023 was $52 million and $99.1 million, respectively.
- As at June 30, 2023, the Corporation had $38.9 million in cash and cash equivalents and $8.7 million in working capital surplus.

Outlook

For the remainder of 2023, the Corporation is focused on the following objectives: 1) the drilling of up to 10 exploration and appraisal wells in a continuous program targeting a 2P reserves replacement ratio of more than 200%; 2) the acquisition of 282 square kilometers of 3D seismic on the VIM-5 block to expand the Corporation's exploration prospect inventory; 3) progressing the new gas pipeline project from Jobo to Medellin which will add 100 MMcfpd of new gas sales to the interior, allowing Canacol to increase gas sales to over 300 MMcfpd; 4) continuing to return capital to shareholders; and 5) continuing with our commitment of strengthening our environmental, social and governance strategy.

FINANCIAL & OPERATING HIGHLIGHTS

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

Financial	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	**2023**	2022	Change
Total revenues, net of royalties and transportation expense	**74,605**	70,256	6%	**148,518**	136,139	9%
Adjusted EBITDAX[1]	**60,654**	55,208	10%	**121,582**	104,832	16%
Adjusted funds from operations[1]	**33,686**	39,086	(14%)	**66,379**	72,902	(9%)
Per share – basic ($)[1][2]	**0.99**	1.15	(14%)	**1.95**	2.12	(8%)
Per share – diluted ($)[1][2]	**0.99**	1.15	(14%)	**1.95**	2.12	(8%)
Cash flow provided (used) by operating activities	**(24,413)**	35,338	n/a	**6,556**	73,401	(91%)
Per share – basic ($)[2]	**(0.72)**	1.04	n/a	**0.19**	2.14	(91%)
Per share – diluted ($)[2]	**(0.72)**	1.04	n/a	**0.19**	2.14	(91%)
Net income (loss) and comprehensive income (loss)	**39,990**	(6,404)	n/a	**56,864**	18,011	216%
Per share – basic ($)[2]	**1.17**	(0.19)	n/a	**1.67**	0.52	221%
Per share – diluted ($)[2]	**1.17**	(0.19)	n/a	**1.67**	0.52	221%
Weighted average shares outstanding – basic[2]	**34,111**	34,118	—%	**34,111**	34,330	(1%)
Weighted average shares outstanding – diluted[2]	**34,111**	34,118	—%	**34,111**	34,330	(1%)
Net cash capital expenditures[1]	**51,985**	42,686	22%	**99,108**	70,164	41%
				Jun 30, 2023	Dec 31, 2022	Change
Cash and cash equivalents				**38,936**	58,518	(33%)
Working capital surplus (deficit)				**8,721**	(22,603)	n/a
Total debt				**659,319**	550,752	20%
Total assets				**1,130,408**	1,014,848	11%
Common shares, end of period (000's)[2]				**34,111**	34,111	—%

Operating	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	**2023**	2022	Change
Production[1]						
Natural gas and LNG (Mcfpd)	**187,687**	190,559	(2%)	**188,033**	186,865	1%
Colombia oil (bopd)	**527**	571	(8%)	**546**	500	9%
Total (boepd)	**33,455**	34,002	(2%)	**33,534**	33,283	1%
Realized contractual sales[1]						
Natural gas and LNG (Mcfpd)	**184,752**	187,963	(2%)	**185,185**	184,905	—%
Colombia oil (bopd)	**523**	565	(7%)	**555**	489	13%
Total (boepd)	**32,936**	33,541	(2%)	**33,044**	32,929	—%
Operating netbacks[1]						
Natural gas and LNG ($/Mcf)	**3.94**	3.66	8%	**3.97**	3.63	9%
Colombia oil ($/bbl)	**18.57**	27.49	(32%)	**22.39**	21.92	2%
Corporate ($/boe)	**22.36**	21.02	6%	**22.61**	20.69	9%

(1) Non-IFRS measures – see "Non-IFRS Measures" section within the MD&A.
(2) Restated to reflect the 5:1 share consolidation on January 17, 2023 - see "Share Consolidation" section within the MD&A.

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This press release should be read in conjunction with the Corporation's interim condensed consolidated financial statements and related Management's Discussion and Analysis ("MD&A"). The Corporation has filed its interim condensed consolidated financial statements and related MD&A as at and for the three and six months ended June 30, 2023 with Canadian securities regulatory authorities. These filings are available for review on SEDAR at www.sedar.com.

Canacol is a natural gas exploration and production company with operations focused in Colombia. The Corporation's shares are traded on the Toronto Stock Exchange under the symbol CNE, the OTCQX in the United States of America under the symbol CNNEF, the Bolsa de Valores de Colombia under the symbol CNEC.

This press release contains certain forward-looking statements within the meaning of applicable securities law. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "target", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur, including without limitation statements relating to estimated production rates from the Corporation's properties and intended work programs and associated timelines. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. The Corporation cannot assure that actual results will be consistent with these forward looking statements. They are made as of the date hereof and are subject to change and the Corporation assumes no obligation to revise or update them to reflect new circumstances, except as required by law. Information and guidance provided herein supersedes and replaces any forward looking information provided in prior disclosures. Prospective investors should not place undue reliance on forward looking statements. These factors include the inherent risks involved in the exploration for and development of crude oil and natural gas properties, the uncertainties involved in interpreting drilling results and other geological and geophysical data, fluctuating energy prices, the possibility of cost overruns or unanticipated costs or delays and other uncertainties associated with the oil and gas industry. Other risk factors could include risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities, and other factors, many of which are beyond the control of the Corporation. Other risks are more fully described in the Corporation's most recent Management Discussion and Analysis ("MD&A") and Annual Information Form, which are incorporated herein by reference and are filed on SEDAR at www.sedar.com. Average production figures for a given period are derived using arithmetic averaging of fluctuating historical production data for the entire period indicated and, accordingly, do not represent a constant rate of production for such period and are not an indicator of future production performance. Detailed information in respect of monthly production in the fields operated by the Corporation in Colombia is provided by the Corporation to the Ministry of Mines and Energy of Colombia and is published by the Ministry on its website; a direct link to this information is provided on the Corporation's website. References to "net" production refer to the Corporation's working-interest production before royalties.

Use of Non-IFRS Financial Measures *- Such supplemental measures should not be considered as an alternative to, or more meaningful than, the measures as determined in accordance with IFRS as an indicator of the Corporation's performance, and such measures may not be comparable to that reported by other companies. This press release also provides information on adjusted funds from operations. Adjusted funds from operations is a measure not defined in IFRS. It represents cash provided (used) by operating activities before changes in non-cash working capital and the settlement of decommissioning obligation, adjusted for non-recurring charges. The Corporation considers adjusted funds from operations a key measure as it demonstrates the ability of the business to generate the cash flow necessary to fund future growth through capital investment and to repay debt. Adjusted funds from operations should not be considered as an alternative to, or more meaningful than, cash provided by operating activities as determined in accordance with IFRS as an indicator of the Corporation's performance. The Corporation's determination of adjusted funds from operations may not be comparable to that reported by other companies. For more details on how the Corporation reconciles its cash provided by operating activities to adjusted funds from operations, please refer to the "Non-IFRS Measures" section of the Corporation's MD&A. Additionally, this press release references Adjusted EBITDAX and operating netback measures. Adjusted EBITDAX is defined as consolidated net income adjusted for interest, income taxes, depreciation, depletion, amortization, exploration expenses and other similar non-recurring or non-cash charges. Operating netback is a benchmark common in the oil and gas industry and is calculated as total natural gas, LNG and petroleum sales, net transportation expenses, less royalties and operating expenses, calculated on a per barrel of oil equivalent basis of sales volumes using a conversion. Operating netback is an important measure in evaluating operational performance as it demonstrates field level profitability relative to current commodity prices. Adjusted EBITDAX and operating netback as presented do not have any standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures for other entities.*

Operating netback is defined as revenues, net transportation expenses less royalties and operating expenses.

Realized contractual sales is defined as natural gas and LNG produced and sold plus income received from nominated take-or-pay contracts without the actual delivery of natural gas or LNG and the expiry of the customers' rights to take the deliveries.

The Corporation's LNG sales account for less than one percent of the Corporation's total realized contractual natural gas and LNG sales.

Boe Conversion *- The term "boe" is used in this news release. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of cubic feet of natural gas to barrels oil equivalent is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In this news release, we have expressed boe using the Colombian conversion standard of 5.7 Mcf: 1 bbl required by the Ministry of Mines and Energy of Colombia. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 5.7 Mcf:1, utilizing a conversion on a 5.7 Mcf:1 basis may be misleading as an indication of value.*

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