Canacol Energy Ltd. Provides 2018 Guidance

CALGARY, ALBERTA - (December 21, 2017) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; OTCQX:CNNEF; BVC:CNEC) is pleased to provide its capital and production guidance for 2018.

The Corporation announces that its 2018 capital budget is US$ 80 million, which will be fully funded from existing cash and 2018 cash flow. Forecast realized contractual gas sales which include downtime are anticipated to average between 114 and 129 million standard cubic feet per day ("MMscfpd"). Oil sales are expected to average approximately 1,700 barrels of oil per day ("bopd") for calendar 2018, including approximately 1,900 bopd for the first six months of the year. Oil sales include only production from its Colombian assets, as its Ecuadorian oil production has been sold for US$ 36.4 million as previously announced. The base range for gas production assumes that the Promigas S.A. expansion, which will add 100 MMscfpd of transportation capacity between the Corporation's gas processing facilities located at Jobo and the markets of Cartagena and Baranquilla, is delayed and does not materialize as of December 1, 2018. The upper range for gas production assumes that the Promigas S.A. expansion is completed on December 1, 2018, as currently planned, and that the Corporation sells up to 8 MMscfpd in interruptible market sales throughout 2018. Based on the Corporation's current portfolio of 2018 gas contracts, the average sales price, net of transportation costs where applicable, is approximately US$ 4.75/Mcf.

Charle Gamba, President and CEO of Canacol, stated "Management's three objectives for 2018 are to 1) execute the necessary investments in drilling, facilities, and flowlines to ensure that the productive capacity of the Corporation is greater than 230 MMscfpd by December 1, 2018, 2) execute a four well exploration and appraisal drilling program to build reserves and continue its industry leading record of finding and developing cost of US$ 0.44/Mcf[1] and Colombian record setting 90% exploration drilling success rate, and 3) divest or spin out its legacy conventional oil assets to complete the transformation to a pure play clean natural gas focused Colombian E&P company."

Highlights of the Corporation's capital spending program for 2018 include 1) the drilling of four exploration and appraisal wells and three development wells for a total of US$ 33 million, 2) facilities expansion and equipment for a total of US$ 17 million, and 3) various seismic, workover, trailing, and capitalized G&A and other costs for a total of approximately US$ 30 million. Approximately 97% of the budget is dedicated to spending on the Corporation's gas assets, with the remainder on its Colombian and Mexican oil assets.

The Corporation has contracted a single drilling rig which it intends to use to execute its exploration and development drilling program in 2018. The gas exploration wells planned for 2018 include the Gaiteros-1 exploration well on its VIM 5 contract, which is anticipated to spud in January 2018, the Breva-1 exploration well on the VIM 21 contract, and the Borojo-1 exploration well and Canahuate-3 appraisal well on the Esperanza contract. The first of the three development wells will be Pandereta-3 which is expected to spud in early January. The remaining two development locations will be selected and confirmed as the Corporation's exploration program progresses.

Canacol is an exploration and production company with operations focused in Colombia 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.

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.

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.

(1) The Corporations 2P finding development costs relating to its gas assets, as disclosed in a March 27, 2017 news release, for the 2 year period ending December 31, 2016, were US$ 2.52/boe, or US$ 0.44/Mcf.

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