Canacol Energy Ltd. Provides Production Operations Update in Colombia

CALGARY, ALBERTA - (July 8, 2013) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE, BVC:CNEC) is pleased to announce the results of its Labrador 3 well at the Labrador discovery located on the LLA23 Exploration and Production ("E&P") contract located approximately 5 kilometers 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 ("ANH"), 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 Labrador 3 well is the third well drilled into the Labrador discovery.

The Labrador 3 well was spud on May 21, 2013 and reached a total depth of 10,900 feet measure depth ("ft md") on June 5, 2013. The well encountered 62 feet ("ft") of net oil pay in the following reservoirs: 20 ft of net oil pay within the C7 reservoir with an average porosity of 24%, 25 ft of net oil pay within the Middle and Lower Gacheta reservoirs with an average porosity of 23%; and 17 ft of net oil pay within the Ubaque reservoir with an average porosity of 19%. The C7 reservoir was perforated from 9,133 – 9,147 ft md and flowed at a stable gross rate of 1,460 barrels of oil per day ("bopd") (1,168 bopd net) of 30^{o} API oil with 3% water cut using a jet pump. The well was placed immediately on production and will remain on long term production test subject to approval from the ANH.

For the months of May and June 2013, average net Corporate production before royalties was approximately 8,616 barrels of oil equivalent per day ("boepd") which consisted of approximately 5,794 bopd of crude oil and approximately 16.3 million standard cubic feet per day ("mmscf/d") (2,822 boepd) of gas. Average net Corporate production before royalties for the period July 1 to July 7 2013 was approximately 9,832 boepd which consisted of approximately 7,010 bopd of crude oil and approximately 16.1 mmscf/d (2,822 boepd) of gas. These monthly totals include no tariff production whatsoever from the Rancho Hermoso field, as all tariff wells had been converted to net royalty producers earlier in 2013.

Canacol is an exploration and production company 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. Data obtained from the initial testing results at the well identified in this press release, including barrels of oil produced and levels of water-cut, should be considered to be preliminary until a further and detailed analysis or interpretation has been done on such data. The well test results obtained and disclosed in this press release are not necessarily indicative of long-term performance or of ultimate recovery. The reader is cautioned not to unduly rely on such results as such results may not be indicative of future performance of the well or of expected production results for the Corporation in the future. 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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