



Canacol Announces Acquisition of VIM 5 and VIM 19 E&P Contracts and Clarinete Gas Discovery in the Lower Magdalena Valley of Colombia

CALGARY, ALBERTA - (December 18, 2014) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; OTCQX:CNNEF; BVC:CNEC) is pleased to announce that CNE Oil and Gas S.A., a subsidiary of the Corporation, has acquired 100% interest in the VIM 5 and VIM 19 Exploration and Production ("E&P") contracts from OGX Petroleo E Gas S.A. The National Agency of Hydrocarbons of Colombia ("ANH") has formally approved the transfer of title and operatorship of the E&P contracts to CNE Oil & Gas S.A. Both contracts are located adjacent to the Corporation's 100% operated Esperanza and VIM 21 gas contracts in the Lower Magdalena Basin of Colombia. The ten prospects and leads identified within the VIM 5 and 19 contracts contain a significant volume of prospective resource (note tabulated volumes by prospect below) assuming all prospects are drilled according to a July 2014 NI-51-101 compliant report from Gaffney Cline and Associates ("GCA"). In addition, the Clarinete 1 exploration well drilled on the VIM 5 contract in November 2014 encountered 149 feet ("ft") of potential gas pay in the primary Cienaga de Oro sandstone ("CDO") reservoir, the same reservoir that the Corporation produces from at its Nelson and Palmer gas fields on the adjacent Esperanza contract. The gross unrisks pre drill best estimate for the Clarinete prospect as per the GCA prospective resource report is 540 billion cubic feet (bcf) of gas. Production testing of the Clarinete 1 well is planned to commence in mid January 2015. The Corporation shall formally assign reserves to the Clarinete discovery following completion of the production test.

Charle Gamba, President and CEO of the Corporation, commented, "The acquisition of these two contracts adds significant gas resource to our core gas position in Colombia. Clarinete also adds a very large gas discovery to our inventory of gas discoveries which we will be developing and putting onto production in 2015, where via executed sales contracts we plan to increase production from current levels of approximately 20 mmscfd to 83 mmscfd by the end of 2015 through 5 year contracts with pricing up to US\$ 8.00 / Mbtu not tied to global oil prices. The Corporation is currently negotiating new long term gas sales contracts for the Clarinete discovery."

This strategic acquisition 1) adds 638,000 gross acres to Canacol's gas position in the Lower Magdalena Basin, 2) adds a significant volume of prospective gas resource to Canacol's exploration portfolio (note tabulated volumes by prospect below), 3) includes the recently drilled Clarinete 1 gas discovery which will be tested in mid January 2015 that contains a pre drill best estimate of 540 bcf of gross prospective resource, 4) adds 10 additional drill ready gas prospects to Corporations existing 7 drill ready gas prospects identified on the Esperanza and VIM 21 contracts, and 5) any new discoveries on VIM 5 and VIM 19, including the Clarinete discovery, can be tied into the Corporation existing operated infrastructure at Jobo on the Esperanza block.

VIM 5 and 19 Farm-in Terms and Joint Venture Partner

The total consideration payable to OGX in respect of the sale of 100% of its working interest in the VIM 5 and 19 contracts consist of the following: (i) a cash payment of US\$29.5 million, and (ii) a royalty interest of 3% on net revenue generated by the sale of hydrocarbons derived from the drilling of any exploration wells on such blocks. Pursuant to prior agreements among the Corporation and a joint venture partner, the Corporation will be reimbursed for 25% of the consideration payable to OGX as well as 50% of the costs of drilling 2 exploration wells on the blocks. Subject to completing such earn in commitments and any required regulatory approvals, the Corporation will retain a 75% interest in the blocks and its partner will hold 25%.

Clarinete 1 Exploration Well Results

The Clarinete 1 exploration well was spud on October 8, 2014, and reached a total depth of 8,068 feet measured depth ("ft md") on November 7, 2014. The primary objective of the well were sandstones of the Tertiary aged Cienaga de Oro ("CDO") sandstone, the main producing reservoir at the Nelson and Palmer fields in the adjacent Esperanza contract

where Canacol has a 100% operated working interest. Clarinete 1 encountered the top of the CDO reservoir on prognosis at 5,926 feet subsea with excellent dry gas shows encountered while drilling throughout the CDO all the way to basement. The Clarinete 1 encountered 149 feet of potential gas pay with average porosity of 26% within the CDO sandstone reservoir based upon an evaluation of the open hole logs. The Corporation plans to commence production testing operations on the Clarinete 1 well in mid January 2015 and will provide an update on the results when they are available.

Independent Evaluation by Gaffney, Cline & Associates (“GCA”)

The Corporation engaged Gaffney, Cline & Associates (“GCA”) to prepare an independent Prospective Resources evaluation of the VIM-5 and VIM-19 exploration contracts in the Lower Magdalena Basin, Colombia effective June 14, 2014. The report was prepared in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities (“NI 51-101”) and uses the resources and reserves definitions, standards and procedures set forth in the Canadian Oil and Gas Evaluation Handbook (“COGEH”).

GCA has provided low, best, high and mean estimates* of gross unrisks prospective resources for the following 10 prospects on the VIM 5 contract and 1 prospect on the VIM 19 contract.

Block	Prospect	Target Formation	Gross Prospective Resources Unrisks Estimate				Geological Chance of Success
			Low	Best	High	Mean	%
			Bscf	Bscf	Bscf	Bscf	
VIM5	Clarinete-1	CDO Basal	135	265	454	283	34
		CDO Top/Intra	58	275	620	313	29
VIM5	Llamador-2	CDO Top/Intra	22	61	117	66	21
VIM5	Llamador-3 North	CDO Basal	117	236	418	256	27
VIM5	Llamador-3 South	CDO Basal	51	162	505	239	26
VIM5	Llamador-5	CDO Basal	25	62	143	75	30
		CDO Top/Intra	42	99	182	107	28
VIM5	Llamador-8	CDO Basal	11	27	65	34	31
VIM5	Llamador-9	CDO Basal	29	49	76	51	29
VIM5	Llamador-10	CDO Basal	9	22	50	27	27
VIM5	Porro North	CDO Top/Intra	96	231	457	260	17
		Lower Tubara	142	255	428	273	18
VIM5	Tambora	CDO Basal/Intra	66	146	266	158	22
VIM-19	VIM-19A	CDO Basal/Intra	41	124	291	157	17
		Porquero	13	33	62	36	9

1. Gas volumes are reported in billions (10⁹) of cubic feet at standard conditions of 1 Bar and 20° Celsius.
2. The opportunities identified as “prospects” are potential hydrocarbon accumulations identified on the basis of available data. The geological chance of success varies, from prospect to prospect, and GCA has stated that at least one of the prospects may require additional seismic data prior to becoming a viable drilling target.
3. Gross Prospective Resources are 100% of the volumes estimated to be recoverable from the Prospect, in the event that a discovery is made and subsequently developed.
4. The geological chance of success represents an indicative estimate of the probability that drilling this Prospect would result in a discovery.
5. The volumes reported are “unrisks” in the sense that no adjustment has been made for geological or commercial risk (that is, the risk that no discovery will be made or that any discovery would not be developed).
6. Prospective Resources should not be aggregated with each other, or with Reserves or Contingent Resources, because of the different levels of risks involved.

GCA prepared the probabilistic Prospective Resources evaluation using land and technical information including well, engineering, geological, and geophysical data to June 14, 2014.

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.

** Prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have two risk components, the chance of discovery and the chance of development. There is no certainty that 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. Application of any geological and economic chance factor does not equate prospective resources to contingent resources or reserves. Low estimate is considered to be a conservative estimate of the quantity that will actually be recovered. It is likely that 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) that 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 actually be recovered. It is equally likely that 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 actually be recovered. It is unlikely that 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) that the quantities actually recovered will equal or exceed the high estimate. Mean estimate is the arithmetic average from the probabilistic assessment. Although the Corporation has identified prospective resources, there are numerous uncertainties inherent in estimating oil and gas resources, including many factors beyond the Corporation's control and no assurance can be given that the indicated level of resources or recovery of hydrocarbons will be realized. In general, estimates of recoverable resources are based upon a number of factors and assumptions made as of the date on which the resource estimates were determined, such as geological and engineering estimates which have inherent uncertainties and the assumed effects of regulation by governmental agencies and estimates of future commodity prices and operating costs, all of which may vary considerably from actual results. There are several significant negative factors relating to the prospective resource estimate which include (i) structural events that are well defined seismically and are low risk, however, reservoir quality, seal, hydrocarbon migration and associated hydrocarbon column estimates are more at risk than the former, (ii) well costs are very high due to the exploratory nature of the initial group of wells, (iii) due to limited infrastructure proximate to the prospects, gas discoveries may be stranded for some time until infrastructure is in place, which may take some time due to the remoteness of the prospects and costs associated with same, and (iv) other factors which are not within the control of the Corporation.*

For further information please contact:

Investor Relations

888-352-0555

Email: IR@canacolenergy.com

Website: www.canacolenergy.com