Canacol Energy Ltd. Reports Record Revenues, Corporate Operating Netback and Reserves, Filing of Fiscal 2014 Financial Results and Annual Information Form, and Announces Tigro-1 Light Oil Discovery

CALGARY, ALBERTA – (September 23, 2014) – Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; OTCQX:CNNEF; BVC:CNEC) is pleased to report its financial results for the three months and year ended June 30, 2014.

Charle Gamba, President and CEO of the Corporation, commented: "Fiscal Q4 2014 was another successful quarter for the Corporation as we continued the two-year trend in steadily increasing production, revenues and netbacks over the previous quarter and the comparative prior year period. From a cash generation standpoint, the Corporation generated $23.4 million of adjusted funds from operations in fiscal Q4 2014, inclusive of outflows of $10.6 million related to non-recurring settlements. Without such outflows, adjusted funds from operations were $34.0 million on a pro forma basis, the highest in Canacol's history. Our average corporate operating netback has increased steadily over recent quarters and now stands at $44.70/boe for the current quarter, a 39% increase over the comparative quarter and again the highest corporate average netback in Canacol's history. This increased netback reflects our continued focus on high netback production, which will remain our focus in the future. In 2014, we continued to build on our diversified production and reserves base and increased our proved plus probable reserves and deemed volumes at June 30, 2014 to 43.0 million barrels of oil equivalent with a pre-tax NPV-10 value of $886.7 million, a 29% increase year over year, while maintaining one of the longest reserve-life indices in Colombia. Significantly, the Corporation's new gas discovery at Palmer-1 on the Esperanza block is not included in this reserves determination. We also remain well capitalized with cash and cash equivalents of $163.7 million available at June 30, 2014 to fund our significant future growth plans.

In the near term, we recently added a second drilling rig to our program on the LLA-23 block in order to accelerate the drilling of additional exploration wells, which includes the successful Tigro-1 discovery currently testing over 1,200 bopd gross, and also including the remaining two exploration wells at Maltes-1 and Pastor-1, and up to three development wells throughout the remainder of calendar 2014 and into early 2015. We also commenced the acquisition of 400 square kilometers of 3D seismic on the LLA-23 block in August 2014, with the objective of firming up the portfolio of 12 currently identified exploration leads into prospects for drilling in calendar 2015 and 2016. On the Esperanza block, following up on successful testing operations at Palmer-1, we plan 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 ANH. We also plan to commence drilling of the third exploration well, Canandonga-1, in December 2014, subject to approval by the ANH. As recently announced, we signed another new long-term gas supply contract to supply 30 MMcfpd at $8.00/MMbtu ($45.60/boe) starting in December 2015. With our other existing gas supply contracts, we expect to supply 83 MMcfpd (14,561 boepd) starting in December 2015 at very attractive pricing. We are excited at the potential and strong economics of our natural gas business going forward. In other areas of Colombia, we expect to drill an additional appraisal well with our partner into the shallow Lisama discovery on the VMM-2 block prior to the end of 2014, while the operator of the Capella property is expected to continue its extensive development program for the field through calendar 2014. We also anticipate the drilling of the Pico Plata-1 shale exploration well on the VMM-3 block and the Cejudo-1 exploration well on the VMM-2 block in the remainder of calendar 2014 and into 2015. In Ecuador, the consortium continues to execute on its business strategy and plans to drill five additional new development wells and work over three existing producing wells in the remainder of calendar 2014.

Overall, fiscal 2014 has been a very successful year for Canacol and we are well positioned to realize new future growth as a result of our extensive and diversified asset base, our strong management and technical teams, and our strong balance sheet and access to financial partners."

Operations Update

LLA23 E&P Contract (Llanos Basin – 90% operated interest)

The Tigro-1 exploration well encountered 72 feet ("ft") of oil pay within the C7, Mirador, Barco, Gacheta, and Ubaque sandstone reservoirs. The Corporation is testing 6 ft of net pay in the Mirador sandstone reservoir which is currently producing 1,206 bopd gross (1,085 bopd net) of 35^{o} API oil with 2% water cut using an electro submersible pump set to a frequency of 43 hertz during a six day flow period. The Corporation plans to leave the Tigro-1 exploration well on long term production test from the Mirador sandstone reservoir subject to approval by the Agencia Nacional de Hidrocarburos ("ANH"). The Corporation is currently skidding the rig in preparation of drilling the Tigro-3 well, which is located approximately one kilometer to the south of the Tigro-1 discovery well. Upon completion of the drilling and testing of the Tigro-3 well, the Corporation plans to drill the Tigro-2 well, subject to the approval of the ANH.

The Corporation has completed the testing of the Pointer-1 exploration well, which produced low rates of oil. The Corporation has suspended the Pointer-1 well and plans to convert it into a water disposal well, subject to the approval of the ANH. The rig that drilled the Pointer-1 well is currently drilling the Labrador-6 appraisal well, which is drilling ahead at 9,845 ft towards a planned depth of approximately 11,686 ft.

Canacol plans to drill an additional four wells on LLA-23 throughout the remainder of calendar 2014, which includes the Maltes-1 and Pastor-1 exploration wells, subject to approval by the ANH.

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

The Corporation is currently rigging up on the Corozo-1 exploration well, which is anticipated to spud during the first week of October 2014 subject to the approval of the ANH. The Corozo-1 exploration well is targeting a thick section of the Cienaga de Oro sandstone reservoir, the same reservoir that tested 15.5 million standard cubic feet per day of dry gas at the recently drilled Palmer discovery. Upon the completion and testing of the Corozo-1 exploration well, the Corporation plans to drill the Canandonga-1 exploration well in early December 2014, subject to the approval of the ANH.

Highlights for Fiscal Q4 2014 and Fiscal 2014

(in thousands of United States dollars, except as otherwise noted; production is stated as working-interest before royalties)

Financial, operating and reserves highlights of the Corporation include:

- Total proved reserves and deemed volumes increased 25% to 31.8 million barrels of oil equivalent ("boe") at June 30, 2014 compared to 25.4 million boe at June 30, 2013, and total proved plus probable reserves and deemed volumes increased 11% to 43.0 million boe at June 30, 2014 compared to 38.7 million boe at June 30, 2013. Significantly, the Corporation's new gas discovery at Palmer-1 on the Esperanza block is excluded from the June 30, 2014 reserves determination as they occurred after that date.
- Total pre-tax NPV-10 proved reserve and deemed volume value increased 19% to $542.4 million at June 30, 2014 compared to $457.1 million at June 30, 2013, and total pre-tax NPV-10 proved plus probable reserve and deemed volume value increased 29% to $886.7 million at June 30, 2014 compared to $686.0 million at June 30, 2013.
- Average sales volumes increased 49% to 12,323 barrels of oil equivalent per day ("boepd") for fiscal Q4 2014 compared to 8,286 boepd for the comparable period. Average sales volume increased 50% to 10,470 boepd for fiscal 2014 compared to 6,968 boepd for the comparable period.
- Average daily production volumes increased 48% to 12,212 boepd for fiscal Q4 2014 compared to 8,269 boepd for the comparable period. Average daily production volumes increased 55% to 10,577 boepd for fiscal 2014 compared to 6,817 boepd for the comparable period. The increases in production volumes are primarily due to new production from the Labrador, Leono and Pantro discoveries on the LLA-23 block and production increases from the Libertador and Atacapi fields in Ecuador. The Corporation has steadily increased its production over the past four quarters as outlined below and expects to continue building its productive base into the future.

Production (boepd)	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Petroleum	6,110	6,998	8,260	9,271
Natural gas	3,022	3,097	2,633	2,941
Total	9,132	10,095	10,893	12,212
% change	-	11%	8%	12%

- Petroleum and natural gas revenues for fiscal Q4 2014 increased 58% to $61.7 million compared to $39.0 million for the comparable period. Petroleum and natural gas revenues for fiscal 2014 increased 47% to $207.8 million compared to $141.4 million for the comparable period. 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 fiscal Q4 2014 increased 64% to $68.4 million compared to $41.8 million for the comparable period. Adjusted petroleum and natural gas revenues for fiscal 2014 increased 54% to $227.5 million compared to $147.7 million for the comparable period.
- Average corporate operating netback for fiscal Q4 2014 increased 39% to $44.70/boe compared to $32.14/boe for the comparable period. Average corporate operating netback for fiscal 2014 increased 48% to $41.85/boe compared to $28.32/boe for the comparable period. Operating corporate netback is inclusive of results from the Ecuador IPC.
- Adjusted funds from operations for fiscal Q4 2014 increased 22% to $23.4 million compared to $19.1 million for the comparable period. Adjusted funds from operations for fiscal 2014 increased 87% to $95.5 million compared to $51.2 million for the comparable period. Included in adjusted funds from operations for the three months ended June 30, 2014 were cash outflows totaling $10.6 million related to non-recurring settlements. Without such outflows, adjusted funds from operations were $34.0 million on a pro forma basis. Adjusted funds from operations is inclusive of results from the Ecuador IPC.
- The Corporation recorded a net loss of $2.1 million for fiscal Q4 2014 compared to net loss of $119.0 million for the comparable period. Driving the fiscal Q4 2014 net loss is a $10.6 million non-cash impairment charge on the Rancho Hermoso field, a mature field with no material impact on the Corporation's future production and operating cash flows. The impairment charge on the Rancho Hermoso field related to reserve and deemed volume write-downs at June 30, 2014 and does not affect any of the Corporation's other oil and gas properties, on which there were no impairment charges. The Corporation recorded net income of $9.9 million for fiscal 2014 compared to net loss of $127.8 million for the comparable period.
- Capital expenditures for fiscal Q4 2014 and fiscal 2014 were $77.1 million and $153.2 million, respectively, while adjusted capital expenditures, inclusive of amounts related to the Ecuador IPC, were $87.6 million and $188.1 million, respectively. Included in Q4 2014 capital expenditures were property acquisition costs of $40 million related to the acquisition of an increased working interest in the Corporation's core LLA-23 block. Included in fiscal 2014 capital expenditures were property acquisition costs of $55 million consisting of the acquisition of the LLA-23 interest above as well as the acquisition of the COR -4 and COR-12 exploration blocks in Colombia which doubled Canacol's prospective shale oil exposure.
- At June 30, 2014, the Corporation had $163.7 million in cash and cash equivalents and $66.8 million in restricted cash.

Financial	Three months ended June 30,			Year ended June 30,		
	2014	2013	Change	2014	2013	Change
Petroleum and natural gas revenues, net of royalties	61,744	38,961	58%	207,787	141,354	47%
Adjusted petroleum and natural gas revenues, net of royalties, including revenues related to the Ecuador IPC [2]	68,351	41,796	64%	227,510	147,666	54%
Cash provided by (used in) operating activities	8,715	21,739	(60%)	77,944	26,055	199%
Per share – basic ($)	0.09	0.25	(64%)	0.87	0.35	149%
Per share – diluted ($)	0.09	0.25	(64%)	0.86	0.35	146%
Adjusted funds from operations [1] [2] [5]	23,371	19,102	22%	95,522	51,153	87%
Per share – basic ($)	0.24	0.22	9%	1.06	0.68	56%
Per share – diluted ($)	0.23	0.22	5%	1.06	0.68	56%
Net income (loss)	(2,070)	(119,046)	(98%)	9,937	(127,807)	n/a
Per share – basic ($)	(0.02)	(1.38)	(99%)	0.11	(1.71)	n/a
Per share – diluted ($)	(0.02)	(1.38)	(99%)	0.11	(1.71)	n/a
Capital expenditures, net [4]	77,093	13,096	489%	153,165	50,540	203%
Adjusted capital expenditures, net, including capital expenditures related to the Ecuador IPC [1][2] [4]	87,584	15,755	456%	188,109	67,808	177%
				June 30, 2014	June 30, 2013	Change
Cash and cash equivalents				163,729	52,290	213%
Restricted cash				66,827	26,394	153%
Working capital surplus, excluding the current portion of bank debt and non-cash items [1]				159,117	69,148	130%
Short-term and long-term bank debt				210,688	134,316	57%
Total assets				756,587	469,592	61%
Common shares, end of period (000s)				107,736	86,506	25%

Operating	Three months ended June 30,			Year ended June 30,		
	2014	2013	Change	2014	2013	Change
Petroleum and natural gas production, before royalties (boepd)						
Petroleum [3]	9,271	5,390	72%	7,652	5,310	44%
Natural gas	2,941	2,879	2%	2,925	1,507	94%
Total [2]	12,212	8,269	48%	10,577	6,817	55%
Petroleum and natural gas sales, before royalties (boepd)						
Petroleum [3]	9,386	5,372	75%	7,577	5,452	39%
Natural gas	2,937	2,914	1%	2,893	1,516	91%
Total [2]	12,323	8,286	49%	10,470	6,968	50%
Realized sales prices ($/boe)						
LLA-23 (oil)	92.39	86.03	7%	90.29	91.12	(1%)
Esperanza (natural gas)	23.21	29.47	(21%)	26.49	30.05	(12%)
Rancho Hermoso (tariff and non-tariff oil and liquids)	92.23	84.19	10%	90.41	72.39	25%
Ecuador (tariff oil) [2]	38.54	38.54	-	38.54	38.54	-
Total [2]	66.92	60.39	11%	65.10	62.99	3%
Operating netbacks ($/boe) [1]						
LLA-23 (oil)	67.37	58.54	15%	65.30	61.40	6%
Esperanza (natural gas)	18.32	24.49	(25%)	21.95	25.22	(13%)
Rancho Hermoso (tariff and non-tariff oil and liquids)	13.96	23.17	(40%)	19.51	24.47	(20%)
Ecuador (tariff oil) [2]	38.54	38.54	-	38.54	38.54	-
Total [2]	44.70	32.14	39%	41.85	28.32	48%

(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) Excludes business acquisition.
(5) Included in adjusted funds from operations for the three months ended June 30, 2014 were cash outflows totaling $10.6 million related to non-recurring settlements. Without such outflows, adjusted funds from operations were $34.0 million on a pro forma basis.

Reserves Plus Deemed Volumes	June 30, 2014	June 30, 2013	Change
Reserves plus deemed volumes (Canacol working interest before royalties) (Mboe) [(6)(7)]			
Proved	31,829	25,385	25%
Proved plus probable	42,984	38,692	11%
Proved plus probable plus possible	55,770	59,517	(6%)
Reserve plus deemed volume values (pre-tax NPV-10) (US$ millions)			
Proved	542.4	457.1	19%
Proved plus probable	886.7	686.0	29%
Proved plus probable plus possible	1,239.8	1,033.0	20%

(6) June 30, 2013 deemed volumes restated from the amounts previously reported for a change in the methodology in calculating deemed volumes for the Ecuador fields – pre-tax NPV-10 disclosures were unaffected by the change in methodology – see "Statement of Reserves Data and Other Oil and Gas Information" section within the Annual Information Form.

(7) At June 30, 2014, deemed volumes related to Ecuador only. At June 30, 2013, deemed volumes related to both Ecuador and tariff volumes at Rancho Hermoso.

Outlook

In light of its recent exploration successes, for the remainder of calendar 2014 the Corporation plans to continue with its expanded capital program.

On the LLA-23 block, the Corporation has recently added a second drilling rig to its program in order to accelerate the drilling of additional exploration wells, including the remaining two exploration wells at Maltes-1 and Pastor-1, and up to three development wells throughout the remainder of calendar 2014 and into early 2015.

The Corporation also commenced the acquisition of 400 square kilometer 3D seismic in August 2014. The objective of the 3D seismic program is to firm up the portfolio of 12 currently identified exploration leads into prospects for drilling in calendar 2015 and 2016.

On the Esperanza block, upon the completion of testing operations 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 ANH. The Corporation plans to commence drilling of the third exploration well, Canandonga-1, in December 2014, subject to approval by the ANH.

In other areas of Colombia, the Corporation and its partner expect to drill an additional appraisal well into the shallow Lisama discovery on the VMM-2 block prior to the end of 2014. The operator of the Capella property is expected to continue its extensive development program for the field through calendar 2014. The Corporation also anticipates the drilling of the Pico Plata-1 exploration well on the VMM-3 block and the Cejudo-1 exploration well on the VMM-2 block in the remainder of calendar 2014 and into 2015.

In Ecuador, the consortium plans to drill five additional new development wells and work over three existing producing wells in the remainder of calendar 2014.

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The Corporation's has filed its audited consolidated financial statements and related Management's Discussion and Analysis as of and for the year ended June 30, 2014 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.

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"), which is incorporated herein by reference and is 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 and operating netback measures. Working capital is calculated as current assets less current liabilities, excluding non-cash items such as the current portion of commodity contracts, the current portion of warrants, and the current portion of any embedded derivatives asset/liability, and is used to evaluate the Corporation's financial leverage. 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 equivalent ("boe") 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 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.

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.

The reserves evaluations, effective June 30, 2014, were conducted by the Corporation's independent reserves evaluators, DeGolyer and MacNaughton and Petrotech Engineering Ltd., and are in accordance with National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities. The reserves are provided on a net 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 reserve estimates.

"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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