



Canacol Energy Ltd. Announces Oil Discovery at Mono Arana 1 in Colombia

CALGARY, ALBERTA--(January 24, 2013) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; BVC:CNEC) is pleased to provide the following update concerning its Mono Arana 1 exploration well drilled on the VMM2 Exploration and Production ("E&P") contract located in the Middle Magdalena Valley of Colombia. Subject to the completion of the formal assignment process with the ANH, Canacol holds a 20% non-operated working interest in the E&P contract, with ExxonMobil Exploration Colombia ("ExxonMobil") holding a 70.1% working interest and Vetra Exploracion y Produccion Colombia ("Vetra") holding the remaining 9.9% operated working interest. The recognition of the aforementioned working interests has been submitted for the approval of the Agencia Nacional de Hidrocarburos (ANH).

The Mono Arana 1 well was spud on September 23, 2012, and was designed to test the oil potential of both the shallow conventional Tertiary Lisama sandstone reservoir and deeper shale and carbonate reservoirs within the La Luna and Tablazo oil source rocks. The well has been drilled and cased to a depth of 9,942 feet measured depth ("ft md") within the Cretaceous La Luna Formation. Approximately 760 feet of La Luna were encountered, with good oil and gas shows noted throughout the entire interval while drilling. Additional deeper prospective zones in the La Luna and Tablazo sections were not penetrated due to the high pressure encountered while drilling, so casing was set within the La Luna Formation. Subject to obtaining ANH approval, ExxonMobil Exploration Colombia will assume operatorship of the block, including further operations on Mono Arana 1. Once operatorship of the well has been formally transferred to ExxonMobil before the ANH, the partners plan to re-enter the well for further evaluation of the La Luna formation late in the second quarter of 2013.

Two intervals within the tertiary Lisama sandstone were tested, which flowed at a combined average gross rate of 1,242 barrels of oil per day ("bopd") during short term tests. The operator has applied for and expects to receive a permit to conduct a three month production test of the Lisama intervals.

Charle Gamba, President and CEO of Canacol, commented "We are pleased to have confirmed a conventional oil discovery in the shallow Tertiary Lisama reservoir, and with the preliminary results obtained while drilling the deeper Cretaceous La Luna formation, which demonstrate the presence of a thick, porous, over pressured source rock in the La Luna. Throughout the drilling of the La Luna section, very encouraging signs of the productivity of the formation were encountered including gas kicks and live oil over the shakers at surface. While drilling at 9,585 feet within the La Luna approximately 280 barrels of oil flowed into the mud pits. These results mark an important milestone in de-risking the shale oil potential of the Corporation's 405,021 net acres held in this play in the Middle and Upper Magdalena Valley's. With ExxonMobil expected to take over operatorship of the Mono Arana 1 well, we look forward to test results from the La Luna later this year. Meanwhile, we look forward to working together with our partners to appraise the Lisama discovery and bring it onto commercial production in 2013. Both of these results bode very well for the adjacent Santa Isabel block, which has the same potential in these same reservoirs, but where, subject to the completion of the formal assignment process with the ANH, we hold a 100% operated working interest. Plans are underway to spud the first exploration well on Santa Isabel, the Oso Pardo 1 well, located approximately 12 kilometers to the west of the Mono Arana 1 well, in the second quarter of 2013."

Lisama Results

The top of the Lisama Formation was penetrated at a depth of approximately 4,800 ft md. Based on Canacol's petrophysical analysis of the openhole logs run across the interval, the Lisama contains approximately 85 ft of potential net oil pay with an average porosity of 21% in 3 main zones.

The Upper Lisama was perforated between 5,392 – 5,408 ft md and yielded an average of 340 and 409 bopd of 20 API with a final water cut of 2% over two separate 24 hour tests. The Lower Lisama was perforated between 5,509 – 5,540 ft md and yielded an average of 523 and 833 bopd of 21 API with a final water cut of 0.5% over two separate 24 hour tests.

La Luna Results

The top of the La Luna was encountered at a depth of 9,180 ft md. Good oil and gas shows were encountered across the gross drilled interval of approximately 760 ft md, with the La Luna exhibiting high overpressure of up to 16.5 ppg throughout the entire interval. The La Luna was cored between 9,925 and 9,942 ft md. Upon completion of the coring, the operator cased the well to ensure well integrity.

Based on Canacol's petrophysical analysis of the openhole logs run across the interval, the part of the La Luna penetrated in the well contains approximately 230 ft of potential net oil pay with an average porosity of 14%.

Forward Plans

Plans to re-enter the well and either proceed to drill the remainder of the La Luna Formation or to not drill any further and test that portion of the La Luna that has already been penetrated, is yet to be decided. This operation is anticipated to occur late in the second quarter of 2013.

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.

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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