

Canacol Energy Ltd. Reports Financial and Operating Results for the Three Months Ended March 31, 2015 (Fiscal Q3 2015)

CALGARY, ALBERTA – (May 13, 2015) – 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 and nine months ended March 31, 2015. Dollar amounts are expressed in United States dollars, except as otherwise noted.

Charle Gamba, President and CEO of Canacol, stated: “During the quarter, we continued to focus our attention on our significant natural gas assets in Colombia in light of continued weakness in benchmark crude oil prices. Production for fiscal Q3 2015 increased by 1% over the comparable quarter at 10,950 boepd, with 48% of production coming from our Esperanza and Ecuador properties, which were unaffected by world oil prices. As a result of cost-cutting initiatives, we also decreased production expenses and general and administrative expenses in the quarter and are continuing with initiatives for further savings, including centralizing the production, loading, and water disposal operations from the different fields within our LLA-23 block to the Pointer platform by mid calendar 2015, and so reducing operating expenses, transportation expenses and water handling costs via reinjection. Total production and transportation expenses decreased 30% and 28%, respectively, to \$11.8 million and \$11.82/boe, respectively, in the three months ended March 31, 2015 compared to the same period in 2014, while general and administrative expenses decreased 15% and 12%, respectively, to \$4.9 million and \$4.86/boe, respectively, in the three months ended March 31, 2015 compared to the same period in 2014.

Canacol also acquired the remaining 25% interest in the VIM-5 and VIM-19 E&P contracts during the quarter and now owns a 100% working interest in those assets. The VIM-5 and VIM-19 blocks lay adjacent to our existing producing Esperanza block, and VIM-5 was the subject of a major gas discovery in late 2014 with the Clarinete-1 exploration well. The success at Clarinete-1 represented a significant event that has resulted in a material impact on our natural gas reserves, which were updated and reported during the quarter, and has created significant opportunity for commercialization for 2015 and 2016 into a local gas market that has seen increasing demand at very favorable economics. As a result of the Clarinete discovery, we signed an additional 15 year gas supply contract during the quarter for 35 MMcfpd (6,140 boepd) at \$4.90/MMbtu (\$27.93/boe), escalated at 2% per annum, commencing in the third quarter of calendar 2016. The gas will be used for liquefaction into liquefied natural gas for the Caribbean market and Canacol has further secured an option, valid for six months from the agreement date, to participate for a 26% interest in the ownership of the venture in exchange for the investment of \$13 million. Through this beneficial ownership, we expect to derive additional revenues of \$1.25/MMbtu (\$7.12/boe), for a total all-in realized sales price of \$6.25/MMbtu (\$35.63/boe).

From a financial perspective, we replaced our existing senior term loan in April 2015, for the principal amount outstanding on the settlement date of \$176 million, with a new senior term loan for a principal amount of \$200 million. The new term loan provides significant additional financial flexibility in 2015 through the deferral of amortization payments until December 31, 2017. The new term loan is also highly competitive in terms of cost, with interest calculated at LIBOR plus 4.75% for the full term.

The primary focus and driver of growth over 2015 and into 2016 is expected to come from our expanding natural gas business in the Lower Magdalena Basin of Colombia. This local market is seeing increased demand against a backdrop of declining supply, and the favorable pricing is de-coupled from world oil prices. We are currently producing approximately 20 MMcfpd (3,509 boepd) of natural gas from the Nelson and Palmer fields under existing contracts and have previously entered into significant additional new take-or-pay contracts that are expected to add 65 MMcfpd (11,404 boepd) of production commencing in December 2015. Promigas S.A., the pipeline operator that will expand the existing pipeline in order to transport the additional production volumes to the Caribbean coast of Colombia, has already purchased and delivered in-country all of the necessary materials for the pipeline expansion project, and anticipates construction to commence in June 2015. Canacol has awarded a contract to expand the handling capacity of its gas facility at Jobo from the current 50 MMcfpd to 130 MMcfpd. This expansion is anticipated

to be completed in November 2015. The Corporation plans to spud the first of two appraisal wells, Clarinete-2, in late July 2015, and the second appraisal well, Oboe-1, following the completion and testing of Clarinete-2, with the objective of booking additional gas reserves in 2015. On the light oil side, Canacol plans to reactivate its work over program on the LLA-23 block, with the first of four planned work overs anticipated to commence in early June 2015. Additionally, the Corporation has defined several drill ready exploration prospects from its newly acquired 3D seismic survey on LLA-23, and is currently conducting the civil works necessary to reactivate our light oil exploration program should WTI stabilize above \$65/bbl. As a result, Canacol is well positioned to continue to realize growth while maintaining reduced exposure to world oil prices. We look forward to delivering enhanced shareholder value from these initiatives.”

Highlights for Fiscal Q3 2015

(in thousands of United States dollars, except as otherwise noted; production is stated as working-interest before royalties)

Financial and operational highlights of the Corporation include:

- Average daily sales volumes decreased 3% to 11,098 boepd for the three months ended March 31, 2015 compared to 11,418 boepd for the comparable period. Average daily sales volume increased 21% to 11,942 boepd for the nine months ended March 31, 2015 compared to 9,855 boepd for the comparable period.
- Average daily production volumes increased 1% to 10,950 boepd for the three months ended March 31, 2015 compared to 10,893 boepd for the comparable period. Average daily production volumes increased 20% to 12,017 boepd for the nine months ended March 31, 2015 compared to 10,034 boepd for the comparable period. The increases in production volumes are primarily due to new production from the Labrador, Leono, Pantro, Tigro and Maltes discoveries on the LLA-23 block, production increases from the Libertador and Atacapi fields in Ecuador, production increases from the Esperanza block, and new production from the Oso Pardo and Morsa discoveries on the Santa Isabel block, offset by declines at Rancho Hermoso.
- Petroleum and natural gas revenues for the three months ended March 31, 2015 decreased 53% to \$26.4 million compared to \$55.7 million for the comparable period. Petroleum and natural gas revenues for the nine months ended March 31, 2015 decreased 17% to \$121.8 million compared to \$146 million for the comparable period. 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, 2015 decreased 47% to \$32.8 million compared to \$62.4 million for the comparable period. Adjusted petroleum and natural gas revenues for the nine months ended March 31, 2015 decreased 11% to \$144 million compared to \$161.9 million for the comparable period. The decreases in revenues reflect decreases in benchmark crude oil prices over the respective periods.
- Average operating netback for the three months ended March 31, 2015 decreased 53% to \$20.56/boe compared to \$43.57/boe for the comparable period. Average operating netback for the nine months ended March 31, 2015 decreased 30% to \$28.44/boe compared to \$40.68/boe for the comparable period. The decrease in average operating netbacks is mainly attributable to decreases in benchmark crude oil prices, offset by reductions in royalties and production and transportation expenses per boe. Average operating netbacks are inclusive of results from the Ecuador IPC.
- Adjusted funds from operations for three months ended March 31, 2015 decreased 67% to \$10.9 million compared to \$33.2 million for the comparable period. Adjusted funds from operations for the nine months ended March 31, 2015 decreased 5% to \$71 million compared to \$74.9 million for the comparable period. Adjusted funds from operations are inclusive of results from the Ecuador IPC. The decrease in adjusted funds from operation is primarily the result of decreases in benchmark crude oil prices.
- The Corporation had a net loss of \$15.6 million for the three months ended March 31, 2015 compared to net income of \$19.4 million for the comparable period. Driving the net loss in the three months ended March 31, 2015 is a non-cash deferred tax expense of approximately \$4.7 million, of which, \$9.0 million was attributable to the significant devaluation of the Colombian peso versus the United States dollar, as well as a non-cash depletion and depreciation expense which resulted in a net loss impact of \$12.3 million. The Corporation had a net loss of \$47.5 million for the nine months ended March 31, 2015 compared to net income of \$12.0 million for the comparable period. Driving the net loss in the nine months ended March 31, 2015 is a non-cash deferred tax expense of approximately \$4.7 million, of which, \$13.5 million was attributable to the significant devaluation of the Colombian peso versus the United States dollar, a non-cash depletion and depreciation expense which resulted in a net loss impact of approximately \$48.6 million, as well as an impairment charge recorded at December 31, 2014, primarily related to the Rancho Hermoso property due to lower forecast crude oil prices, and losses on the disposition of

minor non-core assets that together resulted in a net loss impact of approximately \$22.3 million. Rancho Hermoso is a mature field with no expected material impact on the Corporation's future production and operating cash flows. The Corporation's core producing assets at Esperanza, LLA-23 and Ecuador were unaffected. No further impairments were recorded at March 31, 2015.

- Capital expenditures for the three and nine months ended March 31, 2015 were \$62.5 million and \$188.4 million, respectively, while adjusted capital expenditures, inclusive of amounts related to the Ecuador IPC, were \$68.8 million and \$212.2 million, respectively. Included in capital expenditures during the three and nine months ended March 31, 2015, were acquisition costs related to the acquisition of the remaining 25% interest in the VIM-5 and VIM-19 E&P contracts, settled through the issuance of 8,749,424 shares valued at \$2.06 per share, \$5 million, due on September 11, 2015, payable in either cash or common shares issued at the election of the Corporation, and the offset of \$15 million of receivables. The Corporation is further liable for future consideration of \$1.13 million per billion cubic feet for 25% of proven and probable reserves booked to the Clarinete discovery over and above those booked by the February 28, 2015 reserves report, if any, up to and including the time of the Corporation's reserves report for the period ending June 30, 2016, capped at a maximum of \$13 million, and payable 15 days after the issuance of such report, at the election of the Corporation, in either cash or common shares. In addition, the Corporation has agreed to pay a 1% royalty on net revenues from gas sales on the blocks, excluding the current Clarinete discovery, capped at a cumulative total of \$10 million.
- In April 2015, the Corporation settled its existing senior term loan for the principal amount outstanding on the settlement date of \$176 million and replaced that loan with a new senior term loan for a principal amount of \$200 million. The new term loan is due September 30, 2019, with interest payable quarterly and principal repayable in eight equal quarterly instalments starting on December 31, 2017, following an initial grace period. The new term loan carries interest at LIBOR plus 4.75% and is secured by all of the material assets of the Corporation.
- At March 31, 2015, the Corporation had \$44.5 million in cash and cash equivalents and \$74.3 million in restricted cash. The decrease in cash and cash equivalents from December 31, 2014 is primarily the result of the settlement of trade and other payables related to Q2 2015 activities which resulted in a net decrease in trade and other payables of \$46.1 million, a debt principal payment of \$14.7 million during Q3 2015, with the remaining decrease related to the settlement of other working capital items and operating and capital expenditure activities related to Q3 2015. With the closing of the new senior term loan described above, the Corporation is no longer required to make quarterly principal payments against its senior term loan until December 31, 2017, which will conserve cash. In April 2015, the Corporation also made a draw of \$25 million against the \$50 million undrawn portion of its senior notes; the net proceeds of these funds increased the Corporation's cash liquidity accordingly.

Financial	Three months ended March 31,			Nine months ended March 31,		
	2015	2014	Change	2015	2014	Change
Petroleum and natural gas revenues, net of royalties	26,429	55,653	(53%)	121,750	146,043	(17%)
Adjusted petroleum and natural gas revenues, net of royalties, including revenues related to the Ecuador IPC ⁽²⁾	32,811	62,437	(47%)	144,045	161,928	(11%)
Cash provided by (used in) operating activities	(2,011)	13,099	n/a	75,350	69,229	9%
Per share – basic (\$)	(0.02)	0.15	n/a	0.70	0.79	(11%)
Per share – diluted (\$)	(0.02)	0.14	n/a	0.69	0.78	(12%)
Adjusted funds from operations ⁽¹⁾⁽²⁾	10,922	33,161	(67%)	71,036	74,920	(5%)
Per share – basic (\$)	0.10	0.37	(73%)	0.66	0.86	(23%)
Per share – diluted (\$)	0.10	0.36	(72%)	0.65	0.85	(24%)
Net income (loss)	(15,638)	19,438	n/a	(47,498)	12,007	n/a
Per share – basic (\$)	(0.14)	0.22	n/a	(0.44)	0.14	n/a
Per share – diluted (\$)	(0.14)	0.21	n/a	(0.44)	0.14	n/a
Capital expenditures, net, including acquisitions	62,482	35,915	74%	188,407	76,072	148%
Adjusted capital expenditures, net, including acquisitions and capital expenditures related to the Ecuador IPC ⁽¹⁾⁽²⁾	68,778	44,103	56%	212,215	100,525	111%
				March 31, 2015	June 30, 2014	Change
Cash and cash equivalents				44,540	163,729	(73%)
Restricted cash				74,301	66,827	11%
Working capital surplus, excluding the current portion of bank debt and non-cash items ⁽¹⁾				28,422	159,117	(82%)
Short-term and long-term bank debt				231,133	210,688	10%
Total assets				714,364	756,587	
Common shares, end of period (000s)				116,634	107,736	8%
Operating	Three months ended March 31,			Nine months ended March 31,		
	2015	2014	Change	2015	2014	Change
Petroleum and natural gas production , before royalties (boepd)						
Petroleum ⁽³⁾	7,448	8,260	(10%)	8,661	7,115	22%
Natural gas	3,502	2,633	33%	3,356	2,919	15%
Total ⁽²⁾	10,950	10,893	1%	12,017	10,034	20%
Petroleum and natural gas sales , before royalties (boepd)						
Petroleum ⁽³⁾	7,636	8,792	(13%)	8,613	6,976	23%
Natural gas	3,462	2,626	32%	3,329	2,879	16%
Total ⁽²⁾	11,098	11,418	(3%)	11,942	9,855	21%
Realized sales prices (\$/boe)						
LLA-23 (oil)	38.43	88.61	(57%)	62.27	89.26	(30%)
Esperanza (natural gas)	26.52	23.00	15%	24.38	27.60	(12%)
Ecuador (tariff oil) ⁽²⁾	38.54	38.54	-	38.54	38.54	-
Total ⁽²⁾	34.87	65.49	(47%)	47.75	64.35	(26%)
Operating netbacks (\$/boe) ⁽¹⁾						
LLA-23 (oil)	18.71	62.26	(70%)	36.06	64.29	(44%)
Esperanza (natural gas)	22.72	19.36	17%	19.88	23.19	(14%)
Ecuador (tariff oil) ⁽²⁾	38.54	38.54	-	38.54	38.54	-
Total ⁽²⁾	20.56	43.57	(53%)	28.44	40.68	(30%)

(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

For calendar 2015, the Corporation will focus its efforts on: 1) development activity and infrastructure spending at its Esperanza and VIM-5 gas E&P contracts to bring total production up to 83 MMcfd (14,561 boepd) from the current 20 MMcfd (3,509 boepd) by year-end calendar 2015; 2) negotiation of additional gas contracts related to the Clarinete gas discovery and initiation of field development to commercialize the discovery, including the drilling of two new wells, Clarinete 2 and Oboe 1; 3) infrastructure spending and seismic acquisition/interpretation on the LLA-23 light oil contract with a focus on continued cost reductions and firming up future exploration leads; and 4) tariff oil production operations in Ecuador, which are insensitive to crude oil prices. Other than the drilling activities above, no oil exploration drilling is currently planned for calendar 2015, and no material capital expenditures are currently planned on other blocks.

The Corporation plans to spend net exploration & development capex of \$84 million in calendar 2015 on drilling, workovers, seismic, and facilities in Colombia and Ecuador, and anticipates net average production before royalties of between 10,000 and 12,000 boepd. Included therein, 65 MMcfd (11,404 boepd) of new gas sales are anticipated to come on stream in December 2015. Calendar 2015 expected net average production consists of approximately 60% combined natural gas from Colombia and tariff oil from Ecuador, both subject to long-term fixed price contracts, while 40% of production is expected from crude oil that is subject to benchmark oil prices. Over calendar 2015, the Corporation anticipates a significant and increasing portion of its production will benefit from pricing arrangements that are insensitive to world oil prices. Production guidance above excludes any production from future exploration activities.

Given the relative volatility of world oil prices at the present time, the Corporation will closely monitor changes thereto and has the flexibility to adjust its capital spending accordingly. As a result, the Corporation may make changes to its calendar 2015 capital program as circumstances warrant, which could include re-activating its low-risk light oil exploration and development drilling programs on the LLA-23 block.

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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 and nine months ended March 31, 2015 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.

This news 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. 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"), which is incorporated herein by reference and is 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 news 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 news 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 news release references working capital and operating netback measures. Working capital is calculated as current assets less current liabilities, excluding non-cash items such as the current portion of commodity contracts, the current portion of warrants, and the current portion of any embedded derivatives asset/liability, and is used to evaluate the Corporation's financial leverage. 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 equivalent ("boe") 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 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.

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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