



Canacol Energy Ltd. Reports Light Oil Discovery in Colombia

CALGARY, ALBERTA - (December 4, 2012) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; BVC:CNEC) is pleased to announce the results of its Agueda 1 ST exploration well on the Labrador prospect on the LLA23 Exploration and Production ("E&P") Contract, located immediately to the north of the Corporation's Rancho Hermoso field in the Llanos Basin of Colombia. Unlike the Rancho Hermoso field, which is governed by contracts with Ecopetrol S.A., the LLA23 contract is governed by the Agencia Nacional de Hidrocarburos, which receives a variable base royalty beginning in an 8% related to gross production resulting in 2-3 times better netbacks and reserve valuations than those available under the Rancho Hermoso tariff and non-tariff contracts. The Corporation has an 80% operated working interest in the LLA23 contract, with Petromont Colombia S.A, Sucursal Colombia holding the remaining 20% interest. The Agueda 1 ST exploration well targeted various reservoir intervals within the Labrador prospect, situated approximately 5 kilometers to the north of the Corporation's Rancho Hermoso field. The Agueda 1 ST encountered 70 feet of oil pay within the C7, Lower Gacheta, and Ubaque reservoirs, all of which are productive to the south in the Rancho Hermoso field. A production test of the Lower Gacheta reservoir yielded 1,832 barrels of gross oil per day (1,466 barrels of net oil per day for Canacol) of 28 degree API light oil.

Charle Gamba, President and CEO of Canacol, stated "We are pleased by these positive results, which set up the potential to access meaningful near term light oil production and cash flow from the LLA 23 contract. The Labrador discovery is one of 6 prospects that we have identified on the LLA23 block on the basis of recently acquired 3D seismic, and we are very satisfied that the first one we drilled encountered a significant light oil accumulation. Once we have the proper drilling permits in hand, we plan to aggressively drill this block to grow our production base in Colombia during 2013."

Agueda 1 ST Results

The Agueda 1 ST was spud on October 30, 2012 and reached a total depth of 11,130 feet measure depth ("ft md") on November 17, 2012. The original Agueda 1 well, drilled in 2007, was re-entered and sidetracked to drill the Labrador prospect. The Labrador prospect was identified on recently acquired 3D seismic, with the Agueda 1 ST testing the C7, Gacheta, and Ubaque reservoirs in a structural position structurally up dip of the original Agueda 1 well.

The Agueda 1 ST encountered 70 feet ("ft") of net oil pay in the following reservoirs: 10 ft of net oil pay in the C7 reservoir with an average porosity of 23%; 42 ft of net oil pay within the Lower Gacheta reservoirs with an average porosity of 30%; and 18 ft of net oil pay within the Ubaque reservoir with an average porosity of 26%.

The Lower Gacheta was perforated in 3 separate intervals, and produced at a gross rate of 1,832 bopd (1,466 bopd net for Canacol) of 28 degree API light oil with 0.6 % water cut, 43 thousand cubic feet per day of gas and a GOR of 24 standard cubic feet per barrel of oil during a 48 hour production test.

Forward Plans

Production testing of the Lower Gacheta will continue in the short term, with produced oil being transported to the nearest point of sale. Upon completion of the production test of the Lower Gacheta, the deeper Ubaque reservoir will be production tested, and the well placed on permanent production from either zone.

Plans are being formulated to drill several development wells into the Labrador discovery. In the meantime, 5 other exploration prospects identified on the new 3D seismic acquired on the LLA23 block are being licensed for drilling in 2013.

Canacol is an exploration and production company with operations focused in Colombia, Ecuador, Brazil and Guyana. 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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