

Canacol Energy Ltd. Provides Operations Update

CALGARY, ALBERTA - (October 23, 2013) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; BVC:CNEC) is pleased to announce the results of its Labrador 5 well at the Labrador discovery located on the LLA23 Exploration and Production ("E&P") Contract, along with a general Corporate production update. The Corporation, through its subsidiary Canacol Energy Colombia S.A., has an 80% operated working interest in the LLA23 contract, with Petrolera Monterrico S.A. Sucursal Colombia holding the remaining 20% interest. The Labrador 5 well is the fourth well drilled into the Labrador discovery. Based upon the results of the Labrador 5 well, a fifth well, Labrador 4, is planned to be drilled in the first quarter of calendar 2014. The Corporation also announces that the drilling rig used to drill Labrador 5 is currently being mobilized to the northern part of the LLA23 contract to spud the Leono 1 exploration well, which is anticipated to occur prior to mid November 2013.

The Labrador 5 well was spud on September 10, 2013 and reached a total depth of 10,972 feet measure depth ("ft md") on September 24, 2013. The well encountered 55 feet ("ft") of net oil pay in the following reservoirs: 13 ft of net pay within the C7 with an average porosity of 18% and 42 ft of net oil pay within the Middle and Lower Gacheta reservoirs with an average porosity of 16%. On October 16, 2013 the Middle Gacheta reservoir was perforated from 10,514 – 10,522 ft md and flowed at a stable gross rate of 778 barrels of oil per day ("bopd") (622 bopd net) of 33° API oil with 10% water cut using a jet pump. Water cut continued to fall during the course of the test, and management believes that the produced water is related to fluids introduced into the reservoir during the drilling and completion process, as the offsetting producing wells in the Gacheta reservoir all have water cuts currently less than 1%. The well was placed immediately on production and will remain on long term production test subject to approval from the ANH.

For the months of July, August and September 2013, average net Corporate production before royalties was approximately 9,271 barrels of oil equivalent per day ("boepd") which consisted of approximately 6,259 bopd of crude oil and approximately 17.2 million standard cubic feet per day ("mmscfd") (3,012 boepd) of gas. Average net Corporate production before royalties for the period October 1 to October 21 2013 inclusive was approximately 9,483 boepd which consisted of approximately 6,604 bopd of crude oil and approximately 16.4 mmscfd (2,879 boepd) of gas, which does not include any significant production from the Labrador 5 well. Production from the Nelson gas field in Colombia was impacted by social unrest affecting the buyers operation which resulted in a shortfall of approximately 0.8 mmscfd (140 boepd) in gas sales for the first half of October 2013. The situation has since returned to normal and gas sales have averaged approximately 18.0 mmscfd (3,150 boepd) over the course of the last week.

Canacol is an exploration and production company 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. Data obtained from the initial testing results at the well identified in this press release, including barrels of oil produced and levels of water-cut, should

be considered to be preliminary until a further and detailed analysis or interpretation has been done on such data. The well test results obtained and disclosed in this press release are not necessarily indicative of long-term performance or of ultimate recovery. The reader is cautioned not to unduly rely on such results as such results may not be indicative of future performance of the well or of expected production results for the Corporation in the future.

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.

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