



Canacol Energy Ltd. and ConocoPhillips Sign Agreement for Shale Oil Exploration Project in Colombia

CALGARY, ALBERTA - (February 27, 2013) Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE) (BVC:CNEC) is pleased to announce that its wholly-owned subsidiary, Canacol Energy Colombia S.A. ("CEC"), has entered into a farm-out agreement (the "FOA") with ConocoPhillips Colombia Ventures Ltd., a wholly-owned subsidiary of ConocoPhillips Company ("ConocoPhillips") (NYSE:COP) for the exploration and potential development of the Corporation's operated Santa Isabel exploration and production ("E&P") contract located in the Middle Magdalena basin of Colombia. The Santa Isabel E&P contract is one of five contracts that Canacol has interests in totaling approximately 334,000 net acres that expose the Corporation to a potentially large unconventional shale oil play, as supported by recent drilling results on the Corporation's adjacent VMM2 contract.

Charle Gamba, President and CEO of the Corporation, commented, "ConocoPhillips brings significant experience, technology, research and financial resources to this shale oil joint venture with Canacol, and we look forward to working with their team to explore the substantial shale oil potential on the Santa Isabel contract. We are now partnered with three major international oil companies, ExxonMobil Exploration Colombia, Shell Colombia, and now ConocoPhillips, looking to unlock the potential of this large and significant resource in Colombia. The results of the recently drilled Mono Arana 1 well confirm the very promising nature of this play on our acreage position in this basin. We look forward to spudding the first exploration well on the Santa Isabel contract, the Oso Pardo 1 well, in the second quarter of 2013 with our new co-venturers, ConocoPhillips. This well is designed to test the potential of both a conventional light oil target in the Tertiary Lisama reservoir, and more importantly the potential of deeper Cretaceous oil reservoirs within the La Luna reservoir."

The Corporation has exposure to approximately 334,000 net acres of shale oil potential on five contracts located in the Middle and Upper Magdalena Basins which include VMM 2 (20% interest, 15,000 net acres, ExxonMobil operator), VMM 3 (20% right to back in, 17,000 net acres, Shell operator), Santa Isabel (30% operated interest, 30,000 net acres), COR 39 (70% operated interest, 95,000 net acres), and COR 11 (70% operated interest, 177,000 net acres).

Key terms and conditions

Pursuant to the terms of the FOA, ConocoPhillips will carry the cost of the drilling, completing, and testing of up to 13 wells (presently expected to comprise 5 exploration and 8 appraisal wells), covering in full actual drilling, completion, and testing costs, to earn 70% of Canacol's 100% working interest in the deeper Cretaceous section. Canacol will retain 100% interest in the shallow Tertiary section. ConocoPhillips will also pay Canacol a bonus of US\$ 13,500,000 in two separate tranches upon the fulfillment of certain conditions outlined in the FOA. Canacol will remain operator of Santa Isabel for the drilling, completion, and testing of up to the second exploration well. The first exploration well, Oso Pardo 1, is anticipated to be spudding in the second quarter 2013. The formal assignment of the working interest as contemplated by the FOA is subject to the approval of the Agencia Nacional de Hidrocarburos (ANH) of Colombia.

Santa Isabel E&P Contract

Located in the Middle Magdalena basin, the Santa Isabel E&P contract exposes Canacol to a potentially large, unconventional shale oil fairway in the thick Cretaceous La Luna and Tablazo formations analogous to the Eagle Ford formation in the United States and the Vaca Muerta Formation in Argentina. Ranked as one

of the most productive source rocks in the world, the La Luna is also the primary source rock in Venezuela's Maracaibo basin, which contains over 250 billion barrels of recoverable oil.

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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