Canacol Energy Ltd. Provides Production and Operations Update: Average Cash Sales of 19,521 BOEPD for the Months of May and June 2016

CALGARY, ALBERTA - (July 12, 2016) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; OTCQX:CNNEF; BVC:CNEC) is pleased to provide the following update concerning its gas sales, drilling operations, reserves, and 2016 guidance.

Gas cash sales before royalties for the months of May and June 2016 averaged approximately 88.5 million standard cubic feet per day ("MMscfpd"), or 15,526 barrels of oil equivalent per day ("boepd"). The average cash netback was approximately US$ 26.00 / barrel of oil equivalent ("boe") during this period. Production from the Clarinete 1 and Clarinete 2ST wells averaged 30 MMscfpd for the months of May and June 2016. Gas cash sales were slightly impacted by scheduled maintenance at one of Canacol's customer's facilities which have since been completed. Oil sales before royalties, including Ecuador, for the months of May and June 2016 were 3,995 barrels of oil per day ("bopd") with an average cash netback of US$ 25.67 / barrel ("bbl").

The Corporation has budgeted two remaining gas exploration wells, Nispero 1 and Nelson 6, for the remainder of 2016, in addition to the Oboe 1 well drilled in January 2016 which tested at a combined rate of 66 MMscfpd. The successful Oboe 1 well, and the two additional gas exploration wells, are targeting a Corporation estimate of a combined 100 billion cubic feet of new gas reserves on an unrisked basis. The Corporation plans to spud the Nispero 1 exploration well during the week of July 18, 2016. The Nispero 1 well will target the same Cienaga de Oro sandstones reservoirs that produce at the nearby Nelson, Palmer, and Clarinete gas fields. The Nispero 1 well 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 exploration well, which is anticipated to spud in early October. The objective for the Nelson 6 well will be to production test the shallow Porquero sandstone reservoir which sits above the productive Cienaga de Oro sandstone reservoirs within the Nelson field. All four Nelson wells drilled to date have encountered Porquero sandstone reservoir, and have displayed good gas shows while drilling and up to 50 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 contracts which will commence in 2018 after the construction of a new pipeline.

The Corporation is working with its reserves auditor to update the reserves report for the Clarinete field, incorporating the positive results from the Oboe 1 well, which tested at a combined rate of 66 MMscfpd in January 2016. The Corporation anticipates releasing the reserves report prior to the end of July 2016.

Canacol estimates that average net before royalty oil and gas sales for 2016 will range between 16,000 and 17,000 boepd. Realized contractual gas sales are expected to average approximately 75 MMscfpd (13,160 boepd) including approximately 90 MMscfpd from April 21, 2016 forward at an anticipated average realized price of US$ 5.60 / Mcf (US$ 31.92 / boe), with an average cash netback of approximately US$ 4.56 / Mcf (US$ 26.00 / boe), generating approximately US$ 153 million of cash receipts. 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 realized contractual gas sales and oil sales are anticipated to total between 18,500 and 19,000 boepd from May 1, 2016 until year end.

Total corporate EBITDAX is anticipated to be approximately US$ 135 million for calendar 2016 despite realized contractual gas sales for the period of January 1, 2016 to April 20, 2016 being less than half of current volumes. A $10 WTI increase, from the budgeted $40 WTI, would increase this EBITDAX amount by approximately US$ 4 million, with no drilling expenditures. Given the extremely volatile behavior of world oil prices, the Corporation plans to make no significant investments in the drilling of its large oil production and exploration portfolios until pricing stabilizes to some extent.

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. The portion of deferred revenues for the months of May and June 2016 averaged approximately 5 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