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## Canacol Energy Ltd. Provides Drilling Operations Update

CALGARY, ALBERTA - (August 22, 2014) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; OTCQX:CNNEF; BVC:CNEC) is pleased to provide the following update concerning its ongoing drilling and testing operations in Colombia.

### LLA23 E&P Contract (Llanos Basin – Canacol operated)

The Pantro 2 exploration well encountered oil pay within the C7, Gacheta, and Ubaque sandstone reservoirs, with good oil shows encountered while drilling through the reservoir intervals. The Corporation is testing 26 feet ("ft") of net oil pay in the C7 sandstone reservoir which is currently producing 848 bopd gross (763 bopd net) of 35° API oil with 5% water cut using an electro submersible pump set to a frequency of 40 hertz during a 14 day flow period. The Corporation plans to leave the Pantro 2 appraisal well on long term production test from the C7 sandstone reservoir subject to approval by the Agencia Nacional de Hidrocarburos ("ANH").

The Corporation has completed the drilling of the Pointer 1 exploration well with good oil shows encountered while drilling through the primary reservoir targets, and has run casing in advance of production testing several different oil bearing sandstone reservoir intervals within the next week. The Corporation has spud the Tigro 1 exploration well and anticipates reaching total depth within 1 week. Canacol plans to drill an additional 6 wells on LLA23 throughout the remainder of calendar 2014, which includes the Maltes 1 exploration well, subject to approval by the ANH.

### Santa Isabel E&P Contract (Middle Magdalena Basin – Canacol operated)

The Oso Pardo 2 exploration well encountered 149 ft of net potential oil pay within the Tertiary Umir and Basal Lisama sandstone reservoirs, with excellent oil and gas shows encountered while drilling through both reservoir intervals. The Corporation plans to complete production tests within both the Umir and Basal Lisama sandstones within the next 2 weeks.

The Corporation plans to spud the Oso Pardo 3 exploration well in mid September 2014, subject to the approval of the ANH. The Oso Pardo 3 exploration well will target production from the Umir sandstone reservoir. Based upon the positive results achieved by the Morsa 1 and Oso Pardo 2 exploration wells, the Corporation plans to drill an additional exploration well, Hambron 1, prior to year end calendar 2014 subject to the approval of the ANH.

### Esperanza E&P Contract (Lower Magdalena Basin – operated by Geoproduction Oil and Gas Company of Colombia, 100% owned by Canacol)

The Palmer 1 exploration well reached a total depth of 9317 feet measured depth ("ft md") and encountered 87 ft of potential gas pay within the primary target of the Cienaga de Oro sandstone reservoir, with excellent gas shows encountered while drilling through the primary reservoir target. Canacol is planning to commence production testing of the Cienaga de Oro reservoir within the next 3 days. Upon the completion of the testing at Palmer 1 the Corporation plans to spud the second of three planned exploration wells targeting the Cienaga de Oro reservoir, Corozo 1, in early October 2014 subject to approval by the Agencia Nacional de Hidrocarburos ("ANH"). The Corporation plans to commence the drilling of the third exploration well, Canandongo 1, in December 2014.

The Corporation will provide updates when relevant information becomes available.

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 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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