

Canacol Announces New 35 MMSCFPD 15 Year Take or Pay Gas Sales Contract

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CALGARY, ALBERTA--(Marketwired - Feb 5, 2015) - [Canacol Energy Ltd.](#) ("Canacol" or the "Corporation") (TSX:CNE)(OTCQX:CNNEF)(BVC:CNEC) is pleased to announce that its Colombian subsidiary CNE Oil & Gas S.A.S., in its capacity as operator of the VIM 5 Exploration and Production ("E&P") contract in Colombia, executed a new 15 year take or pay contract for the sale of 35 million standard cubic feet per day ("MMscfpd") (6,140 barrels of oil equivalent per day - "boepd") of gas to Altenesol LNG Colombia S.A.S. ("Altenesol") commencing in the fourth quarter of calendar 2016. Pursuant to an existing agreement, as previously announced, an industry partner has a right to a 25 percent interest in the VIM 5 E&P contract, subject to regulatory approval and meeting certain financial commitments. Under the terms of such agreement, however, the Corporation retains operatorship and a right to commercialize 100 percent of the gas produced from contract on behalf of the partners.

Under the terms of the new take or pay gas sales agreement, Altenesol will pay US\$ 4.90 / MMbtu (US\$ 27.93 / barrel of oil equivalent - "boe"), escalated at 2% per year across the term of the contract. In addition, Canacol and Altenesol executed an agreement pursuant to which Canacol has the option to participate in the revenues generated by the sale of the LNG through an equity ownership position in Altenesol of approximately 26% in exchange for investing US\$ 13 million in the project.

Altenesol will use the gas to produce approximately 360,000 gallons of Liquefied Natural Gas ("LNG") per day ("GPD") at a dedicated liquefaction facility that will be composed of two LNG trains (180,000 GPD each) to be located close to Canacol's operated Jobo gas processing facility. The second LNG train shall start operation within 12 to 16 months after the first. Altenesol has recently executed a 15 year take or pay contract to sell the LNG to be produced by the facility to Adventus Fuel Inc ("AFC"), an international distributor for export to markets in South America, Central America and the Caribbean at a sales price of approximately US\$ 11 / MMbtu (US\$ 62.70 / boe) FOB Plant. Canacol, through its beneficial ownership of Altenesol, will also derive revenues from the sale of the LNG of approximately US\$ 1.25 / MMbtu (US\$ 7.12 / boe). As such, total revenues from the gas sales contract and Canacol's beneficial ownership in Altenesol are expected to be approximately US\$ 6.25 / MMbtu (US\$ 35.63 / boe) escalated at 2 % per year across the 15 year tenure of the take or pay contract.

The gas for the contract will come from the recently discovered Clarinete gas field located on the VIM 5 E&P Contract. The Corporation recently flow tested the first of two reservoirs within the discovery at approximately 21 MMscfpd, and is currently flow testing the second reservoir interval, with results to be announced shortly. The pre drill best estimate for recoverable prospective resource at Clarinete is approximately 540 Billion cubic feet of gas.

Charle Gamba, President and CEO of the Corporation, commented "This new sales contract demonstrates the Corporation's ability to quickly commercialize its gas finds in Colombia, in this case the significant gas discovery we recently made at Clarinete on the VIM 5 contract. Our beneficial ownership of Altenesol exposes Canacol to revenues from the full value chain of the LNG project, from gas sales through to the sale of the LNG product itself, of approximately US\$ 6.25 / MMbtu (US\$ 35.63 / boe) escalated at 2% per year across the 15 year term of the contract. This translates into approximately US\$ 1.2 billion of undiscounted gross revenues from the sales contract and the beneficial ownership of the Altenesol. Additionally, this new contract and our beneficial ownership in Altenesol will provide us with a direct route to the growing South America, Central America and the Caribbean gas market for Canacol's gas as we continue to make new discoveries."

This new contract is expected to take Canacol's gross gas production to 118 MMscfpd (20,700 boepd) by year end calendar 2017. As previously announced, the Corporation in 2014 executed three gas sales contracts for a combined 65 MMscfpd (11,052 boepd) which is expected to take Canacol's current daily gas production of approximately 20 MMcfpd (3,509 boepd) to 83 MMcfpd (14,561 boepd) in late calendar 2015 with pricing from US\$ 5.40/MMbtu (US\$ 30.78/barrel of oil equivalent - "boe") to US\$8.00/MMbtu (US\$

45.60/boe) escalated at approximately 3% per year.

"We look forward to a mutually beneficial relationship with Canacol and a shared vision of the Global LNG market. We have a solid foundation in place and a blueprint to accelerate expansion. Canacol's option to participate in the equity of the project opens greater expectations to Altenesol's vision as well as having a solid company supporting the proliferation of LNG through South America, Central America and the Caribbean. We thank the many team members that have made this possible and our shareholders for their patient support as we build a solid corporation for the future. Many company developments are nearing completion and will add to our value" commented Nelson De La Nuez CEO Altenesol/IAHL.

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.

** Prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have two risk components, the chance of discovery and the chance of development. There is no certainty that the Prospective resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources. Application of any geological and economic chance factor does not equate prospective resources to contingent resources or reserves. Low estimate is considered to be a conservative estimate of the quantity that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. If probabilistic methods are used, there should be at least a 90 percent probability (P90) that the quantities actually recovered will equal or exceed the low estimate. Best estimate is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually recovered will equal or exceed the best estimate. High estimate is considered to be an optimistic estimate of the quantity that will actually be recovered. It is unlikely that the actual remaining quantities recovered will exceed the high estimate.*

If probabilistic methods are used, there should be at least a 10 percent probability (P10) that the quantities actually recovered will equal or exceed the high estimate. Mean estimate is the arithmetic average from the probabilistic assessment. Although the Corporation has identified prospective resources, there are numerous uncertainties inherent in estimating oil and gas resources, including many factors beyond the Corporation's control and no assurance can be given that the indicated level of resources or recovery of hydrocarbons will be realized. In general, estimates of recoverable resources are based upon a number of factors and assumptions made as of the date on which the resource estimates were determined, such as geological and engineering estimates which have inherent uncertainties and the assumed effects of regulation by governmental agencies and estimates of future commodity prices and operating costs, all of which may vary considerably from actual results. There are several significant negative factors relating to the prospective resource estimate which include (i) structural events that are well defined seismically and are low risk, however, reservoir quality, seal, hydrocarbon migration and associated hydrocarbon column estimates are more at risk than the former, (ii) well costs are very high due to the exploratory nature of the initial group of wells, (iii) due to limited infrastructure proximate to the prospects, gas discoveries may be stranded for some time until infrastructure is in place, which may take some time due to the remoteness of the prospects and

costs associated with same, and (iv) other factors which are not within the control of the Corporation.

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