Canacol Energy Ltd. Tests Nispero 1 Exploration Well at 28 MMSCFPD, Expands Drilling Program, and Reports on July Production

CALGARY, ALBERTA - (August 23, 2016) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; OTCQX:CNNEF; BVC:CNEC) is pleased to provide the following update concerning the Nispero 1 gas discovery, the doubling of its gas drilling program for the remainder of 2016, and an increase of 9% in Corporate cash sales to 19,440 barrels of oil equivalent per day ("boepd") for the month of July 2016 compared to the average cash sales of 17,817 boepd for the quarter of April 1 to June 30, 2016.

Nispero 1 Exploration Discovery (100% Operated Working Interest)

The Nispero 1 exploration well was spud on the Esperanza Exploration and Exploitation Contract on July 17, 2016. The well reached total depth of 9,906 feet measured depth ("ft md") on August 7, 2016, encountering 79 ft md (55 feet true vertical depth) of net gas pay with average porosity of 17% within the primary Cienage de Oro ("CDO") reservoir target. The CDO reservoir interval was perforated in 7 different intervals between 8,792 to 9,630 ft md and flowed at a final stabilized rate of 28 million cubic feet per day ("MMscfpd") of dry gas with no water at a flowing tubing head pressure of 2,045 pounds per square inch over a test period of 53 hours. The Corporation is currently completing the Nispero 1 well for permanent production via a flow line that will tie the well into the Corporation's operated Jobo production facility.

Given the success at Nispero, the Corporation plans to immediately drill the offsetting Trombon gas prospect from the same drilling platform the Nispero 1 well was drilled from. The Trombon 1 exploration well will target 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. The Corporation anticipates spudding the Trombon 1 well late in the week of August 29, 2016, and anticipates that the well will take 5 to 6 weeks to drill and flow test.

Expansion of the 2016 Gas Drilling Program

The Corporation is currently contracting a second rig to drill the Nelson 6 and Nelson 8 wells while the existing rig will be left to drill the Trombon 1 exploration well and then be mobilized to drill appraisal wells in the Clarinete and Oboe fields. The Nelson 6 exploration well will target gas pay within the shallow Porquero sandstone reservoir in the Nelson field. The Nelson 8 well is a development well targeting productive reservoirs within the CDO reservoir that are not being drained by the existing producing wells in the Nelson field. The Corporation anticipates that both new Nelson wells will be drilled and tested prior to the end of 2016. Following the drilling and testing of the Trombon 1 exploration well, the existing rig will be mobilized to the Clarinete field to drill the Clarinete 3 appraisal well prior to the end of 2016. The Corporation intends to keep one drilling rig active for all of 2017 drilling gas exploration and appraisal wells on its operated VIM 5, Esperanza, VIM 19 and VIM 21 Exploration and Production contracts.

The objectives of the expanded gas drilling program are to 1) target management's estimate of more than 100 billion cubic feet of potential recoverable resource in order to secure new gas sales contracts, and 2) increase the productive capacity of the Corporations gas assets to more than 190 MMscfpd in 2017 to supply the new contracts.

The Corporation also plans to spud the Mono Cappuccino oil exploration well on its operated VMM2 E&P contract in the last quarter of 2016.

Corporate Production

Gas and oil cash sales before royalties for the month of July 2016 averaged approximately 19,440 boepd, which consisted of 88.0 MMscfpd (15,431 boepd) of gas, and 4,009 barrels of oil per day of oil which included production from Ecuador. Of the 88 MMscfpd of gas cash sales, approximately 85.0 MMscfpd were realized contractual gas sales as the Corporation saw its customers accept physical delivery of nearly all of their nominated gas volumes. The average cash netback of the gas cash sales was approximately US$ 26.60 / barrel of oil equivalent during this period, while the average cash netback of the oil sales was US$ 25.16 / barrel.

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.

Realized contractual gas sales is defined as gas produced and sold plus gas revenues received from nominated take or pay contracts.
Gas cash sales is defined as realized contractual gas sales plus cash received for gas classified as deferred revenues accordingly to IFRS.
Corporate cash sales is defined as gas cash sales plus Colombian oil sales plus the Corporation's share of Ecuador tariff oil sales.
The portion of deferred revenues for the month of July 2016 was approximately 3 MMscfpd.

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.

For further information please contact:
Investor Relations
214-235-4798
Email: IR@canacolenergy.com
Website: canacolenergy.com