



Canacol Energy Ltd. Provides Operational Update on the Cachalote-1ST Well on the Andaquies E&P Contract in Colombia

CALGARY, ALBERTA - (Wednesday January 18, 2012) Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE) (BVC:CNEC) is pleased to announce that the Cachalote-1ST well on the Andaquies Exploration and Production ("E&P") contract has been drilled to a total measured depth of 6,133 feet ("ft") or true vertical depth of 5,970 ft. C&C Energia Ltd. (the "Operator") recently completed electric logs and collected numerous sidewall cores. The Operator plans to run 7 inch production casing in the well to total depth, and complete and production test the Neme Formation within the interval 5,640 ft to 5,766 ft. Completion and testing results are expected in 2-3 weeks.

Located in the Northern Putumayo basin and representing 114,875 gross acres, the Andaquies E&P contract is governed under the terms of the Agencia Nacional de Hidrocarburos. The Corporation has a 36% working interest in the Andaquies E&P Contract.

Canacol is a Canadian-based international oil and gas corporation with operations in Colombia, Guyana, and Brazil. Canacol is publicly traded on Toronto Stock Exchange (TSX: CNE) and the Bolsa de Valores Colombia (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 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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