Canacol Energy Ltd. Provides Corporate Guidance for 2016

CALGARY, ALBERTA - (April 28, 2016) - 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 2016.

The Corporation announces that its 2016 capital budget is US$ 58 million, with forecast oil and gas sales between 16,000 to 17,000 (average 16,500) barrels of oil equivalent per day (“boepd”), compared to US$ 82 million of capital and 10,103 boepd of sales in 2015. This represents a year over year increase of 63% in forecast oil and gas sales against a 29% decrease in capital spending. Current sales including realized gas sales and oil sales are 20,097 boepd, which consists of 90.5 million standard cubic feet per day (“MMscfpd”) of gas (15,881 boepd) and 4,216 barrels of oil per day (“bopd”). Capital expenditures in the first quarter of 2016 were approximately US$ 15 million, including the drilling and testing of the Oboe-1 well, which tested at combined rates of 66 MMscfpd and where reserves have yet to be booked.

Charle Gamba, President and CEO of the Corporation, commented: “I’m pleased to report to our shareholders that the milestone of 90 MMscfpd of stable gas sales is now behind us, and that net sales of oil and gas are at a Corporate record above 20,000 boepd, 88% of which are not affected by low and uncertain world oil prices. So far this year we have also made a significant gas find at Oboe 1, which tested at a combined rate of 66 MMscfpd and where reserves have yet to be booked. For the remainder of 2016, the management team will focus on: 1) disciplined capital spending with anticipated capex of $58 million predicated on a WTI price of US$ 40 / barrel for the remainder of 2016, 2) continuing to grow Canacol’s Colombian gas reserves and production base through its exploration program targeting 100 BCF (18 million barrels of oil equivalent) of unrisked reserve potential, which has commenced with the recently announced success at Oboe-1 which tested at a combined rate of 66 MMscfpd, 3) signing new gas sales contracts and initiating the planning and construction of a new gas pipeline which will send 100 MMscpfd of new Canacol gas sales to the Caribbean coast of Colombia in 2018, and 4) maintaining Canacol’s large inventory of light oil drill ready production and exploration opportunities which could be rapidly executed should global oil prices recover to a sustained level above US$ 50 / bbl, thus justifying a resumption of capital investment for oil production.”

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 combined 100 billion cubic feet of new gas reserves on an unrisked basis. It is anticipated that the Nispero-1 well will be drilled early in the third quarter of 2016, followed by the Nelson-6 well in the fourth quarter of 2016. The objective for the low risk Nelson-6 well will be to production test, for the first time, 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 gas charged Porquero sandstone reservoir, and have displayed good gas shows while drilling and up to 60 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 new 100 MMscfpd take or pay gas sales contracts, which will commence in 2018 after the construction of a new pipeline.

Additional capital spending is budgeted for 5 light oil well work-overs on Canacol’s LLA23 concession, as a follow up to the successful workover program initiated in mid-2015. Should world oil prices recover to a stable level above US$ 50 / bbl, the Corporation may choose to drill one or all of the four high graded, drill ready exploration prospects mapped on 3D seismic on its LLA23 concession. Approximately US$ 2.9 million is budgeted for the Corporations joint venture in Ecuador. The majority of the remaining budgeted capital expenditures relate to facilities and equipment to support and bolster Canacol’s recent dramatically expanded gas production, as well as several minor seismic programs. The US$ 58 million capital budget does not include payments related to the Corporation’s capital lease of the newly commissioned Jobo gas processing facility. Total budgeted 2016 capital expenditures are well within the Corporation’s anticipated 2016 funds from operations and opening January 1, 2016 working capital of US$ 46 million.

Canacol estimates that average net before royalty oil and gas production for 2016 will range between 16,000 and 17,000 boepd. Realized contractual gas sales will 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 / mscf (US$31.92 / boe), with an average netback of approximately US$4.56 / mscf (US$26.00 / boe), generating approximately US$153 million of gross revenues. 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 corporate hydrocarbon sales are anticipated to average 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, which represents a Consolidated Leverage Ratio (as defined below) of less than 2.0, despite realized contractual gas sales for the period of January 1, 2016 to April 20, 2016 being less than half of current volumes. A US$ 10 WTI increase, from the budgeted US$ 40 WTI oil price, would increase this EBITDAX amount by approximately US$4 million, with no drilling expenditures. Should world oil prices achieve stable levels above US$50 / bbl, the Corporation will restart its light oil exploration and drilling programs, which will increase EDITDAX associated with oil sales.

Canacol is also pleased to report that prior to March 31, 2016, the Corporation was able to amend a primary covenant in its BNP Paribas led, syndicated Senior Secured Term Loan, such that its Consolidated Leverage Ratio (being its consolidated total debt divided by its consolidated EBITDAX on a trailing 12 month basis) has been increased from 3.5 to 4.0 for the period ended March 31, 2016. Canacol expects to be well within the covenant ratio in subsequent quarters as a result of the cash flow associated with its recently increased gas production.

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.

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.

For further information please contact:
Investor Relations
214-235-4798
Email: IR@canacolenergy.com
Website: canacolenergy.com