Canacol Energy Ltd. Announces 2013 Production Guidance and Capital Program

CALGARY, ALBERTA--(January 29, 2013) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; BVC:CNEC) is pleased to provide its 2013 capital program and production guidance. The Corporation plans to spend gross capex of US$ 67 million in calendar 2013 on drilling, work overs, seismic, production facilities, and pipelines in Colombia and Ecuador, and anticipates net average production before royalties of between 7,500 and 8,500 barrels of oil equivalent per day ("boepd"). Average production for the month of December 2012 was 8,366 boepd before royalties, stated on a pro forma basis to include the results of the recently acquired production assets of Shona Energy Company, Inc. The production split for 2013 is expected to be approximately 60% oil from its Labrador, Rancho Hermoso, Libertador-Atacapi, and Capella fields in Colombia and Ecuador, and 40% gas from its operated gas fields at Esperanza in Colombia, which is subject to long-term price contracts and attractive netbacks.

Charle Gamba, President and CEO of Canacol, stated "In 2013 the Corporation will focus on 1) building out production from recent oil discoveries on LLA23 and VMM2 and increasing production levels from the newly acquired Esperanza gas field in Colombia via new sales contract, 2) continuing to increase production from our Libertador-Atacapi oil field in Ecuador, and 3) execute a significant oil focused exploration program in Colombia targeting both conventional light and heavy oil, and unconventional light oil. Exploration projects of significance for 2013 include exploration wells on LLA23 targeting light oil, exploration wells on each of our three Middle Magdalena blocks targeting both shallow conventional light oil and deeper unconventional shale oil, and the continuation of the heavy oil exploration program on assets in the Putumayo – Caguan Basin. Between a combination of existing cash and working capital, cash flow from production, and debt facilities, the Corporation is well financed to execute our capital program."

The focus for calendar 2013 oil production is on high netback oil primarily from the Labrador, Rancho Hermoso, Capella, and Libertador-Atacapi fields, which are anticipated to yield net average production of approximately 5,000 bopd before royalties. Tariff oil production from the Libertador-Atacapi and Rancho Hermoso fields is anticipated to yield net average production of approximately 1,000 bopd. High netback tariff production from the Libertador-Atacapi field in Ecuador is expected to grow to an average of approximately 900 bopd for calendar 2013. The very low netback tariff production from the Mirador reservoir at Rancho Hermoso, which in the past formed a relatively high percentage of the Corporation's average gross production, is expected to average approximately 100 bopd for calendar 2013. Existing Mirador producers in Rancho Hermoso are planned to be converted to higher netback net royalty producers from the C7, Barco, Gacheta and Ubaque by the end of the calendar second quarter of 2013. Production from the recently announced Mono Arana discovery in Colombia is not included in the above guidance, even though the well is currently on long-term production test. Once a development plan has been approved by the consortium, the Corporation's guidance will be revised upwards accordingly.

Net before royalty gas production from the Esperanza field located in Colombia is anticipated to average approximately 3,000 boepd. The Corporation is currently negotiating an additional sales contract with a current buyer to increase volumes by approximately 5 million MMcfpd (833 boepd) effective April 1, 2013. The Corporation is also negotiating other opportunities that could yield additional gas sales in 2013 and beyond.

In calendar 2013, the Corporation plans to drill 8 gross exploration wells on its blocks in Colombia targeting a management estimate of 316 million net barrels unrisked (48 million barrels risked) of mean prospective oil resource. Light oil exploration drilling activities for 2013 will focus on the Corporation's LLA 23 block in the Llanos Basin, and the Santa Isabel, VMM2 and VMM3 blocks in the Middle Magdalena Basin, where the Corporation has recently experienced exploration success (the Labrador discovery on LLA23, and the Mona Arana discovery on VMM2). ExxonMobil Exploration Colombia and Shell Colombia will be carrying the cost of one exploration well on each of VMM2 and VMM3 respectively in 2013. Conventional heavy oil exploration efforts will focus on the Corporation's blocks located in the Caguan – Putumayo Basin of Colombia. The Corporation plans to drill 7 gross development wells and workover 16 existing producing wells in its fields located in Colombia and Ecuador. The Corporation plans to spend approximately

US$ 46 million gross capex on its activities in Colombia, and approximately US$ 21 million gross capex on its activities in Ecuador. Funding for the 2013 capital program is expected to come from existing working capital, operating cash flows and debt facilities.

Canacol Energy is an exploration and production corporation with operations focused in Colombia and Ecuador. The Corporation's common stock trades on the Toronto Stock Exchange and the Colombia Stock Exchange under ticker symbol CNE and CNE.C, respectively.

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