Canacol Energy Ltd. Provides Guidance for 2017

CALGARY, ALBERTA - (April 12, 2017) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; OTCQX:CNNEF; BVC:CNEC) is pleased to provide the following update concerning its corporate guidance for 2017.

The Corporation announces that its 2017 capital budget is US$ 89 million, with forecast realized contractual oil and gas sales anticipated to average between 18,000 and 19,000 barrels of oil equivalent per day ("boepd"). The Corporation forecasts realized contractual oil and gas sales of approximately 25,000 boepd in December 2017 upon completion of the new private pipeline connecting Canacol's gas processing facility at Jobo to the Promigas export line to Cartagena.

Charle Gamba, President and CEO of the Corporation, commented "Management's three primary goals for the year include:

1. Achieve gas production of 130 million standard cubic feet per day ("MMscfpd") by December 2017 via the construction of a new private gas pipeline designed to transport 40 MMscfpd of new gas production;
2. Drill three gas exploration wells to continue to build the Corporation's gas reserves base at industry leading F&D costs; and
3. Drill two oil exploration wells to increase oil production and satisfy exploration commitments to the government of Colombia.

Our main goal for 2017 is lifting gas production to 130 MMscfpd in December 2017 via our new private gas pipeline connecting the Jobo gas processing facility to the Promigas pipeline to Cartagena at Bremen. The Corporation's existing 13 gas wells and gas processing facility are capable of a production rate of approximately 200 MMscfpd, more than sufficient to fulfill our December 1, 2017 sales contracts of 130 MMscfpd. Work on the new gas pipeline that will add 100 MMscfpd by late 2018 commenced in October of 2016, and the Special Purpose Vehicle that will add 40 MMscfpd by late 2017 has already placed the order for 82 kilometers of pipe, and is completing purchase of the right of way for the pipeline. Excavation and installation of the pipeline is anticipated to commence in September 2017, with completion by November 2017 and first gas on December 1, 2017.

With respect to management's goal of drilling three gas exploration wells in 2017, the Corporation spud the Canahuate 1 exploration well in March 2017 and plans to drill two additional gas exploration wells, Toronga 1 and Pandereta 1, in June and September of 2017, respectively. These three wells are targeting new reserves and production to allow the Corporation to achieve its production target of 230 MMscfpd in December 2018 when Promigas completes its second expansion of the Jobo – Cartagena – Barranquilla pipeline. Canacol in October of 2016 executed a 100 MMscfpd ship of pay contract with Promigas in regards to this second pipeline expansion.

With respect to management's goal of drilling two oil exploration wells in 2017, the Corporation recently announced an oil discovery at Mono Capuchino 1, which tested at a final rate of 1,013 barrels of oil per day, and has recently spud the Pumara 1 light oil exploration well with results due in late April 2017. Canacol continues to maintain a large inventory of light oil drill ready production and exploration opportunities that may accelerate should global oil prices recover to a sustained level above US$ 50 / bbl.

Budget items include US$ 38 million of drilling related expenditures, US$ 8 million of 3D seismic activities, US$ 22 million on facilities, equipment and flow line construction as we prepare for significant ramp up in our corporate gas production, US$ 5 million on well workovers and shale activities, US$ 10 million on social investments, consultations and environmental activities in preparation of 2018 exploration and production activities, and US$ 3.2 million for our joint venture in Ecuador. Total budgeted 2017 capital expenditures are within the Corporation's anticipated 2017 funds from operations and opening January 1, 2017 working capital of US$ 65 million.

Canacol is well positioned in 2017 to continue building production and revenues despite the uncertainty and volatility associated with global oil prices, especially with a near to midterm global outlook for oil prices of "lower for longer". It is important to point out that over 85% of our production revenues is not subject to global oil price volatility, and that the Corporation's debt facility is not subject to redetermination should oil prices fall. This financial strength, coupled with Canacol's outstanding exploration drilling and commercialization record of accomplishment, provides a solid platform to allow us to reach our targets of 130 MMscfpd of gas production in December 2017. Upon achieving 230 MMscfpd of gas production in December 2018, Canacol will become the second largest producer of natural gas in Colombia behind the state oil company."

Remaining 2017 Exploration Drilling Program

Canahuate 1 Exploration Well

Esperanza Exploration and Production ("E&P") Contract
Lower Magdalena Basin, Colombia
CNE Oil and Gas S.A.S. Operator WI 100%

The Canahuate 1 exploration well was spud on March 24, 2017. The Canahuate 1 well is located three kilometers ("km") north of the Corporation's Jobo gas processing facility. The well is targeting potential gas-bearing sandstones within the Cienaga de Oro ("CDO") Formation. Over the past three years, six of the seven exploration wells drilled by the Corporation on its gas blocks, including the Esperanza E&P contract, have resulted in commercial gas discoveries. The Canahuate 1 well will take approximately six weeks to drill and test.

Toronja 1 Exploration Well

VIM21 E&P Contract
Lower Magdalena Basin, Colombia
CNE Oil and Gas S.A.S. Operator WI 100%

The Toronja 1 exploration well is anticipated to spud in late May 2017, and is targeting potential gas-bearing sandstones within the shallow Porquero Formation. The Toronja 1 well is located approximately three kms north of the Jobo gas processing facility. The well will be the first follow-up exploration location for the Porquero after the successful outcome of Nelson 6 exploration well, which confirmed the Porquero as a new commercial play. The well will take approximately five weeks to drill and test.

Pandereta 1 Exploration Well

VIM5 E&P Contract
Lower Magdalena Basin, Colombia
CNE Oil and Gas S.A.S. Operator WI 100%

The Pandereta 1 exploration well is anticipated to spud in September 2017, and is targeting potential gas-bearing sandstones within the CDO. The Pandereta 1 well is located 13 kms east and on trend with the Corporation's Clarinete gas discovery made in 2014 and brought on production in 2015. The Pandereta 1 well will take approximately six weeks to drill and test.

Pumara 1 Exploration Well

LLA23 E&P Contract
Llanos Basin, Colombia
CNE Oil and Gas S.A.S. Operator WI 100%

The Corporation spud the Pumara 1 exploration on March 31, 2017. The Pumara 1 exploration is located three km north of the Labrador field. The well is targeting light oil bearing reservoirs within the proven producing C7, Mirador, Gacheta and Ubaque reservoirs. Over the past four years, five of the six exploration wells drilled by the Corporation on the LLA23 contract have resulted in commercial producing light oil discoveries. The Pumara 1 well will take approximately five weeks to drill and test, and if successful can be placed on immediate permanent production via the Corporation's oil processing facilities located at Pointer.

Other 2017 Capital Projects

Guacharaca 3D Seismic Acquisition (VIM5 E&P Contract, Operator (100% WI))

The Corporation plans to acquire 155 km^2 of 3D seismic commencing in the fourth quarter of 2017. The objective of the seismic program is to advance exploration leads presently defined on 2D seismic data to drill-ready prospects with a view to supplementing the Corporation's exploration portfolio of drill-ready prospects currently defined on existing 3D seismic.

Jobo Plant (Esperanza E&P Contract, Operator (100% WI))

Over the course of the year, process optimization, debottlenecking and improvements to water treatment and disposal will be undertaken at the Corporation's gas processing plant at Jobo. Works will be done to prepare the plant in advance of the 130 MMscfpd contractual sales effective December 1, 2017.

Flow Line Construction (Esperanza E&P Contract, Operator (100% WI))

Works are underway to tie in 2016 exploration discoveries to the Jobo gas processing plant including the 18 km Nispero flowline. In addition, a 3.5 km flowline and a 10.5 km flowline are being installed to tie in development well Nelson 8 and to loop the existing Betania to Jobo flowline, respectively.

Well Workovers (VMM2 E&P Contract, Non-Operator (40% WI))

Capital allocated to conduct workovers of two existing oil wells at the Mono Arana field to enhance production performance.

Well Workover (VMM3 E&P Contract, Non-Operator (20% WI)

In the Pico Plata-1 exploration well drilled in 2015, the Corporation allocated capital to conduct a series of DFITs over intervals in the La Luna shale identified to be prospective from petrophysical analysis.

Canacol's forecasted realized contractual oil and gas sales is expected to average between 18,000 and 19,000 boepd, of which, realized contractual gas sales is expected to average 85 MMscfpd (14,900 boepd) with an anticipated average realized price of approximately US$ 5.00 / MMbtu (US$ 28.50 / boe). The Corporation's forecasted gas netback is approximately US$ 4.00 / Mscf (US$ 22.80 / boe). Average gas price for 2017 has been impacted by the decrease in the Guajira index (US$ 4.63 / MMbtu for 2017 versus US$ 6.17 / MMbtu for 2016) that governs the sales contract of 16 MMscfpd to the Cerro Matoso ferronickel mine. The price of the Guajira index is redetermined annually. Canacol anticipates Colombian oil production to average approximately 2,500 bopd and Ecuador oil production to average approximately 1,200 bopd in calendar 2017.

Canacol is an exploration and production company with operations focused in Colombia, Ecuador, and Mexico. 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 non-GAAP measures such as EBITDAX, funds from operations, working capital, operating netback per barrel and realized contractual gas sales that do not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. Management uses these non-GAAP measures for its own performance measurement and to provide shareholders and investors with additional measurements of the Corporation's performance and financial results.

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

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.

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