Canacol Energy Ltd. Announces New Partner in the Portofino E&P Contract in Colombia

CALGARY, ALBERTA - (July 24, 2012) Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE) (BVC:CNEC) is pleased to announce that Pacific Rubiales Energy Corp. (TSX:PRE) (BVC:PREC) (BOVESPA:PREB) has executed a binding agreement with Petrolera Monterrico Sucursal Colombia, whereby it has agreed to acquire from them a 40% net participating interest in the Portofino E&P contract located in the Caguan-Putumayo basin of Colombia. Concurrently, Pacific Rubiales has also executed an agreement with the Corporation whereby, among other things, the Corporation has agreed to transfer operatorship of the contract to Pacific Rubiales following completion of the next four (4) wells to be drilled on the contract. Under the terms of the agreement, Pacific Rubiales will operate any commercial discoveries made on the contract. In consideration for the transfer of operatorship, Pacific Rubiales has agreed to pay the Corporation the sum of US$3,731,000 and has agreed to provide the Corporation with the option to participate pro-rata in its interest in the Portofino contract, as well as in all pipelines and transportation infrastructure projects in which Pacific Rubiales participates in respect of the evacuation of crude from the area. Canacol maintains a 40% net participating interest and is designated operator of the Portofino contract, which represents approximately 103,472 net acres. The Corporation plans to drill six stratigraphic wells, which include four wells on the Portofino contract and two wells on the Cedrela contract, in a back-to-back drilling campaign. The first well, Achote 1, located in the northern part of the Portofino contract, is anticipated to commence drilling by the end of July 2012.

Charle Gamba, President and CEO of the Corporation, commented, "As one of Colombia's most important heavy oil operators, Pacific Rubiales brings significant experience, technology, research, and financial resources to the Portofino consortium. The terms on which Pacific Rubiales has chosen to enter the block set a new benchmark for land values in the northern part of the Caguan-Putumayo basin, and represent a strong vote of confidence in respect of the significant heavy oil exploration potential of the area. Pacific Rubiales has an established track record of bringing heavy oil fields in Colombia into commercial production rapidly, and we hope this proves to be the case at Portofino. At the same time, Canacol retains its 100% interest in the adjacent Cedrela, Tamarin, and Sangretoro E&P contracts which it shall explore on its own in order to capture all of the upside in the area."

**Portofino E&P Contract (Operator, 40% working interest)**

Located in the Caguan-Putumayo basin, the Portofino contract is situated immediately to the southwest of the Capella field, one of the most important heavy oil fields discovered in Colombia in recent decades. The Caguan-Putumayo basin is a continuation of the heavy oil production belt currently being developed and explored in the Llanos basin to the northeast. The Corporation holds a dominant land position within the relatively unexplored northern part of the Caguan-Putumayo basin, with interest in five E&P contracts, including a 10% non-operated working interest in the Capella discovery.

The Achote 1 stratigraphic well is the first well planned to be drilled on the Portofino contract to a depth of approximately 3,800 feet measured depth ("ft md") and will target potential heavy oil bearing reservoirs in the Mirador sandstones, the main producing sandstones in the Corporation's Capella heavy oil field. The Achote 1 stratigraphic well is anticipated to commence drilling by the end of July 2012. The Corporation anticipates that the well will take approximately 4 weeks to drill, core, and log. The information that the Corporation anticipates to collect include cores through the prospective reservoir intervals and a full suite of conventional openhole wireline logs. This data will yield information concerning the thickness, porosity, permeability, and fluid content of any prospective oil-bearing reservoir intervals that may be encountered within the well. Given the small diameter of the wellbore, the Corporation will be unable to flow test any of the prospective reservoirs.

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

*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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