Canacol Energy Ltd. Announces 234 BCF (41 MMBOE) Increase in 2P Gas Reserves in Colombia

CALGARY, ALBERTA – (March 12, 2015) – Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; OTCQX:CNNEF; BVC:CNEC) is pleased to announce a 234 billion cubic feet ("BCF") (41 million barrels of oil equivalent – "MMBOE") increase in its working interest before royalty 2P gas reserves associated with its recent Clarinete and Palmer discoveries, and a positive revision at its Nelson field. Canacol working interest before royalty 2P gas reserves as of February 28, 2015 are 345 BCF (61 MMBOE) with a pre-tax net present value discounted at 10% ("PTNPV10") of US$ 852 million. The majority of these gas reserves have been contracted via 5 to 15 year take or pay sales contracts with pricing ranging from US$4.90/MMBTU to US$ 8/MMBTU escalated between 2 to 3% per year during the course of each contract. The increase in reserves is attributed to exploration success at the recent Clarinete discovery on the VIM 5 Exploration and Production ("E&P) contract, the recent Palmer discovery on the Esperanza E&P contract, and a positive technical revision related to original gas in place at Nelson field on the Esperanza E&P contract. The current 2P gas reserves are more than sufficient to satisfy all of the existing gas sales contracts, including the recently executed sales contract to Altenasol. In addition to Canacol's 2P gas reserves cited above, the Corporation's working interest before royalty 2P oil reserves plus deemed volumes are 23 MMBOE with PTNPV10 of US$ 556 million as of June 30, 2014.

Charle Gamba, President and CEO of the Corporation, commented "The success of our gas exploration program and, most importantly, the large discovery at Clarinete, marks an important milestone in the maturation of our gas platform in Colombia, which commenced with the acquisition of Shona Energy in 2012. The take or pay gas contracts we have executed in recent years will provide stable long term cash flow through to 2021 not tied to global oil prices, and we expect our gas exploration programs on our assets in the Lower Magdalena Basin to continue to deliver meaningful reserve adds that we can quickly commercialize via new sales contracts. Clarinete was our first exploration well drilled on VIM 5, and there are 10 additional prospects to be drilled on this block in the future. The recent execution of the Altenesol sales contract for 35 mmscfpd commencing in 2017 exposes Canacol to future growth via the export of LNG to the Caribbean market. We anticipate that approximately one third of Canacol's gas sales in 2017 will be directed towards foreign markets, with the balance delivered to the local Colombian market. The Corporation remains on track to ramp gas production from the current level of approximately 20 mmscfpd to over 83 mmscfpd by December 2015."

Canacol's exploration success at Clarinete and Palmer has resulted in new reserve additions of 184 BCF (32 MMBOE) and PTNPV10 of US$ 376 million. Best estimate gas prospective resources of 209 BCF (37 MMBOE) and PTNPV10 of US$ 295 million have also been attributed to the undrilled portion of the Clarinete discovery. The Corporation plans to drill up to two appraisal wells in calendar 2015 in the prospective resource area of the Clarinete discovery in order to move prospective resources into the reserves category. In this respect, the Corporation is pleased to announce that it has purchased the 25% interest in the VIM5 (including the Clarinete discovery) and the VIM 19 contracts from its industry partner, with the Corporation now owning 100% interest in both Contracts. The net consideration payable to the partner by the Corporation for the purchase of the interests consist of (a) US$18,046,000, payable entirely through the issuance of 8,749,424 common shares of the Corporation ("Common Shares"), (b) a payment of US$5 million due on September 11, 2015 and payable, at the election of the Corporation, in either cash or Common Shares to be priced at the five (5) day volume weighted trading price of the Common Shares on the TSX at such time, (c) a payment of US$1.13 million per BCF for 25% of proven and probable reserves booked to the Clarinete discovery over and above those booked by the February 28, 2015 report, if any, up to and including the time of the Corporation's reserve report for the period ending June 30, 2016, capped at a maximum of US$13 million, and payable 15 days after the issuance of such report, at the election of the Corporation, in either cash or Common Shares to be priced at the five (5) day volume weighted trading price of the Common Shares on the TSX at the time of issuance, and (d) a 1% royalty on net revenues from gas sales on the blocks, excluding the current Clarinete discovery, capped at a cumulative total of US10 million. The Common Shares being issued as part of the first tranche of the consideration, as well as any additional Common Shares that may be issued at the election of the Corporation in respect of subsequent tranches, are subject to a four (4) month required legal hold period as well as an escrow arrangement whereby such Common Shares are released to the seller in four (4) equal tranches at the end of each calendar quarter subsequent to their initial issuance. The issuance of the Common Share portion of the consideration contemplated by the transaction is subject to customary TSX acceptance requirements. Application has been made to the TSX in relation to the same.

Independent Evaluation by Petrotech Engineering Ltd. ("Petrotech")

The Corporation engaged Petrotech Engineering Ltd. "Petrotech" to conduct an independent evaluation of the gas reserves for Canacol's 100% working interest in the Nelson and Palmer fields in the Esperanza Contract and the gas reserves and prospective resources for Canacol's 100% working interest in the Clarinete discovery in the VIM 5 contract. All evaluations were effective February 28, 2015.

Petrotech prepared the evaluation in accordance with resource and reserve definitions, standards and procedures in the Canadian Oil and Gas Evaluation ("COGE") Handbook.

Clarinete Reserves, VIM 5 Contract

	Petrotech		
	28-Feb-2015		
Working Interest Before Royalty Volumes in BCF and MMBOE *Pre-tax NPV-10s in millions of US dollars*	Reserves BCF	Reserves MMBOE*	Pre-tax NPV-10 MM$
Total proved *(1P)*	108.7	19.1	$ 196.7
Probable	41.3	7.2	62.4
Total proved plus probable *(2P)*	150.0	26.3	$ 259.1
Possible	10.7	1.9	16.2
Total proved plus probable plus possible *(3P)*	160.7	28.2	$ 275.3

Clarinete Prospective Resources, VIM5 Contract

	Petrotech		
	28-Feb-2015		
Working Interest Before Royalty Volumes in BCF and MMBOE *Pre-tax NPV-10s in millions of US dollars*	Resources BCF	Resources MMBOE*	Pre-tax NPV-10 MM$
Low Estimate	131.7	23.1	$ 198.2
Best Estimate	208.7	36.6	$ 295.1
High Estimate	318.8	55.9	$ 425.7

Palmer Reserves, Esperanza Contract

	Petrotech		
	28-Feb-2015		
Working Interest Before Royalty Volumes in BCF and MMBOE *Pre-tax NPV-10s in millions of US dollars*	Reserves BCF	Reserves MMBOE*	Pre-tax NPV-10 MM$
Total proved *(1P)*	16.5	2.9	$ 58.7
Probable	17.8	3.1	58.4
Total proved plus probable *(2P)*	34.3	6.0	$ 117.1
Possible	4.0	0.7	14.6
Total proved plus probable plus possible *(3P)*	38.2	6.7	$ 131.7

Nelson Reserves, Esperanza Contract

Working Interest Before Royalty Volumes in BCF and MMBOE Pre-tax NPV-10s in millions of US dollars	DeGolyer & MacNaughton 30-Jun-2014 Reserves BCF	Reserves MMBOE*	Pre-tax NPV-10 MM$	8 months Production July 1, 2014 to February 28, 2015 BCF	MMBOE	Technical Revision BCF	MMBOE	Petrotech 28-Feb-2015 Reserves BCF	Reserves MMBOE*	Pre-tax NPV-10 MM$
Total proved *(1P)*	102.3	18.0	$ 252.4	3.8	0.7	1.1	0.2	99.6	17.5	$ 344.4
Probable	8.9	1.6	90.1			52.1		61.1	10.7	131.8
Total proved plus probable *(2P)*	111.3	19.5	$ 342.5	3.8	0.7	53.2	9.3	160.7	28.2	$ 476.2
Possible	13.5	2.4	36.8			-1.5		12.0	2.1	7.9
Total proved plus probable plus possible *(3P)*	124.7	21.9	$ 379.3	3.8	0.7	51.7	9.1	172.7	30.3	$ 484.1

**BOE conversion using 5.7Mcf:1 bbl, as required by the Ministry of Mines and Energy of Colombia*

The numbers in these tables may not add exactly due to rounding

The board of directors of Canacol has approved a capital budget of US$ 48 million for the first half of calendar 2015 to June 30, 2015. The Corporation will provide formal capex and production guidance for full calendar 2015 in mid April 2015 to coincide with the closing of the new BNP credit facility which went into syndication earlier this week.

Prospective resources are those quantities of oil and gas estimated to be potentially recoverable from undiscovered accumulations. There is no certainty that the prospective resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources. Application of any geological and economic chance factor does not equate prospective resources to contingent resources or reserves.

Low estimate is considered to be a conservative estimate of the quantity that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. If probabilistic methods are used, there should be at least a 90 percent probability (P90) that the quantities actually recovered will equal or exceed the low estimate.

Best estimate is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually recovered will equal or exceed the best estimate.

High estimate is considered to be an optimistic estimate of the quantity that will actually be recovered. It is unlikely that the actual remaining quantities recovered will exceed the high estimate. If probabilistic methods are used, there should be at least a 10 percent probability (P10) that the quantities actually recovered will equal or exceed the high estimate.

Estimates of reserves and prospective resources were prepared using land and technical information including well information, engineering, geological and geophysical data available from Canacol to February 28, 2015.

The reserves evaluations, effective June 30, 2014 and reserves and resources evaluations effective February 28, 2015 were conducted by the Corporation's independent reserves evaluators DeGolyer and MacNaughton and Petrotech Engineering Ltd., respectively, and are in accordance with National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities. The reserves and resources are provided on a working interest before royalty basis in units of millions of barrels of oil equivalent using a forecast price deck for gas and oil, adjusted for crude quality, in US dollars. The estimated values may or may not represent the fair market value of the reserves and resources estimates.

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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.

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.

"Deemed volumes" are defined as those volumes produced under a service agreement in which the Corporation does not have a direct interest, but represents reserves attributable to the Corporation as calculated using the cash flow divided by the fixed tariff price over the life of the reserves. The Corporation has a risk service contract with Ecopetrol S.A. in the Mirador formation at its Rancho Hermoso field for which it receives a fixed tariff price for each gross barrel produced. The Corporation also has a non-operated 25% equity participation interest in an incremental production contract on the Libertador/Atacapi fields in Ecuador for which it receives a fixed price tariff for each incremental barrel produced.

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