



Canacol Energy Ltd. Acquires COR 4 and COR 12 Blocks Doubling Prospective Shale Oil Position in the Magdalena Valley of Colombia

CALGARY, ALBERTA - (January 31, 2014) Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE) (BVC:CNEC) is pleased to announce that its subsidiary, Canacol Energy Colombia S.A. ("Canacol Colombia"), has acquired a right to an 80% interest in each of the COR 4 and COR 12 Exploration and Production ("E&P") contracts located in the Upper Magdalena Basin of Colombia. The new contracts are located adjacent to the Corporation's existing COR 39 and COR 11 E&P contracts and are prospective for both shallow conventional oil exploration targets within the Guadalupe sandstone reservoirs, and deeper non-conventional oil exploration targets within the thick Cretaceous Villeta - La Luna shale.

Charle Gamba, President and CEO of Canacol, commented "With the acquisition of these two contracts the Corporation has increased its position within this developing shale oil play in the Magdalena Valley of Colombia to over 545,000 net acres, giving Canacol the second largest shale position in Colombia after Ecopetrol, the state oil company. With several important near term catalysts on the horizon this year with respect to shale oil exploration on the part of both Canacol and other operators in Colombia, this pre-emptive acquisition consolidates the Corporation's position in this high potential play at very attractive metrics ahead of these important catalysts."

For more information on the COR 4 and COR 12 contracts, as well as Canacol's interest in its five other Magdalena Valley contracts, interested readers are directed to the latest investor presentation which can be found on the Corporation's website at www.canacolenergy.com

Key Transaction Terms

Pursuant to the terms of the agreements executed in respect of these transactions, Canacol Colombia acquired a right to an 80% interest in each of the COR 4 and COR 12 contracts from Rio Bravo Commercial Enterprises S.A. and Petromont Colombia S.A. respectively, in consideration for (i) a total payment of US \$15 million (US\$7.5 million for each block) payable entirely in newly issued common shares of the Corporation (the "Share Consideration"), (ii) agreeing to fund the vendors' remaining 20% share of exploration commitments in the first two phases (unified into a single phase in the case of COR 12) of each of the contracts, (iii) granting a 3% overriding royalty to the applicable vendor for each block, and (iv) agreeing to the payment of a one-time bonus totalling US\$5million in the event that any one of the two blocks is subsequently successfully farmed out by Canacol Colombia to a third party.

The Share Consideration is payable at a deemed price of \$6.79 per common share, equal to the volume weighted average trading price of common shares for the twenty trading day period ending on January 29, 2014. The Corporation issued 2,454,590 common shares in satisfaction of the Share Consideration. All of the common shares issued pursuant to the transaction are subject to a 4 month statutory hold period from closing which expires on May 31, 2014 as well as to a contractually imposed escrow period providing for progressive release of the Share Consideration over a period ending 90 days from the date on which the approval of the Agencia Nacional de Hidrocarburos of Colombia ("ANH") for the transactions is obtained.

Prior to completion of the Transaction, the Corporation had 86,701,588 common shares issued and outstanding.

The Transaction remains subject to ordinary TSX filings post-closing as well as approval of the ANH. Application will be made to the ANH for formal recognition of Canacol Colombia's total 80% interest in the COR 4 and COR 12 contracts as soon as practicable.

Canacol is a Canadian-based international oil and gas corporation with operations focused in Colombia and Ecuador. Canacol is publicly traded on the Toronto Stock Exchange (TSX: CNE) and the Bolsa de Valores de Colombia S.A (BVC: CNEC). The Corporation's public filings may be found at www.sedar.com.

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 timing for completion of the transaction and anticipated benefits from the transaction described in this press release. 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.

Forward-looking information is based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated by Canacol and described in the forward-looking information. The material risk factors affecting Canacol and its business are contained in Canacol's Annual Information Form, which is available under Canacol's issuer profile on Sedar (www.sedar.com).

The forward-looking information contained in this press release is made as of the date hereof and Canacol undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless required by applicable securities laws. The forward-looking information contained in this press release is expressly qualified by this cautionary statement.

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For further information please contact:

Investor Relations

888-352-0555

Email: info@canacolenergy.com

www.canacolenergy.com