Canacol Energy Ltd. Announces Closing of Strategic Investment from Cavengas Holdings S.R.L.

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CALGARY, ALBERTA (September 3, 2015) – Canacol Energy Ltd. ("**Canacol**" or the "**Corporation**") (TSX:CNE; OTCQX:CNNEF; BVC:CNEC) is pleased to announce that Cavengas Holdings S.R.L., a Barbados company ("**Cavengas**") has made a strategic equity investment (the "**Investment**") of C$78,975,000 (the "**Investment Amount**") in Canacol for consideration including the issuance of 17,590,000 subscription receipts of Canacol (a "**Subscription Receipt**") issued at $2.50 per Subscription Receipt and convertible into 17,590,000 common shares of the Corporation ("**Common Shares**") upon certain Release Conditions (as such term is defined below), together with the issuance of 14,000,00 Common Shares at a price of $2.50 per Common Share, which represents a 5 % premium to yesterday's closing price of $2.39. Upon the conversion of the Subscription Receipts to Common Shares (the "**Conversion**"), together with the issuance of the Common Shares, Cavengas will hold a 19.9% ownership stake in the Corporation on a non-diluted basis.

Charle Gamba, President and CEO of Canacol, commented "We are very pleased to have attracted an investment of this magnitude and quality from Cavengas, which provides both a solid vote of confidence concerning the near term growth potential of the Corporation, as well as capital to pursue additional projects as we expand our exposure to Colombian natural gas in this time of uncertain world oil prices. I look forward to working closely with their appointed directors, both of whom will broaden the depth of the board of directors, and leverage their extensive relationships in South America to bring new projects to the Corporation's portfolio."

The gross proceeds from the sale of the Subscription Receipts are being held in escrow by an escrow agent and invested in short term obligations issued or guaranteed by the Government of Canada (or other approved investments) pending satisfactory completion of the Release Condition. Upon completion of the Release Condition, each Subscription Receipt will be convertible into one (1) Common Share, resulting in Cavengas holding a 19.9% ownership stake in the Corporation on a non-diluted basis, and the escrowed funds will be released to the Corporation to fund the Investment Amount.

Under the terms of the investment agreement entered into as between Canacol and Cavengas, Cavengas has the right to appoint two (2) nominees to the board of directors of the Corporation (the "**Director Nominees**") subject to maintaining certain ownership thresholds. The subscription receipt agreement entered into as between Canacol, Cavengas and the escrow agent (the "**Subscription Receipt Agreement**") provides that the Subscription Receipts are convertible into Common Shares, on the basis of one (1) Subscription Receipt convertible into one (1) Common Share, upon the successful appointment of the Director Nominees to the board of directors of the Corporation, contingent upon the approval of the TSX (the "**Release Condition**"). Should such Release Condition not be satisfied, the Corporation will announce to the public that it does not intend to proceed with the conversion of the Subscription Receipts into Common Shares of the Corporation, in any such case, on or before 10:00 a.m. on December 1, 2015 (the "**Termination Date**"), being 90 days after the execution of the Subscription Receipt Agreement, and the escrow agent will return to the holders of the Subscription Receipts, an amount equal to the corresponding portion of the Investment Amount as well as their pro rata entitlements to interest earned on such amount. Should the satisfaction of the Release Condition not occur, Cavengas will hold a 9.9% ownership stake in the Corporation on a non-diluted basis, as a result of the Common Shares issued pursuant to the Investment. Pursuant to the investment agreement, and subject to TSX approval, Cavengas shall nominate two directors to the Board of Directors of Canacol, which will increase the total number of Directors to nine. The investment agreement provides for customary standstill provisions between the parties. Cavengas has no intention of increasing its ownership at this time.

The securities issued in connection with the Investment and advisory fee mentioned below (and any underlying Common Shares) are subject to a four-month hold period until January 3, 2016. One-third (1/3) of the proceeds from the Investment Amount will be used towards debt service and prepayment, while the remaining two-thirds (2/3) of the proceeds will be used for the Corporation's capital program and general corporate purposes.

The Corporation engaged Horizon Capital Management Inc. as exclusive advisor for this transaction, and will pay a fee of 3.5%, payable entirely in the Common Shares, for their services.

About Canacol

Canacol is an exploration and production company with operations focused in Colombia and Ecuador. The Corporation's common stock trades on the TSX, the OTCQX in the United States of America, and the Colombia Stock Exchange under ticker symbols CNE, CNNEF, and CNEC, respectively.

About Cavengas

Cavengas Holdings S.R.L is a Barbados-based private investment company with a focus on the energy and mining industries. Prior to the Investment, Cavengas did not beneficially own or control any securities of the Corporation.

Cautionary Statement

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 the Conversion. In making the forward-looking statements in this release, the Corporation has applied certain factors and assumptions that are based on the Corporation's current beliefs as well as assumptions made by and information currently available to the Corporation. Although the Corporation considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect, and the forward-looking statements in this release are subject to numerous risks, uncertainties and other factors that may cause future results to differ materially from those expressed or implied in such forward-looking statements. Such risk factors include, among others, those matters identified in its continuous disclosure filings, including its most recently filed MD&A. Readers are cautioned not to place undue reliance on forward-looking statements. The Corporation does not intend, and expressly disclaims any intention or obligation to, update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by law.

The securities offered have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an available exemption from the registration requirements thereof. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

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