



## Canacol Energy Ltd. Enters Into Sabanas Gas Flowline Agreement

CALGARY, ALBERTA - (August 9, 2017) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; OTCQX:CNNEF; BVC:CNEC) is pleased to provide the following update concerning the Sabanas gas flowline project.

The Corporation announces that it has signed an agreement for the construction, operation and ownership of the 82 kilometer long Sabanas gas flowline from its Jobo gas plant to the connection point with the Promigas S.A. gas pipeline at Bremen. Pursuant to the agreement, the US \$41 million Sabanas gas flowline project will be financed through a US \$30.5 million investment by a group of private investors and a US \$10.5 million contribution from Canacol (the investors and Canacol, collectively the "Owners"), with each holding its interest in the Sabanna gas flowline in separate companies. Canacol's financial contribution to the project will be almost entirely satisfied by costs incurred to date, and as such will not involve the issuance of new equity or affect its current cash position. The tariff for the Sabanas gas flowline is similar to other regulated tariffs in the region and, as customary, the tariff will be borne by the offtakers of the gas. Under the terms of the agreement, Canacol is not required to either sign a ship or pay commitment to the benefit of the Owners, or place a corporate guarantee in favour of the Owners. The Owners engaged Horizon Capital Management Inc. as advisor for this transaction, and will pay a fee of 3.5% on the \$30.5 million of private funds raised. Two members of Canacol's board of directors have participated in the private investor financing for an aggregate amount of US \$9.0 million. Under the terms of the agreement with Horizon, Canacol has the option, valid until the commissioning of the pipeline, to divest up to an additional US \$3 million of its share of the project, thus lowering its investment to approximately US \$7.5 million plus the leasing of the compression as previously announced.

Construction of the Sabanas gas flowline connecting Jobo to the Promigas connection point at Bremen is proceeding on schedule, with first gas transportation anticipated on December 1, 2017. Approximately 55% of the tubulars have arrived on location, with the remainder expected on location in September. The compression stations are anticipated to arrive in the third week of August from the Port of Houston. All forestry, archeological, and environmental permits have been obtained and 100% of the right of way has been negotiated and purchased. Civil works at the two compression station locations commenced the first week of August 2017, and digging and laying of the tubulars is anticipated to commence the last week of August 2017. Flowline laying will occur simultaneously at both Jobo and Bremen at either end of the 82 kilometer route, with flowline laying anticipated to be completed the first week of November 2017. Commissioning of the compression stations and pressure testing of the flowline is anticipated to be completed by the third week of November 2017.

The productive capacity of the Corporation's current gas wells is approximately 195 MMscf/d, and that of the Corporation's gas processing facilities located at Jobo approximately 200 MMscf/d, more than adequate to lift production to 130 MMscf/d in December 2017 when construction of the Sabanas gas flowline is complete. As previously announced, Canacol executed a ten year take-or-pay contract for 40 MMscf/d of gas at contractual terms comparable to the Corporation's current US dollar denominated gas sale contracts, which is expected to be transported by the Sabanas gas flowline commencing in December 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 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.*

*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.*

*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**

**Email:** [IR@canacolenergy.com](mailto:IR@canacolenergy.com)

**Website:** [canacolenergy.com](http://canacolenergy.com)