



Canacol Energy Ltd. Announces Heavy Oil Exploration Drilling Program in Colombia

CALGARY, ALBERTA- (June 14, 2012) Canacol Energy Ltd. (“Canacol” or the “Corporation”) (TSX:CNE) (BVC:CNEC) is pleased to announce the start of its heavy oil exploration drilling program on its Portofino and Cedrela Exploration and Production (“E&P”) contracts located in the Caguan – Putumayo Basin in Colombia. The Corporation has a 100% working interest and is operator of the Cedrela, Sangreoro, and Tamarin contracts, which represent approximately 773,070 net acres, and a 40% working interest in the Portofino contract, which represents approximately 103,472 net acres. The Corporation has executed a contract with Estrella International Energy Services Ltd for the Estrella 552 rig, which is currently being mobilized to Colombia from Peru. Canacol 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 that will commence in late July 2012 and end in early 2013.

Charle Gamba, President and CEO of the Corporation, commented “These stratigraphic wells will target six of the more than fifty prospects and leads we have defined on the blocks using approximately 900 km of newly acquired 2D seismic, the first seismic ever shot on these blocks. These wells, which can be drilled inexpensively compared to conventional exploration wells, have the potential to yield useful information concerning the presence and type of oil, as well as basic reservoir thickness and quality information. The Corporation anticipates that should hydrocarbons be discovered in any of the stratigraphic wells, it may be able to book reserves and contingent resources, as have other companies using stratigraphic well results in Colombia. Since the discovery of the Capella heavy oil field by Canacol and its partner in 2008, the Corporation has leveraged its proprietary knowledge of the geology and potential of the area to acquire 883,931 net acres in this highly prospective and underexplored play fairway. Canacol will be the first company to execute a major exploration drilling program in this frontier basin in Colombia.”

Achote 1 Stratigraphic Well - Portofino E&P Contract (40% working interest)

The Achote 1 stratigraphic well is planned to be drilled 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 Corporation has a 40% working interest in the Portofino contract, which is located approximately 25 kilometers to the southwest of the Capella field. The Achote 1 stratigraphic well is anticipated to commence drilling in late 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.

Guarango 1 Stratigraphic Well – Cedrela E&P Contract (100% working interest)

The Guarango 1 stratigraphic well is planned to be drilled to a depth of approximately 2,500 feet measured depth (“ft md”) and will also target potential heavy oil bearing reservoirs in the Mirador sandstones, the main producing sandstones in the Corporation’s Capella heavy oil field. The Corporation has a 100% working interest and is operator of the Cedrela contract. The Cedrela contract is located approximately 50 kilometers to the southwest of the Capella field.

The Corporation anticipates spudding the Guarango 1 stratigraphic well after the drilling of the Achote 1 stratigraphic well has been completed. The Corporation anticipates that the Guarango 1 stratigraphic well will take approximately 4 weeks to drill, core, and log. The same information that the Corporation plans to collect in the Achote 1 stratigraphic well will also be collected in the Guarango 1 stratigraphic well.

After the above two wells have been drilled, the Corporation plans to drill three additional stratigraphic wells on the Portofino contract, and one additional stratigraphic well on the Cedrela contract. The drilling program is anticipated to continue into early 2013.

Canacol's focus remains threefold for the remainder of 2012: (1) achieve 14,000-16,000 bopd net revenue production from activities at the Rancho Hermoso field, (2) execute and monetize the Corporation's large exploration portfolio, which targets heavy oil in the Caguan-Putumayo basin, shale oil in the Middle Magdalena basin, and light oil in the Llanos basin, and (3) maintain Canacol's substantial financial flexibility from cash, cash flow, and the Corporation's recently announced \$200mm credit facility. As at March 31, 2012, the Corporation had US\$ 68.1 million in cash, cash equivalents and restricted cash, and US\$ 43.7 million of working capital surplus. In the event of exploration success, Canacol may choose to utilize its credit facility to accelerate appraisal and development drilling.

Canacol is a Canadian-based international oil and gas corporation with operations in Colombia, Guyana, and Brazil. Canacol is publicly traded on TSX (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. A stratigraphic well is a drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Such wells customarily are drilled without the intent of being completed for hydrocarbon production. The classification also includes tests identified as core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic tests are classified as "exploratory type" if not drilled in a known area or "development type" if drilled in a known area.

A barrel of oil equivalent (boe) is derived by converting gas to oil in the ratio of six thousand cubic feet of gas to oil and may be misleading, particularly if used in isolation. A boe conversion is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead, especially in various international jurisdictions. Prospective resources are defined as those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

For further information please contact:

For further information, please contact:
Investor Relations
800-554-3590, extension 101
Email: IR@canacolenergy.com
www.canacolenergy.com

Neither TSX nor its Regulation Services Provider (as that term is defined in the policies of the TSX) accepts responsibility for the adequacy or accuracy of this release.