Canacol Energy Ltd. Reports Fiscal 2013 Financial Results and 95% Increase in Proved plus Probable Reserves and Deemed Volumes

CALGARY, ALBERTA - (September 25, 2013) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; BVC:CNEC) is pleased to report its financial results for the fiscal year ended June 30, 2013.

Charle Gamba, President and CEO of Canacol, stated: "New exploration discoveries and the Shona acquisition lifted proved plus probable reserves and deemed volumes by 95% to 34.7 million barrels of oil equivalent with a pre-tax NPV10 of $686 million. Although overall average Corporate production for fiscal 2013 was down 43% compared to fiscal 2012, average corporate sales prices increased by 40%, as low netback declining production from the Rancho Hermoso field was replaced with higher netback oil production from new discoveries at Labrador and Mono Arana in Colombia, from the Libertador and Atacapi fields in Ecuador, and through the execution of new sales contracts for the Nelson gas field in Colombia. Corporate net average production before royalties has increased steadily in the last three quarters, from 5,354 boepd in fiscal Q2 2013, to 7,659 boepd in fiscal Q3 2013, and to 8,269 boepd in fiscal Q4 2013. Corporate net production before royalties for the current quarter, which includes July and August 2013, averaged 9,278 boepd. In fiscal 2013 the Corporation also strengthened its balance sheet by consolidating senior debt into a single $140 million long-term senior debt facility with favorable terms and an 18 month grace period on repayments, thereby providing additional time to focus on building production, cash flows and reserves. With a sound financial footing and diversified production and exploration bases, the Corporation is well positioned for continued strong production, cash flow, and reserves growth throughout fiscal 2014 and beyond."

Highlights for Fiscal 2013

(in thousands of United States dollars, except as otherwise noted; production and reserves are stated as working-interest before royalties)

Financial, operating and reserve highlights of the Corporation include:

- Total proved reserves and deemed volumes increased 97% to 22.3 million barrels of oil equivalent ("boe") at June 30, 2013 compared to 11.3 million boe at June 30, 2012, and total proved plus probable reserves and deemed volumes increased 95% to 34.7 million boe at June 30, 2013 compared to 17.8 million boe at June 30, 2012.
- Total pre-tax NPV-10 proved reserve and deemed volume value increased 48% to $457.1 million at June 30, 2013 compared to $308.5 million at June 30, 2012, and total pre-tax NPV-10 proved plus probable reserve and deemed volume value increased 39 % to $686.0 million at June 30, 2013 compared to $492.2 million at June 30, 2012.
- Average daily production volumes increased 8% to 8,269 barrels of oil equivalent per day ("boepd") for fiscal Q4 2013 compared to 7,659 boepd for fiscal Q3 2013, and decreased 23% compared to 10,670 boepd for fiscal Q4 2012. Average daily production volumes decreased 43% to 6,817 boepd for fiscal 2013 compared to 12,034 boepd for fiscal 2012. The decrease in production volumes from 2012 to 2013 is primarily attributable to period-over-period decreases in low netback tariff production from the Rancho Hermoso field, offset by significant higher netback new production from assets such as LLA-23, Esperanza and Libertador/Atacapi in Ecuador. During fiscal 2013, the Corporation undertook an intentional shift away from low netback Rancho Hermoso tariff production due to production declines in the field. The Corporation further diversified its production base such that future production is no longer dependent on Rancho Hermoso, which currently represents less than 20% of total corporate production.
- Revenues for fiscal Q4 2013 increased 14% to $41.8 million compared to $36.7 million for fiscal Q3 2013, and decreased 9% compared to $45.7 million for fiscal Q4 2012. Revenues for fiscal 2013 decreased 20% to $147.7 million from $184.9 million for fiscal 2012. The decrease in revenues from 2012 to 2013 is primarily attributable

to period-over-period production decreases described above, offset by significantly higher average realized sales prices. Average realized sales prices for fiscal Q4 2013 increased 25% to $60.39/boe from $48.23/boe for the comparable period. Average realized sales prices for fiscal 2013 increased 40% to $62.99/boe from $45.15/boe for the comparable period. This significant increase in average sales prices reflects the Corporation's shift away from Rancho Hermoso tariff production, which previously resulted in large reported production volumes but low tariff prices and related netbacks.

- Average operating netback for fiscal Q4 2013 increased 27% to $32.14/boe compared to $25.34/boe for the comparable period. Average operating netback for fiscal 2013 increased 16% to $28.32/boe compared to $24.46/boe for the comparable period. This increase in average operating netbacks again reflects the Corporation's shift away from Rancho Hermoso tariff production, as more fully described above.
- Funds from operations for fiscal Q4 2013 increased 22% to $19.1 million compared to $15.6 million for fiscal Q3 2013, and increased 98% compared to $9.7 million for fiscal Q4 2012. Funds from operations for fiscal 2013 decreased 29% to $51.2 million from $71.8 million for fiscal 2012.
- The Corporation recorded a net loss of $120.6 million for fiscal 2013, compared to net income of $18.6 million for fiscal 2012. Driving the fiscal 2013 net loss are $50.3 million of one-time non-cash exploration costs related to the relinquishment or planned relinquishment of certain non-core exploration blocks, and a $106.8 million non-cash impairment charge on the Rancho Hermoso field. The exploration blocks affected are all non-core properties where the Corporation has assessed little remaining exploration potential. The impairment charge on the Rancho Hermoso field related to reserve and deemed volume write-downs at June 30, 2013 and does not affect any of the Corporation's other oil and gas properties.
- Capital expenditures for the three months and year ended June 30, 2013 were $15.8 million and $67.8 million, respectively.
- During the year ended June 30, 2013, the Corporation entered into a credit agreement for a $140 million Senior Secured Term Loan with a syndicate of banks. The Senior Secured Term Loan is for a five-year term, with interest payable quarterly and principal repayable in 15 equal quarterly instalments starting in October 2014, following an initial 18 month grace period. The Senior Secured Term Loan carries interest at LIBOR plus 4.50% and is secured by all of the material assets of the Corporation. Partial proceeds from the Senior Secured Term Loan were used for the repayment of two existing senior debt facilities and for costs of the transaction. Remaining proceeds from the Senior Secured Term Loan are available for future capital expenditures related to development activities in Colombia and Ecuador, and for other general corporate purposes.
- At June 30, 2013, the Corporation had $64.3 million in cash, cash equivalents and restricted cash, and net debt of $67.1 million, calculated as working capital surplus, excluding non-cash derivatives, less the principal value of long-term debt, excluding convertible debentures.

Financial	Three months ended June 30, 2013	2012	Change	Year ended June 30, 2013	2012	Change
Petroleum and natural gas revenues, net of royalties	41,796	45,702	(9%)	147,666	184,904	(20%)
Funds from operations [1] [2]	19,102	9,656	98%	51,156	71,787	(29%)
Per share – basic ($)	0.22	0.15	47%	0.68	1.25	(46%)
Per share – diluted ($)	0.22	0.15	47%	0.68	1.22	(44%)
Net income (loss) [2]	(116,901)	3,830	n/a	(120,612)	18,556	n/a
Per share – basic ($)	(1.35)	0.06	n/a	(1.61)	0.32	n/a
Per share – diluted ($)	(1.35)	0.06	n/a	(1.61)	0.32	n/a
Capital expenditures, net, excluding business acquisition	15,758	39,927	(61%)	67,811	186,132	(64%)
				June 30, 2013	June 30, 2012	Change
Cash and cash equivalents				52,290	30,789	70%
Restricted cash				11,976	6,555	83%
Working capital surplus, excluding the current portion of bank debt and derivatives [1]				72,964	29,697	146%
Short-term and long-term bank debt				134,316	27,986	380%
Total assets				476,335	406,828	17%
Common shares, end of period (000s)				86,506	61,898	40%

Operating	Three months ended June 30, 2013	2012	Change	Year ended June 30, 2013	2012	Change
Petroleum and natural gas production, before royalties (boepd)						
Petroleum	5,390	10,670	(49%)	5,310	12,034	(56%)
Natural gas	2,879	-	n/a	1,507	-	n/a
Total	8,269	10,670	(23%)	6,817	12,034	(43%)
Petroleum and natural gas sales, before royalties (boepd)						
Petroleum	5,372	11,188	(52%)	5,452	12,170	(55%)
Natural gas	2,914	-	n/a	1,516	-	n/a
Total	8,286	11,188	(26%)	6,968	12,170	(43%)
Realized sales prices ($/boe)						
Rancho Hermoso	84.19	47.74	76%	72.39	44.71	62%
LLA-23	86.03	-	n/a	91.12	-	n/a
Esperanza (natural gas)	29.47	-	n/a	30.05	-	n/a
Ecuador (tariff oil)	38.54	-	n/a	38.54	-	n/a
Total	60.39	48.23	25%	62.99	45.15	40%
Operating netbacks ($/boe) [1]						
Rancho Hermoso	23.17	25.40	(9%)	24.47	25.06	(2%)
LLA-23	58.54	-	n/a	61.40	-	n/a
Esperanza (natural gas)	24.49	-	n/a	25.22	-	n/a
Ecuador (tariff oil)	38.54	-	n/a	38.54	-	n/a
Total	32.14	25.34	27%	28.32	24.46	16%

(1) Non-IFRS measure. See "Non-IFRS Measures" section within MD&A.
(2) Effective December 20, 2012, the Corporation completed a 10:1 consolidation of its common shares. Consequently, per share information presented above was restated to a post-consolidation basis for comparability.

Reserves and Deemed Volumes	June 30, 2013	June 30, 2012	Change
Reserves and deemed volumes (MMboe)			
Proved	22.3	11.3	97%
Proved plus probable	34.7	17.8	95%
Proved plus probable plus possible	54.6	24.6	122%
Reserve and deemed volume values (pre-tax NPV-10) (US$ millions)			
Proved	457.1	308.5	48%
Proved plus probable	686.0	492.2	39%
Proved plus probable plus possible	1,033.1	680.7	52%

Outlook

The Corporation plans to spend capital expenditures of up to $80 million, net of dispositions, in calendar 2013 on drilling, work overs, seismic, production facilities and pipelines in Colombia and Ecuador, and anticipates net average production before royalties of 7,500 to 8,500 boepd over the period. The timing of several planned capital projects is expected to overlap into calendar 2014.

In the remainder of calendar 2013, the Corporation will focus on: 1) building out production and reserves from recent oil discoveries on LLA-23 and VMM-2 and increasing production levels from the Esperanza block in Colombia via new gas sales contracts; 2) continuing to increase production and reserves from the Libertador and Atacapi oil fields in Ecuador; and 3) executing a significant oil-focused exploration program in Colombia targeting 48 million barrels of net risked prospective conventional light and heavy oil, and unconventional light oil resources. Colombian development drilling for the remainder of calendar 2013 is expected to include the Labrador 5 light oil well on LLA-23, which is currently drilling, as well as 2 new wells in the Libertador – Atacapi fields in Ecuador. Exploration projects of significance for the remainder of calendar 2013 include the first of two additional exploration wells on LLA-23, Leono and Leno Sur, targeting light oil, testing of the Mono Arana deep shale oil exploration discovery on VMM-2, up to two new wells on the Corporation's three Middle Magdalena blocks (VMM-2 and VMM3) 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. Funding for the remaining calendar 2013 capital program is expected to come from working capital, operating cash flows and debt facilities.

By-Law Amendments

The Corporation is also pleased to announce that the Board of Directors of the Corporation has approved certain amendments to the by-laws of the Corporation (the "Amendments"). Included in the Amendments is the addition of a provision requiring advance notice to the Corporation in circumstances where director nominations are made by shareholders of the Corporation other than pursuant to a proposal or a requisition of shareholders made in accordance with the Business Corporations Act (Alberta). Among other things, the advance notice provision fixes a deadline by which holders of record of common shares of the Corporation must submit director nominations to the Corporation prior to any annual or special meeting of shareholders and sets forth the information that a shareholder must include in the notice to the Corporation.

The Amendments are subject to the approval of the Toronto Stock Exchange and ratification by the shareholders of the Corporation, which shareholder ratification is being sought at the Annual General and Special Meeting of Shareholders of the Corporation to be held on November 1, 2013 in Bogota, Colombia.

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The Corporation's has filed its audited consolidated financial statements, its related Management's Discussion and Analysis, and its Annual Information Form as of and for the year ended June 30, 2013 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, Ecuador, Brazil, Guyana and Peru. The Corporation's common stock trades on the Toronto Stock Exchange and the Colombia Stock Exchange under ticker symbol CNE and CNEC, 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. Information and guidance provided herein supersedes and replaces any forward looking information provided in prior disclosures. 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. Other risks are more fully described in the Corporation's most recent Management Discussion and Analysis, which is incorporated herein by reference and is filed on www.sedar.com. Average production figures for a given period are derived using arithmetic averaging of fluctuating historical production data for the entire period indicated and, accordingly, do not represent a constant rate of production for such period and are not an indicator of future production performance. Detailed information in respect of monthly production in the fields operated by the Corporation in Colombia is provided by the Corporation to the Ministry of Mines and Energy of Colombia and is published by the Ministry on its website; a direct link to this information is provided on the Corporation's website. References to "net" production refer to the Corporation's working-interest production before royalties.

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.

The reserves evaluations, effective June 30, 2013, were conducted by the Corporation's independent reserves evaluators DeGolyer and MacNaughton, Collarini Associates and Petrotech Engineering Ltd. and are in accordance with National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities. The reserves are provided on a net before royalty basis in units of millions of barrels of oil equivalent using a forecast price deck for gas and oil, adjusted for crude quality, in US dollars. The estimated values may or may not represent the fair market value of the reserve estimates.

"Deemed volumes" are defined as those volumes produced under a service agreement in which the Corporation does not have a direct interest, but represents reserves attributable to the Corporation as calculated using a deemed market price on an annualized basis over the life of the reserves. The Corporation has a risk service contract with Ecopetrol S.A. in the Mirador formation at its Rancho Hermoso field for which it receives a fixed tariff price for each gross barrel produced. The Corporation also has a non-operated 25% equity participation interest in an incremental production contract on the Libertador/Atacapi fields in Ecuador for which it receives a fixed price tariff for each incremental barrel produced.

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