Canacol Energy Ltd. Increases First Quarter Sales 20% to 11,220 BOEPD and Corporate Netback 9% to $23.90/BOE

CALGARY, ALBERTA – (May 11, 2016) – Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; OTCQX:CNNEF; BVC:CNEC) is pleased to report its financial and operating results for the three months ended March 31, 2016. Dollar amounts are expressed in United States dollars, except as otherwise noted.

"We got off to a strong start in the first quarter of 2016, and the second quarter of 2016 is even stronger", reported Charle Gamba, President and CEO of Canacol. "During the quarter ended March 31, 2016, realized contractual gas sales increased by 20% to 11,220 boepd versus last quarter, while production and transportation expenses decreased by 65% to $4.11/boe compared to $11.82/boe year over year via a series of cost cutting measures implemented in 2015.

Production growth continues to be very strong into the second quarter, with realized contractual corporate oil and gas sales averaging approximately 20,000 boepd since April 21, 2016, a 78% increase over the average of 11,220 boepd for the previous quarter ending March 31, 2016, attributed to completion of the Promigas S.A. pipeline expansion. We anticipate realized gas sales alone to average approximately 90 MMscfpd (15,790 boped) for the remainder of 2016, with gas sales generating approximately $153 million in gross revenues for the year.

Management's focus on reducing costs and increasing production resulted in a 9% increase in corporate netbacks to $23.90/boe for the quarter ending March 31, 2016, compared to $21.96/boe last quarter despite a 20% drop in WTI prices during the same period. In addition to increasing production, sales, and netbacks, and lowering production costs and G&A, we also successfully drilled the Oboe 1 well which tested at a combined rate of 66 MMscfpd (11,579 boepd).

For the rest of 2016 the management team will focus on drilling two new gas exploration wells, Nispero-1 and Nelson-6, which, along with the successful Oboe-1 well, are targeting 100 Bcf of unrisked recoverable resource potential allowing us to sign new gas sales contracts. We'll also continue a series of low cost workovers on existing light oil wells to maintain oil production with no new planned oil drilling activity, however, Canacol maintains a very large light oil drilling program that can be reactivated quickly should world oil prices reach stable level's that actually justify investment in Colombian oil projects."

Highlights for the three months ended March 31, 2016

(Production is stated as working-interest before royalties)

Financial and operational highlights of the Corporation include:

- Adjusted funds from operations for three months ended March 31, 2016 increased 59% to $13.5 million compared to $8.5 million for the three months ended December 31, 2015. Adjusted funds from operations are inclusive of results from the Ecuador IPC. The increase in adjusted funds from operation is primarily the result of additional sales related to the Promigas pipeline expansion, reductions in production and transportation expenses and lower general and administrative expenses, offset by decrease in benchmark crude oil prices. This significant increase in adjusted funds from operations was posted despite realized contractual gas sales for the first quarter of 2016 being less than half of current sales volumes.
- The Corporation had a comprehensive income of $0.5 million for the three months ended March 31, 2016 compared to a comprehensive loss of $84.5 million for the three months ended December 31, 2015. This is the first profitable quarter for the Corporation in over a year and marks a return to profitability moving forward as Canacol's gas sales volumes continue to increase.
- Average corporate operating netback for the three months ended March 31, 2016 increased 9% to $23.90/boe compared to $21.96/boe for the three months ended December 31, 2015 despite a 20% drop in average WTI prices. The increase in average corporate operating netback is mainly attributable to increase in high netback gas sales and reductions in production and transportation expenses, offset by decrease in benchmark crude oil prices. Average corporate operating netbacks are inclusive of results from the Ecuador IPC.

- Average realized contractual sales volumes increased 20% to 11,220 boepd for the three months ended March 31, 2016 compared to 9,359 boepd for the three months ended December 31, 2015 primarily due to increase in gas production in Esperanza and VIM-5 as a result of the additional sales related to the Promigas pipeline expansion.
- Average production volumes increased 21% to 10,933 boepd for the three months ended March 31, 2016 compared to 9,064 boepd for the three months ended December 31, 2015 primarily due to increase in gas production in Esperanza and VIM-5 as a result of the additional sales related to the Promigas pipeline expansion.
- Total Petroleum and natural gas revenues for the three months ended March 31, 2016 increased 30% to $22.7 million compared to $17.4 million for the three months ended December 31, 2015. Adjusted petroleum and natural gas revenues, inclusive of revenues related to the Ecuador Incremental Production Contract (the "Ecuador IPC") (see full discussion in MD&A), for the three months ended March 31, 2016 increased 17% to $29 million compared to $24.9 million for the three months ended December 31, 2015. The increase in revenues reflects the additional sales related to the Promigas pipeline expansion, offset by decrease in benchmark crude oil prices.
- Production expenses decreased 30% to $3.4 million for the three months ended March 31, 2016 compared to $4.9 million for the three months ended December 31, 2015, even though production increased 21% from 9,064 boepd to 10,933 boepd. Despite a 53% decrease in LLA-23 oil production year over year, LLA-23 production expenses have dropped to $9.33/bbl, down 31% from the $13.58/bbl posted for the same quarter in 2015. The decrease is primarily due to the Corporation's cost-cutting initiatives of centralizing the production, loading, and water disposal operations from the different fields within the LLA-23 block to the Pointer platform, lower renegotiated operating costs and the devaluation of the Colombian peso versus the United States dollar.
- The Oboe-1 well reached a total depth of 9,750 feet measured depth ("ft md") on February 7, 2016, encountering 158 feet of net gas pay with average porosity of 23% within multiple stacked sandstone reservoirs in the primary Cienaga de Oro ("CDO") target, representing the thickest gas pay encountered in the CDO in the VIM-5 discovery thus far. Three separate reservoir intervals were successfully tested during the three months ended March 31, 2016 at a combined rate of 66 MMscfpd (11,579 boepd) of dry gas.
- Capital expenditures including acquisitions for the three months ended March 31, 2016 was $15.5 million, while adjusted capital expenditures including acquisitions, inclusive of amounts related to the Ecuador IPC, was $15.9 million.
- At March 31, 2016, the Corporation had $30 million in cash and $62 million in restricted cash and was onside with all of its banking covenants.

Financial		Three months ended March 31,	
	2016	2015	Change
Total petroleum and natural gas revenues, net of royalties	**22,700**	26,429	(14%)
Adjusted petroleum and natural gas revenues, net of royalties, including revenues related to the Ecuador IPC (2)	**29,000**	32,811	(12%)
Cash provided by (used in) operating activities	**7,249**	(2,011)	n/a
Per share – basic ($)	**0.05**	(0.02)	n/a
Per share – diluted ($)	**0.05**	(0.02)	n/a
Adjusted funds from operations (1) (2)	**13,451**	10,922	23%
Per share – basic ($)	**0.08**	0.10	(20%)
Per share – diluted ($)	**0.08**	0.10	(20%)
Net income (loss) and comprehensive income (loss)	**461**	(15,638)	n/a
Per share – basic ($)	**-**	(0.14)	n/a
Per share – diluted ($)	**-**	(0.14)	n/a
Capital expenditures, net, including acquisitions	**15,548**	62,482	(75%)
Adjusted capital expenditures, net, including acquisitions and capital expenditures related to the Ecuador IPC (1)(2)	**15,949**	68,778	(77%)
	March 31, 2016	December 31, 2015	Change
Cash	**30,015**	43,257	(31%)
Restricted cash	**62,033**	61,721	1%
Working capital surplus, excluding non-cash items (1)	**29,439**	46,310	(36%)
Bank debt	**248,848**	248,228	-
Total assets	**681,285**	668,349	2%
Common shares, end of period (000's)	**159,384**	159,266	-

Operating		Three months ended March 31,	
	2016	2015	Change
Petroleum and natural gas production, before royalties (boepd)			
Petroleum (3)	**4,526**	7,448	(39%)
Natural gas	**6,407**	3,502	83%
Total (2)	**10,933**	10,950	-
Petroleum and natural gas sales, before royalties (boepd)			
Petroleum (3)	**4,578**	7,636	(40%)
Natural gas	**6,329**	3,462	83%
Total (2)	**10,907**	11,098	(2%)
Realized contractual sales, before royalties (boepd)			
Natural gas	**6,642**	3,462	92%
Colombia oil	**2,856**	5,932	(52%)
Ecuador tariff oil (2)	**1,722**	1,704	1%
Total (2)	**11,220**	11,098	1%
Operating netbacks ($/boe) (1)			
LLA-23 (oil)	**8.78**	18.71	(53%)
Esperanza (natural gas)	**27.53**	22.72	21%
VIM-5 (natural gas)	**21.75**	-	n/a
Ecuador (tariff oil) (2)	**38.54**	38.54	-
Total (2)	**23.90**	20.56	16%

(1) Non-IFRS measure – see "Non-IFRS Measures" section within MD&A.
(2) Inclusive of amounts related to the Ecuador IPC – see "Non-IFRS Measures" section within MD&A.
(3) Includes tariff oil production and sales related to the Ecuador IPC.

Outlook

The Corporation has budgeted two remaining gas exploration wells (Nispero-1 and Nelson-6) for the remainder of 2016, in addition to the Oboe-1 well drilled in January 2016 which tested at a combined rate of 66 MMscfpd. The successful Oboe-1 well, and the two additional gas exploration wells, are targeting a combined 100 billion cubic feet of recoverable resource potential on an unrisked basis. It is anticipated that the Nispero-1 well will be drilled early in the third quarter of 2016, followed by the Nelson-6 well in the fourth quarter of 2016. The objective for the low risk Nelson-6 well will be to production test, for the first time, the shallow Porquero sandstone reservoir which sits above the productive Cienaga de Oro sandstone reservoirs within the Nelson field. All four Nelson wells drilled to date have encountered gas charged Porquero sandstone reservoir, and have displayed good gas shows while drilling and up to 60 feet of interpreted gas pay on open-hole logs. The objective of the gas exploration program in 2016 is to prove up sufficient new reserves to sign a new 100 MMscfpd take or pay gas sales contracts, which will commence in 2018 after the construction of a new pipeline.

Additional capital spending is budgeted for five light oil well work-overs on Canacol's LLA23 concession, as a follow up to the successful workover program initiated in mid-2015. Should world oil prices recover to a stable level above $50/bbl, the Corporation may choose to drill one or all of the four high graded, drill ready exploration prospects mapped on 3D seismic on its LLA-23 concession. All four prospects are high graded on the basis of their very close proximity to the flow line affording rapid and inexpensive tie-in in the event of discovery. Approximately $ 2.9 million is budgeted for the Corporations joint venture in Ecuador. The majority of the remaining budgeted capital expenditures relate to facilities and equipment to support and bolster Canacol's recent dramatically expanded gas production. The $58 million capital budget does not include payments related to the Corporation's capital lease of the newly commissioned Jobo gas processing facility. Total budgeted 2016 capital expenditures are well within the Corporation's anticipated 2016 adjusted funds from operations and opening January 1, 2016 working capital of $46.3 million.

Canacol estimates that average net before royalty oil and gas production for 2016 will range between 16,000 and 17,000 boepd. Realized contractual gas sales will average approximately 75 MMscfpd (13,160 boepd) including approximately 90 MMscfpd from April 21, 2016 forward at an anticipated average realized price of $5.60/Mcf ($31.92/boe), with an average netback of approximately $4.56/Mcf ($26.00/boe), generating approximately $153 million of gross revenues. Additionally, Canacol anticipates Colombian oil production to average approximately 2,300 bopd and Ecuador oil production of approximately 1,300 bopd in calendar 2016, both without the drilling of any additional oil wells. Total corporate hydrocarbon sales are anticipated to average between 18,500 and 19,000 boepd from May 1, 2016 until year end.

Total corporate EBITDAX is anticipated to be approximately $135 million for calendar 2016, which represents a Consolidated Leverage Ratio of less than 2.0, despite realized contractual gas sales for the period of January 1, 2016 to April 20, 2016 being less than half of current volumes. Should world oil prices achieve stable levels above $50/bbl, the Corporation will restart its light oil exploration and drilling programs, which will increase EDITDAX associated with oil sales.

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The Corporation's has filed its unaudited interim condensed consolidated financial statements and related Management's Discussion and Analysis as of and for the three months ended March 31, 2016 with Canadian securities regulatory authorities. These filings are available for review on SEDAR at www.sedar.com.

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 symbols CNE, CNNEF, and CNEC, respectively.

assumes no obligation to revise or update them to reflect new circumstances, except as required by law. Information and guidance provided herein supersedes and replaces any forward looking information provided in prior disclosures. 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. Other risks are more fully described in the Corporation's most recent Management Discussion and Analysis ("MD&A") and Annual Information Form, which are incorporated herein by reference and are filed on SEDAR at www.sedar.com. Average production figures for a given period are derived using arithmetic averaging of fluctuating historical production data for the entire period indicated and, accordingly, do not represent a constant rate of production for such period and are not an indicator of future production performance. Detailed information in respect of monthly production in the fields operated by the Corporation in Colombia is provided by the Corporation to the Ministry of Mines and Energy of Colombia and is published by the Ministry on its website; a direct link to this information is provided on the Corporation's website. References to "net" production refer to the Corporation's working-interest production before royalties.

Use of Non-IFRS Financial Measures – Due to the nature of the equity method of accounting the Corporation applies under IFRS 11 to its interest in the Ecuador IPC, the Corporation does not record its proportionate share of revenues and expenditures as would be typical in oil and gas joint interest arrangements. Management has provided supplemental measures of adjusted revenues and expenditures, which are inclusive of the Ecuador IPC, to supplement the IFRS disclosures of the Corporation's operations in this press release. Such supplemental measures should not be considered as an alternative to, or more meaningful than, the measures as determined in accordance with IFRS as an indicator of the Corporation's performance, and such measures may not be comparable to that reported by other companies. This press release also provides information on adjusted funds from operations. Adjusted funds from operations is a measure not defined in IFRS. It represents cash provided by operating activities before changes in non-cash working capital and decommissioning obligation expenditures, and includes the Corporation's proportionate interest of those items that would otherwise have contributed to funds from operations from the Ecuador IPC had it been accounted for under the proportionate consolidation method of accounting. The Corporation considers adjusted funds from operations a key measure as it demonstrates the ability of the business to generate the cash flow necessary to fund future growth through capital investment and to repay debt. Adjusted funds from operations should not be considered as an alternative to, or more meaningful than, cash provided by operating activities as determined in accordance with IFRS as an indicator of the Corporation's performance. The Corporation's determination of adjusted funds from operations may not be comparable to that reported by other companies. For more details on how the Corporation reconciles its cash provided by operating activities to adjusted funds from operations, please refer to the "Non-IFRS Measures" section of the Corporation's MD&A. Additionally, this press release references working capital, EBITDAX and operating netback measures. Working capital is calculated as current assets less current liabilities, excluding non-cash items, and is used to evaluate the Corporation's financial leverage. EBITDAX is defined as consolidated net income adjusted for interest, income taxes, depreciation, depletion, amortization, exploration expenses, share of joint venture profit/loss and other similar non-recurring or non-cash charges. Consolidated EBITDAX is further adjusted for the contribution to adjusted funds from operations, before taxes, of the results of the Ecuador IPC. Operating netback is a benchmark common in the oil and gas industry and is calculated as total petroleum and natural gas sales, less royalties, less production and transportation expenses, calculated on a per barrel of oil equivalent basis of sales volumes using a conversion. Operating netback is an important measure in evaluating operational performance as it demonstrates field level profitability relative to current commodity prices. Working capital, EBITDAX and operating netback as presented do not have any standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures for other entities.

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

Unrisked recoverable resource potential is based on management's estimates.

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. 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.

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