



Canacol Energy Announces 7.6 TCF of Gross Mean Risked Prospective Conventional Natural Gas Resources

CALGARY, ALBERTA — (April 6, 2022) 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) for its Esperanza, VIM-21, VIM-5, VIM-33, VIM-44 and SSJN-7 exploration blocks located in the Lower Magdalena Valley (“LMV”) basin, and VMM-45, VMM-47, VMM-49, VMM-53 and VMM-10-1 exploration blocks located in the Middle Magdalena Valley (“MMV”) basin of Colombia (collectively, the “Audited Areas”). Boury Global Energy Consultants Ltd. (“BGEC”), Canacol’s independent qualified resources auditor, was commissioned to conduct a new independent prospective resources audit of Canacol’s internal estimates of prospective resources for the Audited Areas effective December 31, 2021 (the “BGEC Report”). Canacol is a natural gas focused exploration and production company, and the largest independent gas producer in Colombia.

Canacol Energy Ltd. — Audited Areas — Gross Working Interest Prospective Resources Summary

Conventional Natural Gas (Bcf)	Gross Working Interest Prospective Resources ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	
	Mean	
	Unrisked	Risked
As of December 31, 2021	20,525	7,576

- (1) Gross prospective resources are represented at Canacol’s gross working interest share before royalties.
- (2) The representation of prospective resources in the BGEC Report reflects the resource potential of the Corporation’s net working interest land position (1,524,793 acres) in the Audited Areas.
- (3) The BGEC Report includes estimates of unrisked prospective resources and risked prospective resources. The aggregation of these estimates presented in this press release were carried out by BGEC.
- (4) 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.
- (5) See “Canacol Energy Ltd. — Audited Areas — Gross Prospective Resources Detail”, below, for further information.

Mr. Mark Teare, Senior Vice President of Exploration for Canacol, stated “Canacol is the largest independent producer of gas in Colombia, with a track record of gas exploration success. BGEC’s independent prospective resource audit evaluated and estimated conventional natural gas prospective resources for 178 individual prospects and leads, which BGEC has aggregated to an un- risked mean of 20.5 trillion standard cubic feet and a risked mean of 7.6 trillion standard cubic feet. The estimated prospective resources underline the significant potential of Canacol’s six exploration blocks located in the Lower Magdalena Valley basin and five exploration blocks in the Middle Magdalena Valley basin of northern Colombia.

The Corporation’s successful gas exploration program has been enhanced by using 3D seismic acquisition and processing technologies. In the LMV 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 MMV basin, the Corporation has assembled a 610,981 net acre position in 5 Exploration and Production Contracts won in 3 bid rounds administered by Colombia’s hydrocarbon regulatory authority, the Agencia Nacional de Hidrocarburos, over the past 3 years. The Corporation operates all 5 contracts with a 100% working interest. The Corporation has identified conventional natural gas plays within the Cretaceous La Luna Formation (“La Luna”), which consists of up to 3,300 ft of marine carbonates and clastics, and is the primary source rock for most of the proven oil and gas reserves in Colombia, Venezuela, and Ecuador. The La Luna itself is productive in various oil and gas fields in Colombia. The



Corporation anticipates drilling the Pola 1 exploration well in the third quarter of 2022, Pola 1 will be the first of several high impact exploration wells in this new La Luna play”.

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

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 BGEC Report, which was prepared in accordance with definitions, standards, and procedures contained in the Canadian Oil and Gas Evaluation Handbook (“COGE Handbook”) and National Instrument 51-101 — Standards of Disclosure for Oil and Gas Activities (“NI 51-101”).

BGEC was commissioned to conduct an independent prospective resources audit of Canacol’s internal estimates of prospective resources for Audited Areas effective December 31, 2021, being the Corporation’s 100% Working Interest position in exploration blocks Esperanza, VIM-21, VIM-5, VIM-33 and VIM-44 and its 50% Working Interest position in SSJN-7 in the LMV, and the Corporation’s 100% Working Interest position in exploration blocks VMM-45, VMM-47, VMM-49, VMM-53 and VMM-10-1 in the MMV. All references in the following discussion to prospective resources are in reference to conventional natural gas in the Audited Areas included in the BGEC Report.

On an unrisked and risked basis, the following table represents an aggregation of gross prospective resources for identified plays⁽¹⁾, leads⁽²⁾ and prospects⁽³⁾ on the eleven 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. — Audited Areas — Gross Working Interest Prospective Resources Detail As of December 31, 2021

	Gross Working Interest Prospective Resources Conventional Natural Gas (Bcf)				
	Unrisked				Risked
	Low P90	Best P50	Mean	High P10	Mean
Tertiary Reservoirs in LMV & MMV	2,533	3,098	3,221	4,012	986
Cretaceous Reservoirs in MMV	12,278	16,618	17,304	23,080	6,590
Aggregate Total	15,414	19,870	20,525	26,380	7,576

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 BGEC Report includes estimates of unrisked prospective resources and risked prospective resources for individual prospects and leads. The aggregations of these estimates were prepared by BGEC.

- (2) The Corporation aggregates probabilistically to the country level for internal portfolio management and long term planning. As required by COGE Handbook Section 5.7, an explanation of this aggregation methodology is provided as follows. A single distribution of prospective resources volumes on an unrisks and risks 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 178 prospects and leads from BGEC'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 risks basis relative to the unrisks case to provide the reader a more balanced perspective on the likely outcome of an exploration drilling program of all 178 prospects and leads.
- (3) CoD was quantified by BGEC 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 risks volume for a given prospect or lead is the combination of GCoS and CoD applied to the unrisks volume with the exception that if the risks mean volume for the prospect is less than MEFS, the CoD was set to zero resulting in zero risks resource.
- (4) The volumes reported in the table above (Low (P90), Best (P50), Mean, High (P10)) on gross prospective resources are gross unrisks and risks mean prospective resources volumes at Canacol's gross working interest of 100% in the blocks Esperanza, VIM-5, VIM-21, VIM-33 and VIM-44, 50% in the block SSJN-7, and 100% in the blocks VMM-45, VMM-47, VMM-49, VMM-53 and VMM-10-1.
- (5) All prospects and leads included in this release are conventional natural gas. Conventional natural gas volumes are reported in 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 BGEC has stated that the leads may require additional seismic data prior to becoming viable drillable prospects. 109 of the opportunities are classified as leads with the remaining opportunities classified as prospects.
- (7) The representation of prospective resources in the BGEC report reflects the resource potential of the Corporation's net working interest land position (1,524,793 acres) in the Audited Areas.
- (8) Compared to prior evaluations of the Corporation's conventional natural gas prospective resources, a significant increase in total aggregated gross prospective resources (both unrisks and risks) is attributable to increased estimates for the Company's prospects, leads, or plays in the Middle Magdalena Basin, as well as the addition of new prospects, leads or plays in that basin.

Of primary importance in the LMV basin is the resource potential of the CDO comprised of up to 5,000 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 within the CDO play, with 23 out of 29 exploration and appraisal wells encountering gas (79% success rate), and 11 out of 11 development wells encountering gas (100% success rate).

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 six out of six exploration and appraisal wells encountering gas (100% success rate).

For the exploratory opportunity on the exploration blocks in the MMV basin, the Corporation has identified conventional natural gas plays within the Cretaceous La Luna Formation, and it anticipates maturing 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 LMV and MMV basins and based upon the representation of prospective resources in the BGEC 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, BGEC 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 LMV 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 MMV basin, the Corporation's exploration blocks are situated near existing infrastructure with access to local markets in the interior of Colombia, assuming a successful outcome of the Corporation's 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 flowlines, and abandonment and reclamation. The estimated total costs required to achieve commercial production range from between \$5 million and \$10 million for Lower Magdalena Valley prospects where adequate facilities and sales infrastructure are close by, to between \$10 million and \$140 million for prospects in the Middle Magdalena Valley where new facilities and pipelines to sales require construction and La Luna drilling and completion costs are more expensive and sometimes require new 3D seismic prior to drilling. The Corporation has prepared a realistic time and capital schedule for the execution of its proposed exploration, appraisal, and development 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 flowlines, and plant expansion as required. The estimated date of first commercial production is late 2022 for Lower Magdalena Valley prospects drilled this year. Dollar amounts are expressed in United States dollars.

Future field development will be for conventional natural gas. The Corporation is equipped with the experience to manage any subsurface challenges related to HPHT (High Pressure High Temperature) reservoirs in its go forward exploration and development program. 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 operated fields presently tied-in and under production.

There are a number of positive and negative factors which BGEC considered in determining risk and overall uncertainty.

The key positive factors:

- Canacol is the largest independent gas producer in Colombia with an established record in exploration, operations, and regulatory approval
 - Track record of exploration and development success of 86%¹
 - Successful history of negotiating long term contracts with high quality off-takers
 - Experience in regulatory permitting and licensing, with strong relationships with local communities
 - Corporate-owned facilities and infrastructure are in-place, with proven ability to expand and build-out as required
- Strong market fundamentals for development of new gas in Colombia, underpinned by declining supply, economic growth, and a national plan to use gas as a transitional energy source

(1) Track record reflects drilling success for the period 2014 through February 2022. For more information, see our latest Corporate Presentation on www.canacolenergy.com.

The key negative factors or critical risks:

- The commercial viability of new projects depends on the Corporation's ability to mitigate risks associated with the exploration for and production of natural gas including, among other things, uncertainties related to the estimation of prospective resources, the potential for negative technical results, access to capital, execution and timing risk, availability of equipment and access restrictions, and market events and conditions.
- The COVID-19 pandemic has negatively impacted global economies and disrupted global supply chains. The full extent of the risks surrounding the pandemic continues to evolve and create uncertainty.

Further information regarding risks and uncertainties can be found in *"Risk Factors – Risks Related to the Industry and the Business of Canacol"* in our most recent Annual Information Form.

Economic modeling was based on a pre-development study representing assumptions derived from Canacol's experience of drilling exploration and development wells, construction of gathering systems and flowlines, and the expansion of processing facilities within the prospective area.

Definitions

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

"Bcf" means billion standard cubic feet.

"Chance of Development" means the chance that an exploration project will result in the discovery of petroleum.

"Chance of Discovery" means the estimated probability that, once discovered, a known accumulation will be commercially developed.

"Conventional natural gas" means natural gas that has been generated elsewhere and has migrated as a result of hydrodynamic forces and is trapped in discrete accumulations by seals that may be formed by localized structural, depositional or erosional geological features.

"Natural gas" means a naturally occurring mixture of hydrocarbon gases and other gases;



“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.

“Tcf” means Trillion standard cubic feet.

Prospective resource volumes under the heading “unrisked” 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 BGEC’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 Discovery is the estimated probability that, once discovered, a known accumulation will be commercially developed.

The Chance of Development is the estimated 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 the Corporation’s 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.

Estimates of resource volumes can be categorized according to the range of uncertainty associated with the estimates. Uncertainty ranges are described in COGE Handbook as low, best and high estimates as follows:

- 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; provided that, with regards to leads and prospects, this assumes discovery and commercial development.
- 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.

- 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, projects have not been defined to develop the resources in the evaluated areas. 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 Audit 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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