Canacol Energy Ltd. Reports Record Production Levels

CALGARY, ALBERTA – (August 11, 2016) – 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 six months ended June 30, 2016. Dollar amounts are expressed in United States dollars, except as otherwise noted.

"We continued to build momentum into the second quarter of 2016, with both record corporate production and our highest revenues, earnings, and adjusted funds flows from operations since the near $100 oil prices of 2014", reported Charle Gamba, President and CEO of Canacol. "During the second quarter, Canacol achieved record cash sales volumes of 17,817 boepd, a 52% increase over the average of 11,746 boepd for the previous quarter ending March 31, 2016. With the completion of the Promigas pipeline expansion in April 2016, we seamlessly brought 65 MMscfpd of new gas production on stream, with obvious positive effects on corporate earnings. Adjusted funds from operations for the three months ended June 30, 2016 increased 99% to $26.9 million from the previous quarter of $13.5 million for the three months ended March 31, 2016. The Corporation had a comprehensive income of $11.2 million for the three months ended June 30, 2016, compared to a comprehensive loss of $58.5 million for the three months ended June 30, 2015. The Corporation continues to be profitable in 2016, which marks a return to profitability moving forward as Canacol's gas sales volumes continue to increase.

Our continued focus on reducing costs and increasing gas production resulted in another 7% increase in operating netbacks to $25.58/boe for the three months ended June 30, 2016, compared to $23.90/boe last quarter.

We also continue to increase our gas reserve base, with the successful Oboe-1 well recently being assigned 38 bcf of 3P gas reserves. Our gas drilling program also includes the currently drilling Nispero-1 well, to be directly followed by Nelson-6. As a result of the recent CDN $46.9 million private placement, we now expect to expand this program and have a gas drilling rig running continuously well into 2017, with one additional gas exploration well and one additional gas development well planned for the remainder of 2016. We also plan to drill one oil exploration well on our VMM2 concession in Q4 2016."

Highlights for the three and six months ended June 30, 2016

(Production is stated as working-interest before royalties)

Financial and operational highlights of the Corporation include:

- Total cash sales volumes increased 74% and 38% to 17,817 boepd and 14,783 boepd for the three and six months ended June 30, 2016, respectively, compared to 10,256 boepd and 10,676 boepd for the same periods in 2015, respectively, primarily due to increase in gas production in Esperanza and VIM-5 as a result of the additional sales related to the Promigas pipeline expansion.
- Adjusted funds from operations for the three and six months ended June 30, 2016 increased 64% and 48% to $26.9 million and $40.3 million compared to the same periods in 2015, respectively. Adjusted funds from operations are inclusive of results from the Ecuador IPC. The increase in adjusted funds from operations is primarily the result of additional sales related to the Promigas pipeline expansion, reductions in production and transportation expenses and lower general and administrative expenses, offset by a decrease in benchmark crude oil prices.
- The Corporation had a comprehensive income of $11.2 million and $11.7 million for the three and six months ended June 30, 2016, respectively, compared to a comprehensive loss of $58.5 million and $74.2 million for the three and six months ended June 30, 2015, respectively. The Corporation continues to be profitable in 2016 which marks a return to profitability moving forward as Canacol's gas sales volumes continue to increase.

- Average production volumes increased 65% and 31% to 16,423 boepd and 13,680 boepd for the three and six months ended June 30, 2016, respectively, compared to 9,961 boepd and 10,453 boepd for the same periods in 2015, respectively, primarily due to increase in gas production in Esperanza and VIM-5 as a result of the additional sales related to the Promigas pipeline expansion.
- Total petroleum and natural gas revenues for the three and six months ended June 30, 2016 increased 43% and 15% to $38.9 million and $61.6 million compared to $27.3 million and $53.7 million for same periods in 2015, respectively. 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 and six months ended June 30, 2016 increased 34% and 12% to $45.4 million and $74.4 million compared to $33.9 million and $66.7 million for the same periods in 2015, respectively. The increase in revenues reflects the additional sales related to the Promigas pipeline expansion, offset by a decrease in benchmark crude oil prices.
- General and administrative ("G&A") expenses decreased 24% and 23% to $4.2 million and $8 million for the three and six months ended June 30, 2016, respectively, compared to $5.5 million and $10.4 million for the same periods in 2015, respectively. The decrease is primarily due to the Corporation's efforts to manage its G&A expenses in light of the continued weakness in benchmark crude oil prices and the devaluation of the Colombian peso versus the United States dollar.
- Production expenses decreased 42% and 56% to $4.3 million and $7.7 million for the three and six months ended June 30, 2016, respectively, compared to $7.5 million and $17.7 million for the same periods in 2015, respectively, despite significant production increases in the three and six months ended June 30, 2016 compared to the same periods in 2015. The decrease is primarily due to the Corporation's cost-cutting initiatives of centralizing the production, loading, and water disposal operations from the different fields within the LLA-23 block to the Pointer facility, lower renegotiated operating costs and the devaluation of the Colombian peso versus the United States dollar.
- During the three months ended June 30, 2016, the Oboe-1 well was completed and tested in 3 of 11 different sandstone reservoir intervals within the Cienaga de Oro reservoir which flowed at a combined rate of 66 MMscfpd of dry gas. The Oboe-1 well is in the process of being tied-in to the Clarinete flow line where it is expected to commence permanent production by September 1, 2016. Oboe-1 further appraised the Clarinete gas field structure and added 28 billion standard cubic feet of additional 2P gas reserves to Canacol's existing 372 bscf of 2P gas reserves, as at December 31, 2015.
- Net capital expenditures including acquisitions for the three and six months ended June 30, 2016 was $5 million and $20.6 million, respectively, while adjusted capital expenditures including acquisitions, inclusive of amounts related to the Ecuador IPC, was $5.4 million and $21.3 million, respectively.
- At June 30, 2016, prior to the recently closed CDN $46.9 million private placement, the Corporation had $25.3 million in cash and $62.5 million in restricted cash and was well within all of its banking covenants.

Financial	Three months ended June 30, 2016	2015	Change	Six months ended June 30, 2016	2015	Change
Total petroleum and natural gas revenues, net of royalties	**38,926**	27,297	43%	**61,626**	53,726	15%
Adjusted petroleum and natural gas revenues, net of royalties, including revenues related to the Ecuador IPC (2)	**45,390**	33,892	34%	**74,390**	66,703	12%
Cash provided by (used in) operating activities	**13,764**	(10,905)	n/a	**21,013**	(12,916)	n/a
Per share – basic ($)	**0.09**	(0.09)	n/a	**0.13**	(0.11)	n/a
Per share – diluted ($)	**0.08**	(0.09)	n/a	**0.13**	(0.11)	n/a
Adjusted funds from operations (1) (2)	**26,870**	16,359	64%	**40,321**	27,281	48%
Per share – basic ($)	**0.17**	0.14	21%	**0.25**	0.24	4%
Per share –diluted ($)	**0.16**	0.14	14%	**0.25**	0.24	4%
Net income (loss) and comprehensive income (loss)	**11,245**	(58,524)	n/a	**11,706**	(74,162)	n/a
Per share – basic ($)	**0.07**	(0.50)	n/a	**0.07**	(0.66)	n/a
Per share – diluted ($)	**0.07**	(0.50)	n/a	**0.07**	(0.66)	n/a
Capital expenditures, net, including acquisitions	**5,046**	28,935	(83%)	**20,594**	91,417	(77%)
Adjusted capital expenditures, net, including acquisitions and capital expenditures related to the Ecuador IPC (1)(2)	**5,376**	30,893	(83%)	**21,325**	99,671	(79%)
				Jun 30, 2016	Dec 31, 2015	Change
Cash				**25,336**	43,257	(41%)
Restricted cash				**62,462**	61,721	1%
Working capital surplus, excluding non-cash items (1)				**39,593**	46,310	(15%)
Bank debt				**249,443**	248,228	-
Total assets				**694,785**	668,349	4%
Common shares, end of period (000s)				**160,873**	159,266	1%

Operating	Three months ended June 30, 2016	2015	Change	Six months ended June 30, 2016	2015	Change
Petroleum and natural gas production, before royalties (boepd)						
Petroleum (3)	**4,018**	6,007	(33%)	**4,273**	6,724	(36%)
Natural gas	**12,405**	3,954	214%	**9,407**	3,729	152%
Total (2)	**16,423**	9,961	65%	**13,680**	10,453	31%
Petroleum and natural gas sales, before royalties (boepd)						
Petroleum (3)	**4,045**	6,192	(35%)	**4,312**	6,911	(38%)
Natural gas	**12,331**	4,064	203%	**9,331**	3,765	148%
Total (2)	**16,376**	10,256	60%	**13,643**	10,676	28%
Total cash sales, before royalties (boepd) (4)						
Natural gas	**13,772**	4,064	239%	**10,471**	3,765	178%
Colombia oil	**2,294**	4,433	(48%)	**2,575**	5,179	(50%)
Ecuador tariff oil (2)	**1,751**	1,759	-	**1,737**	1,732	-
Total (2)	**17,817**	10,256	74%	**14,783**	10,676	38%
Operating netbacks ($/boe) (1)						
Esperanza (natural gas)	**27.24**	22.41	22%	**27.37**	22.56	21%
VIM-5 (natural gas)	**24.57**	-	n/a	**24.35**	-	n/a
LLA-23 (oil)	**12.45**	30.06	(59%)	**10.39**	23.71	(56%)
Ecuador (tariff oil) (2)	**38.54**	38.54	-	**38.54**	38.54	-
Total (2)	**25.58**	26.68	(4%)	**24.90**	23.52	6%

(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.
(4) Total cash sales is defined as total realized contractual gas sales and crude oil sales plus cash received for gas classified as deferred income according to IFRS.

Outlook

The three months ended June 30, 2016 was a record quarter for the Corporation in terms of production levels, and its highest revenues, earnings, and adjusted funds flows from operations since the robust oil prices of 2014; primarily related to completion of the Promigas pipeline expansion in April 2016 which allowed the Corporation to increase average daily gas cash sales to approximately 90 MMscfpd.

Looking ahead to the remainder of 2016, the Corporation has budgeted two gas exploration wells, Nispero-1 and Nelson-6 (in addition to the Oboe-1 well that was drilled in the first six months of the year), as well as five light oil workovers on its LLA-23 concession. A part of the proceeds from Canacol's recently closed C$46.9 million financing will be used to expand its gas exploration and development program throughout the remainder of 2016 and into 2017. The Corporation now expects to keep one rig running continuously on its gas drilling program well into 2017, and plans to drill one additional exploration well, and one additional gas development well, during the remainder of 2016, which would be in addition to the Nispero 1 and Nelson 6 wells. Canacol also expects to drill the Mono Capachino light oil exploration prospect located on the VMM-2 concession in late 2016.

Canacol is currently in the process of drilling the Nispero-1 well in the Esperanza block located in the Lower Magdalena Valley basin. The Nispero-1 well is targeting the same CDO sandstone reservoir that produces at the nearby Nelson, Palmer and Clarinete gas fields. The Nispero-1 well was spud on July 17, 2016 and is anticipated to take approximately seven weeks to drill and production test. Upon completion of the operations at Nispero, the rig will be mobilized to drill the Nelson 6 well, which is anticipated to spud in early October, 2016. The objective for the Nelson-6 well will be to production test the shallow Porquero sandstone reservoir which sits above the productive CDO sandstone reservoir within the Nelson field. Existing Nelson wells drilled to date have encountered the Porquero sandstone reservoir and up to 62 feet of interpreted gas pay on open-hole logs. The objective of the gas exploration program in 2016 is to prove up sufficient new reserves to sign a new ten year 100 MMscfpd ship or pay gas sales contract which is anticipated to commence in 2018 after the construction of a new pipeline. The Corporation is currently negotiating several new long term take or pay gas sales contracts with existing and new clients, as well as a contract which will see a third party construct and operate a new pipeline to the Caribbean coast of Colombia operational in late 2018 and at no cost to the Corporation.

Canacol estimates that average net before royalty oil and gas production for 2016 will range between 16,000 and 17,000 boepd. Realized contractual gas sales will average approximately 75 MMscfpd (13,160 boepd) including approximately 90 MMscfpd from April 21, 2016 forward at an anticipated average realized price of $5.60/Mcf ($31.92/boe), with an average netback of approximately $4.56/Mcf ($26.00/boe), generating approximately $153 million of gross revenues. Additionally, Canacol anticipates Colombian oil production to average approximately 2,300 bopd and Ecuador oil production of approximately 1,300 bopd in calendar 2016, both without the drilling of any additional oil wells. Total corporate hydrocarbon sales are anticipated to average between 18,500 and 19,000 boepd for the last half of 2016.

Total corporate EBITDAX is anticipated to be approximately $135 million for calendar 2016, which represents a Consolidated Leverage Ratio of less than 2.0, despite realized contractual gas sales for the period of January 1, 2016 to April 20, 2016 being less than half of current volumes.

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This press release should be read in conjunction with the Corporation's unaudited interim condensed consolidated financial statements and related Management's Discussion and Analysis. 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 six months ended June 30, 2016 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.

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") and Annual Information Form, which are incorporated herein by reference and are 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 press 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 press 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 press release references working capital, EBITDAX and operating netback measures. Working capital is calculated as current assets less current liabilities, excluding non-cash items, and is used to evaluate the Corporation's financial leverage. EBITDAX is defined as consolidated net income adjusted for interest, income taxes, depreciation, depletion, amortization, exploration expenses, share of joint venture profit/loss and other similar non-recurring or non-cash charges. Consolidated EBITDAX is further adjusted for the contribution to adjusted funds from operations, before taxes, of the results of the Ecuador IPC. 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 of oil equivalent 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, EBITDAX 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.

Operating netback is defined as revenues less royalties and production and transportation expenses.

Realized contractual gas sales is defined as gas produced and sold plus gas revenues received from nominated take or pay contracts.

Total cash sales is defined as realized contractual gas sales and crude oil sales plus cash received for gas classified as deferred income according to IFRS.

Unrisked recoverable resource potential is based on management's estimates.

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. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 5.7:1, utilizing a conversion on a 5.7:1 basis may be misleading as an indication of value.

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