Canacol Energy Ltd. Announces 227% Increase in Revenues and Strong Operating Cash Flow for Fiscal Q2 2012

CALGARY, ALBERTA - (February 13, 2012) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; BVC:CNEC) is pleased to report its financial results for the three and six months ended December 31, 2011.

This reporting period is the Corporation's second under International Financial Reporting Standards ("IFRS"). As a result, the accounting policies of the Corporation have been adjusted to comply with IFRS beginning with the balance sheet as at July 1, 2010. A comprehensive summary of all of the significant changes, including reconciliations of Canadian GAAP financial statements to those prepared under IFRS, is presented in note 24 "Transition to IFRS" of the Corporation's interim condensed consolidated financial statements, as at and for the three and six months ended December 31, 2011.

Financial Highlights for the Three and Six Months Ended December 31, 2011
(in United States dollars, except as otherwise noted)

Canacol completed a successful quarter in fiscal Q2 2012. Highlights include:

- Total revenues for the three months ended December 31, 2011 increased 227% to $55.2 million from $16.9 million for the comparable period. Total revenues for the six months ended December 31, 2011 increased 169% to $90.6 million from $33.7 million for the comparable period.
- Funds from operations for the three months ended December 31, 2011 increased 849% to $24.5 million from $2.6 million for the comparable period. Funds from operations for the six months ended December 31, 2011 increased 308% to $42.2 million from $10.3 million for the comparable period.
- Net loss for the three months ended December 31, 2011 was $2.4 million, compared to a net loss of $14.9 million for the comparable period. Net income for the six months ended December 31, 2011 was $ 11.1 million, compared to a net loss of $45.0 million for the comparable period. The net loss for the three months ended December 31, 2011 was primarily driven by the realization of non-cash deferred tax assets during the period.
- Capital expenditures for the three and six months ended December 31, 2011 were $62.4 million and $93.8 million, respectively.
- Average daily sales volumes increased 330% to 13,680 barrels of oil per day ("bopd") for the three months ended December 31, 2011 compared to 3,181 bopd for the comparable period. For the six months ended December 31, 2011, average daily sales volumes increased 244% to 11,795 bopd compared to 3,427 bopd for the comparable period.
- For the three months ended December 31, 2011, the Corporation's operating netback for Rancho Hermoso non-tariff (NRI) production was $58.44/bbl and for Rancho Hermoso tariff production was $10.06/bbl. For the six months ended December 31, 2011, the Corporation's operating netbacks were $57.11/bbl for Rancho Hermoso non-tariff (NRI) production and $9.50/bbl for Rancho Hermoso tariff production.
- The Corporation's balance sheet remains strong with $90.7 million in cash, cash equivalents and restricted cash, and $68.0 million of working capital surplus at December 31, 2011. The Corporation remains fully funded to execute its calendar 2012 production and exploration programs.

Financial Highlights for the Three and Six Months Ended December 31, 2011
(in United States dollars (tabular amounts in thousands) except as otherwise noted)

Financial	Three months ended December 31,			Six months ended December 31,		
	2011	2010	Change	**2011**	2010	Change
Crude oil sales, net of royalties	**40,941**	15,669	161%	**67,394**	30,888	118%
Tariff revenue	**14,300**	1,212	1,080%	**23,177**	2,791	730%
Total revenues	**55,241**	16,881	227%	**90,571**	33,679	169%
Funds from operations [1]	**24,480**	2,579	849%	**42,241**	10,345	308%
Per share – basic and diluted ($)	**0.05**	0.01	400%	**0.08**	0.02	300%
Net income (loss)	**(2,423)**	(14,918)	(84%)	**11,063**	(44,986)	n/a
Per share – basic and diluted ($)	**-**	(0.03)	(100%)	**0.02**	(0.10)	n/a
Capital expenditures	**62,425**	22,403	179%	**93,781**	30,644	206%
				December 31, 2011	June 30, 2011	Change
Cash and cash equivalents				**81,023**	101,627	(20%)
Restricted cash				**9,643**	13,048	(26%)
Net working capital surplus [1]				**67,979**	94,547	(28%)
Total assets				**410,481**	316,570	30%
Common shares, end of period (000s)				**613,286**	511,637	20%

Operating	Three months ended December 31,			Six months ended December 31,		
	2011	2010	Change	**2011**	2010	Change
Crude oil production (bopd)						
Tariff	**8,971**	980	815%	**7,724**	1,120	590%
NRI	**4,422**	2,347	88%	**3,848**	2,038	89%
Total	**13,393**	3,327	303%	**11,572**	3,158	266%
Crude oil sales (bopd)						
Tariff	**8,954**	950	842%	**7,706**	1,102	599%
NRI	**4,726**	2,231	112%	**4,089**	2,325	76%
Total	**13,680**	3,181	330%	**11,795**	3,427	244%
Rancho Hermoso – tariff oil operating netback ($/bbl) [1]						
Realized tariff oil price	**17.36**	13.87	25%	**16.35**	13.76	19%
Operating and transportation costs	**(7.30)**	(4.41)	66%	**(6.85)**	(6.70)	2%
RH tariff oil operating netback	**10.06**	9.46	6%	**9.50**	7.06	34%
Rancho Hermoso – non-tariff (NRI) oil operating netback ($/bbl) [1]						
Realized crude oil price, net of royalties	**95.07**	77.90	22%	**90.63**	73.26	24%
Operating and transportation costs	**(36.63)**	(24.60)	49%	**(33.52)**	(25.62)	31%
RH NRI oil operating netback	**58.44**	53.30	10%	**57.11**	47.64	20%

(1) Non-IFRS measure. See "Non-IFRS Measures" section within MD&A.

Outlook

For calendar 2012, the Corporation's focus is threefold: 1) to achieve strong base production and cash flow growth from drilling and re-completion programs at its Rancho Hermoso field; 2) to access potential near-term light oil production and cash flow from the LLA 23 contract, which is located immediately north of and on trend with the Rancho Hermoso field; and 3) to execute on a large exploration program which targets heavy oil in the Putumayo-Caguan basin and light oil in the Putumayo and Middle Magdalena basins. Of the Corporation's 2012 exploration budget of $88 million, approximately 60% is targeted for light oil exploration programs and approximately 40% is targeted for heavy oil programs. In December 2011, the Corporation set an overall $150 million capital program for calendar 2012 and average production guidance of 14,000 to 16,000 bopd for the same period. In February 2012, the Corporation announced its participation in an incremental production contract on the Libertador and Atacapi fields in Ecuador. As a result, the Corporation expects to incur approximately $10.2 million of additional capital expenditures with respect to this contract in calendar 2012.

The Corporation's has filed its unaudited interim condensed consolidated financial statements, and related Management's Discussion and Analysis as of and for the three and six months ended December 31, 2011 with Canadian securities regulatory authorities. These filings are available for review at www.sedar.com.

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

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