

Canacol Energy Ltd Announces Execution of Strategic Long Term Take or Pay Gas Sales Contract with EPM and Pipeline Project Update

30.08.2021 | [GlobeNewswire](#)

CALGARY, Aug. 30, 2021 - [Canacol Energy Ltd.](#) ("Canacol" or the "Corporation") (TSX:CNE; OTCQX:CNNEF; BVC:CNEC) is pleased to announce the execution of a new long term take or pay gas sales contract with Empresas Publicas de Medellin E.S.P. ("EPM"), and provides an update on the pipeline project associated with the sales contract. Senior Management will hold a Conference Call today Monday, August 30, 2021 at 2:00 p.m. MST / 4:00 p.m. ET.

Charle Gamba, President and CEO of Canacol, commented "The sales contract we signed with EPM marks a strategic step in growing Canacol's gas sales and diversifying our client base via a new pipeline that will connect our gas fields to the interior sales market of Colombia. This project marks our entry into this large gas demand market which accounts for approximately 60% of Colombia's growing natural gas demand. The new pipeline will allow Canacol to sell up to 100 MMscfpd into the interior market, with an option to expand the pipeline transportation capacity to 200 MMscfpd, thus making Canacol an important supplier of gas to both the Caribbean coast and interior markets of Colombia. This important and strategic agreement is aligned with the Colombian governments commitment to energy transition by ensuring a long term, affordable, and stable supply of clean natural gas to all of Colombia's natural gas consumers."

Under the terms of the contract Canacol will deliver gas to EPM in Medellin starting on December 1, 2024 with an initial minimum volume of approximately 21 million standard cubic feet per day ("MMscfpd") escalating to approximately 54 MMscfpd on December 1, 2025, and remaining at this level until the sales contract expires on November 30 2035.

To deliver the gas a new 20" pipeline will be built between Canacol's gas treatment plant at Jobo to the city of Medellin located approximately 300 kilometers to the south. The pipeline will have an initial transportation capacity of approximately 100 MMscfpd. A subsequent phase contemplated for the pipeline project will have the ability to increase total transportation capacity to approximately 200 MMscfpd via the installation of additional compression.

The Corporation will focus on the following activities related to the pipeline project, all of which are anticipated to be completed by the end of Q1 2022. 1) Finalize work on the environmental permit to submit to the ANLA for approval, 2) finalize the selection of the construction company that will be responsible for building and operating the pipeline, 3) arrange the necessary financing as required to execute the project, and 4) continue to negotiate and execute an additional 45 MMscfpd of gas sales contracts with consumers in the interior to fill the initial 100 MMscfpd capacity of the pipeline.

\$75 Million Senior Unsecured Bridge Term Loan Amendment

As originally outlined in a August 4, 2020 press release, on July 31, 2020, a subsidiary of the Corporation entered into a \$75 million senior unsecured bridge term loan (the "Bridge") with a syndicate of banks. Notable terms of the Bridge included an interest rate of LIBOR + 4.25%, a 2-year term, and the Corporation's ability to repay the Bridge at any time within the term without penalty. Within 30 days of the July 31, 2020 closing the subsidiary was obligated to draw the first \$25 million of the Bridge, with the remaining \$50 million to be available to be drawn at any time up to 12 months from the closing date.

On August 12, 2021 the Bridge was amended to extend both the Bridge term and the availability period on undrawn amounts to July 31, 2023.

The Bridge was entered into by the Canacol subsidiary that is intended to be used to construct and own the

Medellin pipeline, with Canacol being the guarantor throughout the outstanding term of the Bridge. The initial draw from the Bridge will be used for expenditures such as engineering and environment permitting, with the following \$50 million currently budgeted to order long lead time items needed for construction. It is anticipated that during the term Canacol will divest between 75% to 100% of the shares of the subsidiary to an equity partner, while maintaining up to a 25% working interest (with 25% being the maximum permitted ownership level for a gas producer under Colombian law) in the ownership of the pipeline project. Detailed discussions are ongoing with respect to this project with interested equity partners and a syndicate of banks. Once equity partners and bank syndicate agreements have been signed, and any applicable conditions precedent have been met, it is anticipated the long term funding will be advanced and the Bridge will be repaid, thus freeing Canacol of its guarantees on the Bridge.

The conference call may be accessed by dial in or via webcast:

Pre-register for the Conference Call: <https://dpreregister.com/sreg/10159941/ecd265de95>

Dial In Toll Free: 1-844-784-1724

Participant International Dial In: 1-412-317-6716

Canada Toll Free: 1-866-450-4696

Colombia Toll Free: 01800-9-156803

UK Toll Free: 08082389064

Webcast link: <https://services.choruscall.com/mediaframe/webcast.html?webcastid=mVJgr8hl>

All remarks made during the conference call will be current at the time of the call and may not be updated to reflect subsequent material developments.

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.

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", "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. 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.

Realized contractual gas sales is defined as gas produced and sold plus gas revenues received from nominated take or pay contracts.

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<https://www.rohstoff-welt.de/news/392511--Canacol-Energy-Ltd-Announces-Execution-of-Strategic-Long-Term-Take-or-Pay-Gas-Sales-Contract-with-EPM-and->

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