Canacol Energy Ltd. Announces 98% Increase in Proved Reserves + Deemed Volumes and Replaces 200% of 2P Reserves for Fiscal Year Ended June 30, 2012

CALGARY, ALBERTA--(September 20, 2012) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE**;** BVC:CNEC) is pleased to report its reserves for the fiscal year ended June 30, 2012 for its assets located in Colombia and Ecuador.

Total corporate proved reserves *("1P")* plus deemed volumes *("DV")* for the fiscal year ended June 30, 2012 increased 98% to 10.5 million barrels *("MMbbls")* from 5.3 MMbbls for the fiscal year ended June 30, 2011, with a corresponding 1P reserve replacement of 121%*. In the same period, 1P plus DV pre-tax NPV-10 increased 55% from US $199.2 million to US $308.4 million. Total corporate proved plus probable reserves *("2P")* plus DV increased to 16.1 MMbbls for the fiscal year ended June 30, 2012. In the same period, 2P plus DV pre-tax NPV-10 increased to US $492.1 million. The Corporation's 2P plus DV represents 94% oil and 6% gas liquids.

CORPORATE

Net after royalty reserves, deemed volumes and pre-tax NPV-10 summaries

	30-Jun-12					30-Jun-11	
	Subtotal			Total		Total	
Volumes in MMbbls / *Pre-tax NPV-10s in millions of US dollars*	Reserves	Pre-tax NPV-10	Deemed Volumes ("DV")	Reserves + DV	Pre-tax NPV-10**	Reserves + DV	Pre-tax NPV-10**
Total proved *(1P)*	**6.3**	**$ 167.7**	**4.2**	**10.5**	**$ 308.4**	**5.3**	**$ 199.2**
Probable	4.6	135.1	1.0	5.6	183.7	3.7	112.7
Total proved plus probable *(2P)*	**10.9**	**302.8**	**5.2**	**16.1**	**492.1**	**9.0**	**311.9**
Possible	4.4	136.9	1.6	6.0	188.4	5.4	158.7
Total proved plus probable plus possible *(3P)*	**15.3**	**$ 439.7**	**6.8**	**22.1**	**$ 680.5**	**14.4**	**$ 470.6**

The numbers in this table may not add exactly due to rounding.

The evaluations, effective June 30, 2012, were conducted by the Corporation's independent reserves evaluators DeGolyer and MacNaughton ("D&M") and Petrotech Engineering Ltd. ("Petrotech") and are in accordance with National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities. The reserves are provided on a net after royalty basis in units of barrels of oil using a forecast price deck, adjusted for crude quality, in US dollars. The estimated values may or may not represent the fair market value of the reserve estimates.

**1P Reserves replacement ratio: Ratio of reserve additions to production, as reported in financial statements during the fiscal year ended June 30, excluding acquisitions and dispositions on a proven basis*

2P Reserves replacement ratio: Ratio of reserve additions to production, as reported in financial statements during the fiscal year ended June 30, excluding acquisitions and dispositions on a proven + probable basis

***Net present valuations discounted at 10% include the values for both risk service contracts in Colombia and Ecuador and the net after royalty reserves in Colombia*

Charle Gamba, President and CEO of Canacol, commented "In 2012 the Corporation significantly grew its reserves and deemed volumes base and the corresponding value of those reserves and volumes. In fact 2P volumes have increased by approximately 80% year over year, and this after our best year in terms of production volumes lifted. Aside from the ambitious development plans we have for our producing assets in Colombia and Ecuador in 2013, the Corporation has also established over 80 leads and prospects across 19 exploration contracts representing 3 million net acres of conventional and unconventional oil opportunities. The continued development of our producing asset base, and the execution of our exploration programs for the remainder of calendar year 2012 and 2013, has the potential to continue to grow our reserves and production base, which will continue to add core value to our shareholders."

OIL FOCUSED IN COLOMBIA AND ECUADOR

The Corporation has interests in 3 producing oil fields in Colombia and 2 producing oil fields in Ecuador. For Colombia, the Corporation's 2P plus DV increased 33% to 12.0 MMbbls and represented a pre-tax NPV-10 of US $327.6 million. As of period end June 30, 2012, approximately 75% of the Corporation's 2P plus DV originated from Colombia and is balanced 51% vs. 49%, light vs. heavy oil, respectively. In February 2012, the Corporation was awarded a 15-year incremental production contract by the national oil company of Ecuador for the Libertador and Atacapi mature fields. Canacol has a non-operated

25% equity participation in the contract and receives a fixed price tariff of $39.53 for each incremental barrel produced. For Ecuador, the Corporation's 2P DV were 4.1 MMbbls and represented a pre-tax NPV-10 of US $164.5 million for the fiscal year end June 30, 2012.

Net after royalty reserves, deemed volumes and pre-tax NPV-10 summaries

	30-Jun-12					
	Colombia		Ecuador		Total	
Volumes in MMbbls	Reserves +	Pre-tax		Pre-tax	Reserves +	Pre-tax
Pre-tax NPV-10s in millions of US dollars	DV	NPV-10**	DV	NPV-10**	DV	NPV-10**
Total proved (1P)	**7.3**	**$ 185.3**	**3.2**	**$ 123.1**	**10.5**	**$ 308.4**
Probable	4.7	142.3	0.9	41.4	5.6	183.7
Total proved plus probable (2P)	**12.0**	**327.6**	**4.1**	**164.5**	**16.1**	**492.1**
Possible	4.9	140.7	1.1	47.7	6.0	188.4
Total proved plus probable plus possible (3P)	**16.9**	**$ 468.3**	**5.2**	**$ 212.2**	**22.1**	**$ 680.5**

The numbers in this table may not add exactly due to rounding.
***Net present valuations discounted at 10% include the values for both risk service contracts in Colombia and Ecuador and the net after royalty reserves in Colombia*

COLOMBIA
Llanos basin
Rancho Hermoso (100% operated working interest)
Entrerrios (60% operated working interest)
Morichito (15% non-operated working interest)

The Corporation operates Rancho Hermoso and Entrerrios oil fields. The Rancho Hermoso field has two contracts governing the production. One contract, a risk service contract, provides tariff revenue for each barrel produced from the Mirador interval in the Rancho Hermoso field, and the remaining three contracts are production sharing type arrangements whereby the Corporation is entitled to an equity share of the volumes produced net of a royalty payment to the government. For the Entrerrios field, there is one contract for all producing formations, whereby the Corporation is entitled to an equity share of the volumes produced net of a royalty payment to the government.

In the Llanos basin, the Corporation's 1P plus DV for the fiscal year ended June 30, 2012 increased 46% to 4.1 MMbbls from 2.8 MMbbls for the fiscal year ended June 30, 2011. In the same period, 2P plus DV increased 69% to 6.1 MMbbls. The Corporation's 2P plus DV represents 84% oil and 16% gas liquids.

Net after royalty reserves, deemed volumes and pre-tax NPV-10 summaries

	30-Jun-12					30-Jun-11	
	Subtotal			Total		Total	
Volumes in MMbbls		Pre-tax	Deemed	Reserves +	Pre-tax	Reserves +	Pre-tax
Pre-tax NPV-10s in millions of US dollars	Reserves	NPV-10	Volumes ("DV")	DV	NPV-10**	DV	NPV-10**
Total proved (1P)	**3.2**	**$ 98.8**	**0.9**	**4.1**	**$ 116.4**	**2.8**	**$ 170.6**
Probable	1.9	73.0	0.1	2.0	80.1	0.8	45.2
Total proved plus probable (2P)	**5.1**	**171.8**	**1.0**	**6.1**	**196.5**	**3.6**	**215.8**
Possible	2.3	86.5	0.5	2.8	90.3	2.5	79.8
Total proved plus probable plus possible (3P)	**7.4**	**$ 258.3**	**1.5**	**8.9**	**$ 286.8**	**6.1**	**$ 295.6**

The numbers in this table may not add exactly due to rounding.
***Net present valuations discounted at 10% include the values for the risk service contract and net after royalty reserves*

The net after royalty reserve valuations were derived using a forecast price deck as follows:

Year	2012*	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
US$/bbl, WTI	$ 90.00	$ 96.90	$ 104.04	$ 106.12	$ 108.24	$ 110.41	$ 112.62	$ 114.87	$ 117.17	$ 119.51	$ 121.90	$ 124.34

**For 6 months*

The forecast price deck is adjusted for crude quality.

For the tariff production valuation, the Corporation receives an operating tariff from Ecopetrol S.A. for each gross produced barrel of oil. The tariff price go-forward is US $17.36 per gross barrel.

Caguan-Putumayo basin

Ombu (10% non-operated working interest)

The Corporation has a 10% gross working interest in the Capella heavy oil discovery in Colombia. The contract was awarded to the operator under the new terms defined by the Agencia Nacional de Hidrocarburos, whereby production is subject to a sliding scale royalty payable to the government. Royalty is determined by various production and reserves thresholds, and varies from a low of 8% to a high of 23%.

For Capella, total 1P for the fiscal year ended June 30, 2012 increased 24% to 3.1 million barrels from 2.5 MMbbls for the fiscal year ended June 30, 2011. In the same period, 1P pre-tax NPV-10 increased 141% from US $28.6 million to US $68.9 million. Total 2P increased to 5.8 MMbbls for the fiscal year ended June 30, 2012. In the same period, 2P pre-tax NPV-10 increased to US $131.0 million. Capella's 2P represents 100% heavy oil.

Net after royalty reserves and pre-tax NPV-10 summaries

	30-Jun-12		30-Jun-11	
Volumes in MMbbls *Pre-tax NPV-10s in millions of US dollars*	Reserves	Pre-tax NPV-10*	Reserves	Pre-tax NPV-10*
Total proved *(1P)*	**3.1**	**$ 68.9**	**2.5**	**$ 28.6**
Probable	2.7	62.1	2.9	67.5
Total proved plus probable *(2P)*	**5.8**	**131.0**	**5.4**	**96.1**
Possible	2.1	50.4	2.9	78.9
Total proved plus probable plus possible *(3P)*	**7.9**	**$ 181.4**	**8.3**	**$ 175.0**

The numbers in this table may not add exactly due to rounding.
**Net present valuations discounted at 10% include the values for the net after royalty reserves*

The net after royalty reserve valuations were derived using a forecast price deck as follows:

Year	*2012**	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*
US$/bbl, WTI	*$ 90.00*	*$ 96.90*	*$ 104.04*	*$ 106.12*	*$ 108.24*	*$ 110.41*	*$ 112.62*	*$ 114.87*	*$ 117.17*	*$ 119.51*	*$ 121.90*	*$ 124.34*

**For 6 months*
The forecast price deck is adjusted for crude quality.

The Corporation expects to file its Annual Information Form with NI51-101 F1, F2 &F3 as of and for the year ended June 30, 2012 with Canadian securities regulatory authorities shortly. These filings will available for review at http://www.sedar.com.

Canacol Energy 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 CNE.C, respectively.

"1P reserves replacement ratio": Ratio of reserve additions to production, as reported in financial statements during the fiscal year ended June 30, excluding acquisitions and dispositions on a proven basis.
"2P reserves replacement ratio": Ratio of reserve additions to production, as reported in financial statements during the fiscal year ended June 30, excluding acquisitions and dispositions on a proven + probable basis.
"deemed volume": Those volumes produced under a service agreement in which the Corporation does not have a direct interest, but represents reserves attributable to the Corporation as calculated using a deemed market price on an annualized basis over the life of the reserves. The Corporation produces crude oil from the Mirador formation at its Rancho Hermoso field for which it receives a fixed price under a service agreement with Ecopetrol S.A., the Colombian national oil company. The Corporation has a non-operated 25% equity participation in the Ecuador Incremental Production Contract for which it receives a fixed price tariff for each incremental barrel produced.

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