Canacol Energy Ltd. Reports Fiscal Q1 2013 Financial Results

CALGARY, ALBERTA - (November 14, 2012) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; BVC:CNEC) announced today its financial results for the three months ended September 30, 2012.

Financial Highlights for the Three Months Ended September 30, 2012

(in United States dollars, except as otherwise noted)

Financial highlights of Canacol Energy Ltd. ("Canacol" or the "Corporation") include:

- Total revenues for the three months ended September 30, 2012 increased 18% to $41.8 million from $35.3 million for the comparable period.
- At September 30, 2012, the Corporation had $41.5 million in cash, cash equivalents and restricted cash, and $21.7 million of working capital surplus, including the current portion of long-term debt.
- Net loss for the three months ended September 30, 2012 was $6.2 million compared to net income of $13.5 million for the comparable period.
- Capital expenditures for the three months ended September 30, 2012 were $18.9 million.
- Average daily sales volumes were 6,922 barrels of oil per day ("bopd") for the three months ended September 30, 2012. The decrease from the fourth quarter of fiscal 2012 was due to a combination of well shut-ins, a civil road blockage, water handling constraints, and natural production declines, and was offset by a change in crude oil inventory. Downtime during the first quarter of fiscal 2013 was 5% in July, 3% in August, and 37% in September, resulting in an overall average downtime of 15% for the quarter. Of the 37% downtime reported in September, 34% was related to a blockade of the main oil trucking route by the community, which was resolved in the first week of October 2012. Further, sales volumes were impacted by the continuing shift of tariff production to NRI production to optimize cash flows in the Rancho Hermoso field, which results in lower reported total volumes since tariff production volumes are reported 100% while NRI production volumes are only reported at 22.4% in the first quarter of 2013. However, Rancho Hermoso NRI production receives a significantly higher operating netback compared to tariff production.
- Starting in September 2012, Ecuador oil fields have begun providing incremental production to the Corporation and are expected to see significant increased production in future periods as the development program is executed. For the three months ended September 30, 2012, average incremental production from the fields was 223 bopd, approximately 56 bopd of which is the Corporation's share. For the months of October and November, average gross incremental production from the fields were 827 bopd and 1,595 bopd, respectively, of which, approximately 207 bopd and 399 bopd are the Corporation's share, respectively.

Financial Highlights for the Three Months Ended September 30, 2012

(in thousands of United States dollars, except as otherwise noted)

Financial	**Three months ended September 30,**		
	2012	2011	Change
Crude oil sales, net of royalties	**37,822**	26,453	43%
Tariff revenue	**3,973**	8,877	(55%)
Total revenues	**41,795**	35,330	18%
Funds from operations [1]	**14,091**	17,761	(21%)
Per share – basic and diluted ($)	**0.02**	0.03	(30%)
Net income (loss)	**(6,214)**	13,486	n/a
Per share – basic and diluted ($)	**(0.01)**	0.03	n/a
Capital expenditures	**18,931**	31,356	(40%)
	September 30,2012	June 30, 2012	Change
Cash and cash equivalents	**31,088**	30,789	1%
Restricted cash	**10,378**	6,555	58%
Working capital surplus [1]	**21,742**	17,697	23%
Long-term bank debt	**30,153**	15,986	89%
Total assets	**412,266**	406,828	1%
Common shares, end of period (000s)	**618,982**	618,982	-

Operating	**Three months ended September 30,**		
	2012	2011	Change
Crude oil production (bopd)			
Tariff	**2,410**	6,476	(63%)
NRI	**3,332**	3,274	2%
Total	**5,742**	9,750	(41%)
Crude oil sales (bopd)			
Tariff	**2,417**	6,458	(63%)
NRI	**4,505**	3,452	31%
Total	**6,922**	9,910	(30%)
Rancho Hermoso – tariff oil operating netback ($/bbl) [1]			
Realized tariff oil price	**17.36**	14.94	16%
Operating and transportation costs	**(11.43)**	(6.23)	83%
RH tariff oil operating netback	**5.93**	8.71	(32%)
Rancho Hermoso – non-tariff (NRI) oil operating netback ($/bbl) [1]			
Realized crude oil price, net of royalties	**95.88**	84.43	14%
Operating and transportation costs	**(50.60)**	(29.26)	73%
RH NRI oil operating netback	**45.28**	55.17	(18%)

(1) Non-IFRS measure. See "Non-IFRS Measures" section within MD&A.

Outlook

For the remainder of calendar 2012 and the first quarter of calendar 2013, the primary focus of the Corporation will be on the successful closing of the business combination with Shona Energy Company, Inc., as well as the execution of its capital program, including:

- The completion of the drilling of its first light oil exploration well on the LLA-23 block, immediately to the north of the Rancho Hermoso field, to test the Labrador prospect. The well commenced drilling in late October 2012.
- The completion of drilling of the Guarango 1 stratigraphic well on the Cedrela block, targeting potential heavy oil-bearing reservoirs in the Mirador sandstones. The well commenced drilling in late October 2012.
- The completion of the ongoing acquisition of 45 square kms of 3D seismic and 58 km of 2D seismic in the southern part of the Portofino block, with plans to use the data to drill 3 remaining stratigraphic wells in calendar 2012 and extending into calendar first quarter 2013.
- The completion of drilling and production testing of the non-operated Mono Arana 1 well on the VMM 2 block, which is currently underway. As reported on October 31, 2012, the Corporation has announced that the well has encountered 85 feet of potential net oil pay within the Lisama sandstone reservoir, which the Corporation plans to production test.
- Following the Mono Arana 1 well, the drilling of a second non-operated exploration well on the VMM 2 block, El Cejudo 1, commencing in late 2012 and specifically targeting shale reservoirs in the Cretaceous La Luna and Tablazo oil source rocks.
- The drilling of one additional new development well and the workover of one existing producing well before the end of calendar 2012 under its non-operated incremental production contract for the Libertador and Atacapi mature producing oil fields in Ecuador. Starting in September 2012, these Ecuador fields have begun providing incremental production to the Corporation and are expected to see significant increased production in future periods as the development program is executed. Based on the current development program, the Corporation expects incremental production to peak through 2013 and 2014.
- In October 2012, the Corporation announced a business combination with Shona Energy Company, Inc. ("Shona"). The transaction strengthens the Corporation's productive base with stable low cost production and associated cash flows under long-term sales contracts, and increases net 2P reserves and deemed volumes to approximately 32 MMboe of oil and gas. The size of the combined company and its stable production and cash flow streams is expected to facilitate easier access to capital and open up additional consolidation opportunities, particularly in Colombia. The transaction positions Canacol to take a leading role in an expanding gas market in Colombia at a low entry price, and also adds three conventional heavy oil exploration contracts to its already extensive exploration position in the Caguan - Putumayo basin. With interests in 29 E&P contracts, the combined company will have one of the largest and most diverse conventional and non-conventional oil and gas exploration portfolios in Colombia. The Corporation anticipates closing the Shona business combination on or about December 19, 2012, subject to all required Shona and Canacol securityholder, court and regulatory approvals being obtained. Shona adds stable long-life production of approximately 2,300 boepd, before royalties, and the Corporation also has the ability to raise gas production volumes in the short term with no additional capital required. For the six months ended June 30, 2012, Shona had average total production, before royalties, of 2,166 boepd, and 1,960 boepd after royalties. Assuming the same level of production for the second half of calendar 2012, on a calendar 2012 pro forma basis including Shona, the Corporation is projecting average total production, after royalties, of 10,400 boepd. Assuming the closing of the Shona business combination, the Corporation anticipates exiting calendar 2012 at 6,600 boepd of total production, after royalties, which includes Shona but does not include production from any potential exploration successes.

The Corporation's has filed its unaudited interim condensed consolidated financial statements, and related Management's Discussion and Analysis as of and for the three months ended September 30, 2012 with Canadian securities regulatory authorities. These filings are available for review at www.sedar.com.

Canacol is an exploration and production corporation with operations 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. Information and guidance provided herein supersedes and replaces any forward looking information provided in prior disclosure. 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. Average production figures for a given period are derived using arithmetic averaging of fluctuating historical production data for the entire period indicated and, accordingly, do not represent a constant rate of production for such period and are not an indicator of future production performance. Detailed information in respect of monthly production in the fields operated by the Corporation in Colombia is provided by the Corporation to the Ministry of Mines of Colombia and is published by the Ministry on its website; a direct link to this information is provided on the Corporation's website.

For further information please contact:
Investor Relations
214-235-4798
Email: IR@canacolenergy.com
http://www.canacolenergy.com