



Canacol Energy Ltd. Doubles Natural Gas Drilling Activity In Colombia

CALGARY, ALBERTA - (September 21, 2016) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; OTCQX:CNNEF; BVC:CNEC) is pleased to provide a revised capital plan for 2016. The new capital plan accelerates the Corporation's natural gas opportunities in Colombia with three new gas wells. In addition, one new oil well will be drilled over the remainder of 2016. The revised 2016 capital plan has increased by \$34 million, from \$58 million to \$92 million. In August, Canacol raised \$35 million from long term strategic investors including follow-on investment from the Corporation's largest shareholder, Cavengas Holdings S.R.L. to accelerate gas drilling.

Despite significant volatility in global oil prices, the Corporation anticipates near record EBITDAX of approximately \$135 million for 2016. Canacol forecasts average realized gas sales pricing of \$5.60 per thousand standard cubic feet ("mscf") with a netback of \$4.56/mcf, representing an estimated 81% netback margin. The Corporation's fixed price gas contracts mitigate impact from oil volatility with approximately 86% of 2016 corporate production insensitive to world oil prices. The Corporation continues to reduce costs with an estimated 40% reduction in general & administrative expenses for the year. Canacol estimates oil and gas sales before royalty between 16,000 to 17,000 barrels of oil equivalent per day ("boepd") for 2016 and third quarter oil and gas sales before royalty of approximately 18,200 boepd.

Over the past three years, the Corporation has made four gas discoveries and added 302 BCF in 2P reserves on the Esperanza and VIM 5 E&P blocks located in the Lower Magdalena Basin, Colombia. Canacol recently added a second rig to the two blocks. The objectives of the expanded gas drilling program are to 1) target management's estimate of more than 100 billion cubic feet ("BCF") of new potential recoverable resource in 2016 to secure new gas sales contracts, and 2) increase the productive capacity of the Corporation's gas assets to more than 190 million cubic feet per day ("MMcf/d") in anticipation of new sales contracts. Canacol has a large inventory of prospects and leads targeting 2.4 – 2.8 trillion cubic feet ("TCF") of unrisks mean estimate resource potential. The Corporation's gas resource capture strategy remains balanced for the remainder of 2016 with two gas exploration wells and two gas development wells.

Trombon-1 gas exploration well

Esperanza E&P contract - Lower Magdalena Basin, Colombia
100% working interest

Offset to the Nispero-1 gas discovery, the Corporation spud Trombon-1 on September 13, 2016. Canacol anticipates the well will take five to six weeks to drill and flow test. In late August 2016, Nispero-1 exploration well tested 28 MMcf/d of dry gas with no water. The well encountered 79 feet measured depth (55 feet true vertical depth) of net gas pay with average porosity of 17% within the primary Cienaga de Oro ("CDO") reservoir sandstones. With success at Nispero, the Corporation spud Trombon-1 from Nispero's drilling platform. Trombon-1 exploration well is targeting the same CDO reservoir interval tested in the offsetting Nispero-1 well, but in a distinct and isolated fault block located approximately 2 kilometers south of the Nispero discovery. Management estimates Trombon-1 may contain 40 BCF of potential recoverable resource.

Nelson-6 gas exploration well

Esperanza E&P contract - Lower Magdalena Basin, Colombia
100% working interest

The Corporation plans to spud Nelson-6 in October 2016. The well may provide the potential to book reserves against by-passed pay within the shallow Porquero sandstone reservoirs in the Nelson gas field. As of

December 31, 2015, Nelson gas field had 2P reserves of 209 BCF associated with the CDO reservoir with four straight successful wells drilled into the field. Management estimates Nelson-6 may contain 31 BCF of potential recoverable resource.

Nelson-8 gas development well

Esperanza E&P contract - Lower Magdalena Basin, Colombia

100% working interest

The Corporation plans to spud Nelson-8 in November 2016. The well offers the opportunity to reclassify reserves and an additional 8 – 12 MMcf/d of productive capacity. The well is targeting the CDO reservoir sandstones in the Nelson gas field.

Starting in late September 2016, the Corporation plans to workover four Nelson gas wells. The objective is to extend each well's productive life and optimize reserve recovery. The Corporation also plans to upgrade the Jobo facility and Nispero-Jobo flow line.

Clarinete-3 gas development well

VIM-5 E&P contract - Lower Magdalena Basin, Colombia

100% working interest

The Corporation plans to spud Clarinete-3 in the fourth quarter of 2016. The well may provide the potential to reclassify reserves and additional 10 – 12 MMcf/d of productive capacity. Clarinete-3 well is targeting the CDO reservoir sandstones which is productive in both the Clarinete and Nelson gas fields. As of December 31, 2015, Clarinete had 2P reserves of 163 BCF with two straight successful wells drilled into the field.

Mono Capuchino-1 oil exploration well

VMM-2 E&P contract - Middle Magdalena Basin, Colombia

67% working interest

Offset to the Mono Arana-1 oil discovery, the Corporation plans to spud Mono Capuchino-1 in October 2016. In January 2013, Mono Arana-1 exploration well tested approximately 600 barrels of oil per day ("bopd") from a 335 foot perforated interval in the La Luna Formation. With Mono Capuchino-1, the Corporation plans to further investigate the potential for this established play. Management estimates the Mono Capuchino-1 prospect may contain 9 million barrels ("MMbbls") of potential recoverable resource.

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.

Data obtained from the initial testing results at the well identified in this press release, including millions of standard cubic feet per day of gas or barrels of oil equivalent 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.

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.

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