



## Canacol Energy Ltd. Announces New Gas Sale Contract, Lifts Forecast Gas Sales to 14,560 BOEPD in 2015 in Colombia

CALGARY, ALBERTA - (September 11, 2014) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; OTCQX:CNNEF; BVC:CNEC) is pleased to announce the execution of a new gas sales contract for the sale of 30 million standard cubic feet per day ("mmscfpd") (5,263 barrels of oil equivalent per day "boepd") commencing for a 5 year period in December 2015 to an electrical generation company located on the Caribbean coast of Colombia. Under the terms of the sales contract Canacol will receive a sales price of US\$ 8.00 / thousand standard cubic feet ("mscf") (US\$ 46 per barrel of oil equivalent "boe") escalated at approximately 3% per year during the 5 year term of the contract. The undiscounted before tax value of the contract, after deducting investment capital and operating expenses, is approximately US\$ 380 million. As previously announced in January 2014 Canacol executed two gas sales contracts to provide 35 mmscfpd (6,140 boepd) of gas to an electrical generation company located on the Caribbean coast of Colombia commencing in December 2015 for a sales price of US\$ 5.40 / mscf (US\$ 31 / boe) escalated at approximately 3% per year during the 5 year term of each contract. Canacol currently sells approximately 16 mmscfpd (2,807 boepd) to a local ferronickel producer under a 10 year contract that expires in 2022, and approximately 2 mmscfpd (350 boepd) to local off takers under short term contracts. Gas to supply all of the contracts will be provided by the existing Nelson gas field and the newly discovered Palmer gas field, and will include the drilling of five additional appraisal and development wells within these two fields, subject to the approval of the Agencia Nacional de Hidrocarburos ("ANH").

Charle Gamba, President and CEO of Canacol, commented "With these three new signed sales contracts Canacol's gas sales will increase from the current level of approximately 18 mmscfpd (3,158 boepd) to 83 mmscfpd (14,561 boepd) in December 2015 at very attractive pricing of up to \$US 8.00 / mscf or \$46 / boe. Gas will form slightly less than half of our forecast 35,000 boepd of total planned net average risked production for calendar 2016, and will provide stable and profitable base revenues through to at least 2021 via fixed 5 year escalated sales contracts to the Corporation. Meanwhile, we're getting ready to drill two more gas exploration wells this year so that we'll have additional gas to sell at these attractive prices."

After the successful drilling and testing of the Palmer 1 exploration well, which is currently being tied into the operated Bretana substation, the Corporation is currently mobilizing the rig to commence the drilling of the Corozo 1 exploration well, the second gas exploration well in its planned three well exploration program on the Esperanza block. The Corozo 1 well is anticipated to spud the first week of October 2014, with results anticipated in early November 2014. The Corozo 1 well is targeting the same Cienaga de Oro sandstone reservoir encountered at the Palmer 1 discovery, which flowed 15.5 mmscfpd of dry gas on test, as announced in August 2014. Upon completion of the Corozo 1 exploration well the drilling rig will be mobilized to drill the Canandonga 1 exploration well, subject to the approval of the ANH, which is anticipated to spud in early December 2014 and is also targeting gas within the Cienaga de Oro sandstone reservoir. Any gas discovered at either the Corozo and / or the Canandonga prospects will be tied back into the Canacol operated Jobo gas processing facility.

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.

*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.*

*Data obtained from the initial testing results at the well identified in this press release, including barrels of oil produced and levels of water-cut, should be considered to be preliminary until a further and detailed analysis or interpretation has been done on such data. The well test results obtained and disclosed in this press release are not necessarily indicative of long-term performance or of ultimate recovery. The reader is cautioned not to unduly rely on such results as such results may not be indicative of future performance of the well or of expected production results for the Corporation in the future.*

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