Canacol Energy Ltd. Provides Production Operations Update

CALGARY, ALBERTA--(March 7, 2013) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; BVC:CNEC) is pleased to provide an operations update related to its production activities in Colombia and Ecuador.

Average net production before royalty for the months of January and February 2013 was 7,843 barrels of oil equivalent per day (“boepd”). Average crude oil production was 4,835 barrels of oil per day (“bopd”) of which only 127 bopd was tariff production from the Rancho Hermoso field. Average gas production from the Nelson field was 3,008 boepd (17.1 million standard cubic feet per day)(“mmscfpd”). Current net corporate production before royalty as of March 4, 2013 was 8,249 boepd, which consists of 5,260 bopd of crude oil and 3,169 boepd (18 mmscfpd) of gas. All tariff producers at the Rancho Hermoso field have been successfully converted to net royalty interest (non-tariff) producers. The Corporation reiterates its production guidance of between 7,500 and 8,500 boepd of net production before royalties for calendar 2013.

The Corporation has contracted a drilling rig from Petrex and plans to spud the first of 2 new wells, Labrador 2, at its Labrador discovery on the LLA23 Exploration and Production (“E&P”) contract, starting the third week of March 2013. The second well, Labrador 3, will be drilled immediately after the Labrador 2 well is completed. The discovery well at Labrador, the Agueda 1 ST, produced an average of 1,178 bopd of net production before royalty for the months of January and February 2013 with an average water cut of less than 1%. Upon completion of the drilling of the Labrador 3 well, the Corporation plans to drill the Leono exploration prospect, which is located along the same fault trend in the northern part of the contract. The Corporation holds an 80% operated working interest in the LLA23 E&P contract.

In Ecuador the Pardaliservices S.A. consortium is planning to spud the first of 5 new production wells, the Secoya 44 well, in mid-March 2013. This well will target proven undeveloped oil reserves in the prolific U and T sandstones within the Libertador oil field. The consortium has also completed 3 workovers of existing wells, and plans to recomplete an additional 9 existing production wells throughout the remainder of 2013. The Corporation holds a 25% working interest in the Paradaliservices S.A. consortium.

Further to Canacol’s news release on February 27, 2013 announcing the farm-out of its Santa Isabel E&P contract to ConocoPhillips, the Corporation has received 50% of the bonus related to the farm-out, or $6.75 million.

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 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.

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