Canacol Closes Strategic Acquisition of Additional Interest in LLA23 and Tests 2,898 BOPD from Labrador 4 and Leono 3 Wells

CALGARY, ALBERTA - (June 18, 2014) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; OTCQX:CNNEF; BVC:CNEC) is pleased to provide the following update concerning the strategic acquisition of an additional 10% working interest from Petromont Colombia S.A. Sucursal Colombia ("Petromont") in its LLA23 Exploration and Production contract located in the Llanos basin and the production test results of the Labrador 4 and Leono 3 wells also located on the LLA23 contract, which tested at a gross combined rate of 2,898 barrels of light oil per day ("bopd") (2,608 bopd net). The Corporation now has a 90% operated working interest in the LLA23 contract, with Petromont holding the remaining 10% interest. Elsewhere on the LLA23 contract the Corporation is currently rigging up on the Maltes 1 exploration well and the Pantro 2 appraisal well, and is about to commence the shooting of 400 square kilometers of 3D seismic data. As a result of the acquisition the Corporation is revising its production guidance from 12,500 to 13,500 boepd net before royalty to 13,000 to 14,000 boepd net before royalty for calendar 2014 with an anticipated exit rate for December 2014 of approximately 18,000 boepd.

Charle Gamba, President and CEO of the Corporation, commented "This strategic acquisition has consolidated our interest in our main oil producing asset at LLA23, which accounts for approximately half of the Corporation's current 13,800 boepd of net production before royalties. With a 100% drilling success rate for both exploration and production wells to date, including the recently drilled Leono 3 and Labrador 4 wells, this strategic consolidation of interest allows us to capture almost all of the upside associated with this contract over the next several years, all now at a 90% operated working interest. We plan to drill 3 exploration wells and 7 additional development and appraisal wells during the remainder of calendar 2014, and are currently rigging up on the Maltes 1 exploration well and the Pantro 2 appraisal well. The Corporation is also about to commence shooting 400 sq km of 3D seismic data which will set up our exploration drilling programs for 2015 and 2016 on this important block."

Acquisition of 10% interest in the LLA23 contract (90% operated working interest)

Effective as of June 1, 2014, the Corporation has acquired an additional 10% working interest in the LLA 23 contract from Petromont for a purchase price of US$40 million, payable in cash and the assumption of certain liabilities related to the LLA23 contract, subject to certain post-closing adjustments relating to unbilled expenditures attributable to the acquired interest prior to the date of the transaction. Application has been made to the National Agency of Hydrocarbons of Colombia ("ANH") for formal recognition of the transaction and of the Corporation's additional 10% working interest in the LLA 23 contract.

The Acquisition has the following characteristics:

- Current production: 775 bopd
- Proved plus probable reserves: 1.3 mmbo of light and medium crude oil (May 31, 2014)[1,2]
- Operating netback[3]: $60-$65 per barrel

1. Reserves are Gross Company Reserves as evaluated by PetroTech Engineering Ltd. as of May 31, 2014. Gross Company Reserves are Petromonts working interest reserves before the deduction of royalties.
2. Canacol intends to release an updated corporate reserve report effective June 30, 2014.
3. Based on expected average prices for Q3/Q4 2014 and historical Canacol operated production, transportation and royalty expenses.

Labrador 4 production test results

The Labrador 4 well was spud on April 30, 2014 and reached a total depth of 11,939 feet measured depth ("ft md") on May 18, 2014. The well encountered 111 feet ("ft") of net oil pay in the C7, Mirador, Barco, Gacheta and Ubaque reservoirs.

The Gacheta reservoir was perforated from 11, 261 – 282 and 11,330 – 352 ft md and for a test period of 24 hours on the 16th of June 2014 flowed at an average gross rate of 1,193 bopd (1,074 bopd net) of 27° API oil with 4% water cut and 7 thousand standard cubic feet per day ("mscfpd") of gas using an electro submersible pump ("ESP") set to a frequency of 55 Hz. The Ubaque reservoir was perforated from 11,390 – 11,394 ft md for a test period of 24 hours on June 2, 2014. The well flowed at an average gross rate of 638 bopd (574 bopd net) of 23° API oil with 20% water cut believed to be related to the drilling and completion of the well, and 1 mscfpd using an ESP set to a frequency of 35 Hz. The well will be placed on permanent production from the Gacheta reservoir subject to the approval of the ANH.

Leono 3 production test results

The Leono 3 well was spud on May 12, 2014 and reached a total depth of 12,590 ft md on May 26, 2014. The well encountered 36 ft of net oil pay within the C7, Mirador, Gacheta, and Ubaque reservoirs. The Mirador reservoir was perforated from 11,158 to 11,165 ft md and for a test period of 7 days ended on the 14th of June 2014 flowed at an average gross rate of 1,067 bopd (960 bopd net) of 36° API oil with 0.6 % water cut and 0.5 mscfpd of gas using a jet pump at 2,000 pounds per square inch. The well will be left on permanent production from the Mirador reservoir subject to the approval of the ANH.

Forward Plans on LLA23

The rig that drilled the Labrador 4 well is about to rig up to drill the Maltes 1 exploration well which is located approximately 2 kilometers north of the Labrador field. It is anticipated that the Maltes 1 exploration well will take approximately 6 weeks to drill and test. The rig that drilled the Leono 3 well is currently rigging up to drill the Pantro 2 appraisal well, which is located approximately 3 km south of Leono. The Pantro 2 well is anticipated to spud in the first week of July 2014, and will take approximately 6 weeks to drill and test.

The Corporation has recently obtained all of the necessary permits required to acquire 400 square kms of 3D seismic data and anticipates commencing acquisition in approximately 2 weeks. The seismic program is anticipated to be completed by the end of July 2014, with the results being used to plan the Corporation's exploration and development drilling programs on the LLA23 contract in calendar 2015 and 2016.

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.

The reserves evaluation, effective May 31, 2014, was conducted by Petrotech Engineering Ltd. and is 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 oil and gas, adjusted for crude quality, in US dollars.

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