Canacol Energy Ltd. Reports Fiscal Q3 2012 Financial Results

CALGARY, ALBERTA - (May 15, 2012) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; BVC:CNEC) is pleased to report its financial results for the three and nine months ended March 31, 2012.

This reporting period is the Corporation's third 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 nine months ended March 31, 2012.

Financial Highlights for the Three and Nine Months Ended March 31, 2012
(in United States dollars, except as otherwise noted)

Canacol completed a successful quarter in fiscal Q3 2012. Highlights include:

- Total revenues for the three months ended March 31, 2012 increased 51% to $48.6 million from $32.1 million for the comparable period. Total revenues for the nine months ended March 31, 2012 increased 112% to $139.2 million from $65.8 million for the comparable period.
- Funds from operations for the three months ended March 31, 2012 increased 48% to $20.0 million from $13.5 million for the comparable period. Funds from operations for the nine months ended March 31, 2012 increased 149% to $59.3 million from $23.9 million for the comparable period. Funds from operations were reduced by a one-time settlement of a legal claim in the third quarter of 2012 for $1.6 million.
- Net income for the three months ended March 31, 2012 was $3.7 million, compared to a net loss of $0.9 million for the comparable period. Net income for the nine months ended March 31, 2012 was $14.7 million, compared to a net loss of $45.8 million for the comparable period.
- Capital expenditures for the three and nine months ended March 31, 2012 were $52.4 million and $146.2 million, respectively.
- Average daily sales volumes increased 27% to 12,742 barrels of oil per day ("bopd") for the three months ended March 31, 2012 compared to 10,060 bopd for the comparable period. For the nine months ended March 31, 2012, average daily sales volumes increased 132% to 12,128 bopd compared to 5,217 bopd for the comparable period. For the three and nine months ended March 31, 2012 the Corporation's production was affected by a number of electro-submersible pump and injection pump failures, consequently resulting in reduced sales volumes during the periods. These production issues have been resolved and the Corporation reiterates its calendar 2012 production guidance of between 14,000 and 16,000 bopd of net revenue production.
- For the three months ended March 31, 2012, the Corporation's operating netback for Rancho Hermoso non-tariff (NRI) production was $62.01/bbl and for Rancho Hermoso tariff production was $11.84/bbl. For the nine months ended March 31, 2012, the Corporation's operating netbacks were $58.33/bbl for Rancho Hermoso non-tariff (NRI) production and $10.36/bbl for Rancho Hermoso tariff production.
- The Corporation had $68.1 million in cash, cash equivalents and restricted cash, and $43.7 million of working capital surplus at March 31, 2012.

Financial Highlights for the Three and Nine Months Ended March 31, 2012
(in thousands of United States dollars, except as otherwise noted)

Financial	Three months ended March 31,			Nine months ended March 31,		
	2012	2011	Change	**2012**	2011	Change
Crude oil sales, net of royalties	**34,181**	23,452	47%	**101,875**	54,340	87%
Tariff revenue	**14,151**	8,677	63%	**37,328**	11,468	225%
Total revenues	**48,632**	32,129	51%	**139,203**	65,808	112%
Funds from operations [(1)]	**20,042**	13,518	48%	**59,320**	23,863	149%
Per share – basic ($)	**0.03**	0.03	-	**0.11**	0.05	120%
Per share – diluted ($)	**0.03**	0.03	-	**0.10**	0.05	100%
Net income (loss)	**3,663**	(852)	n/a	**14,726**	(45,837)	n/a
Per share – basic and diluted ($)	**0.01**	-	-	**0.03**	(0.10)	n/a
Capital expenditures	**52,424**	20,665	154%	**146,205**	51,309	185%
				March 31, 2012	June 30, 2011	Change
Cash and cash equivalents				**58,969**	101,627	(42%)
Restricted cash				**9,103**	13,048	(30%)
Net working capital surplus [(1)]				**43,727**	94,547	(54%)
Total assets				**430,471**	316,570	36%
Common shares, end of period (000s)				**623,563**	511,637	22%

Operating	Three months ended March 31,			Nine months ended March 31,		
	2012	2011	Change	**2012**	2011	Change
Crude oil production (bopd)						
Tariff	**8,917**	7,023	27%	**8,118**	3,092	163%
NRI	**4,246**	2,935	45%	**3,982**	2,333	71%
Total	**13,163**	9,958	32%	**12,100**	5,425	123%
Crude oil sales (bopd)						
Tariff	**8,958**	6,899	30%	**8,120**	3,006	170%
NRI	**3,784**	3,161	20%	**4,008**	2,211	81%
Total	**12,742**	10,060	27%	**12,128**	5,217	132%
Rancho Hermoso – tariff oil operating netback ($/bbl) [(1)]						
Realized tariff oil price	**17.36**	13.97	24%	**16.72**	13.92	20%
Operating and transportation costs	**(5.52)**	(3.14)	76%	**(6.36)**	(4.01)	59%
RH tariff oil operating netback	**11.84**	10.83	9%	**10.36**	9.91	5%
Rancho Hermoso – non-tariff (NRI) oil operating netback ($/bbl) [(1)]						
Realized crude oil price, net of royalties	**101.70**	83.02	23%	**93.60**	92.22	1%
Operating and transportation costs	**(39.69)**	(23.06)	72%	**(35.27)**	(29.37)	20%
RH NRI oil operating netback	**62.01**	59.96	3%	**58.33**	62.85	(7%)

(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.

In December 2011, the Corporation set a $150.0 million capital program for calendar 2012 and average production guidance of 14,000 to 16,000 net bopd for the same period.

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 nine months ended March 31, 2012 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, Brazil, Guyana, 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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