



Canacol Energy Ltd. Adds 28 BCF of New 2P Gas Reserves to the Clarinete Gas Field with the Oboe-1 Appraisal Well

CALGARY, ALBERTA - (July 26, 2016) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; OTCQX:CNNEF; BVC:CNEC) is pleased to report reserves for its Oboe appraisal well tested in March, 2016 on the VIM 5 block.

The Oboe-1 well was completed and tested in 3 of 11 different sandstone reservoir intervals within the Cienaga de Oro ("CDO") reservoir. The 3 tests flowed at peak rates of 13, 26 and 26 million standard cubic feet per day ("mmscfd"). The well is in the process of being tied-in to the Clarinete flow line where it is expected to commence permanent production by September 1, 2016. Clarinete 1 and 2ST are currently producing 35 mmscfd of gas. Oboe-1 further appraises the Clarinete gas field structure and adds 38 billion standard cubic feet ("bscf") of additional gas reserves to Canacol's existing portfolio of 3P gas reserves of 419 bscf.

The following tables summarize information contained in the independent reserves report prepared by Petrotech Engineering Ltd. with an effective date of May 31, 2016.

Canacol Working Interest Before Royalty Reserves for Oboe, May 31, 2016

Reserve Category ⁽¹⁾	2016.May.31 (MMSCF) ⁽²⁾	2016.May.31 (Mboe)
Proved Undeveloped (PUD)	8,543	1,499
Proved (1P)	8,543	1,499
Proved plus Probable (2P)	27,674	4,855
Proved plus Probable plus Possible (3P)	38,130	6,689

(1) All reserves are presented as Canacol working interest before royalties

(2) Mboe is defined as thousands of barrels of oil equivalent. Gas volumes are converted to boe using a factor of 5.7 as per Colombia regulatory practice.

Canacol is currently in the process of drilling the Nispero 1 exploration well in the Esperanza block located in the Lower Magdalena Valley basin. Upon completion and testing of the Nispero 1 well the Corporation will either drill and follow up with an appraisal well, or will mobilize the drilling rig to drill Nelson 6 well, which will test the shallow gas bearing Porquero formation.

Canacol is an exploration and production company with operations focused in Colombia and Ecuador. 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.

The reserves evaluations, effective May 31, 2016, were conducted by the Corporation's independent reserves evaluator Petrotech Engineering Ltd. ("Petrotech") and are in accordance with National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities. The reserves are provided on a Canacol working interest before royalty basis in units of barrels of oil equivalent using a forecast price deck, adjusted for quality, in US dollars. The estimated values may or may not represent the fair market value of the reserve estimates.

"Proved reserves" are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves;

"Probable reserves" are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves;

"Possible reserves" means those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves;

Boe Conversion - "boe" barrel of oil equivalent is derived by converting natural gas to oil in the ratio of 5.7 Mcf of natural gas to one bbl of oil. A BOE conversion ratio of 5.7 Mcf to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. 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 5.7:1, utilizing a conversion on a 5.7:1 basis may be misleading as an indication of value. In this news release, the Corporation has expressed Boe using the Colombian conversion standard of 5.7 Mcf: 1 bbl required by the Ministry of Mines and Energy of Colombia.

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