



Canacol Energy Ltd. Participates in Incremental Production Contract for the Libertador and Atacapi Mature Fields in Northern Ecuador

CALGARY, ALBERTA - (February 1, 2012) Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE) (BVC:CNEC) is pleased to announce that PARDALISERVICES S.A. ("Contractor"), a joint venture company established by Tecpetrol International S.A. ("Operator"), Schlumberger Ltd., Sertecpet S.A., and Canacol, has been awarded a 15-year incremental production contract by the national oil company of Ecuador ("Petroecuador" or "EPPE") for the Libertador and Atacapi mature fields in Northern Ecuador. The Corporation has a non-operated 25% equity participation in the Contract.

Charle Gamba, President and CEO of the Corporation, commented "We are very pleased to have been awarded this contract for the incremental oil and potential exploration upside associated with Libertador and Atacapi mature fields in Northern Ecuador. Since Canacol's inception, we've been fortunate to achieve success under similar risked service contract terms at the Corporation's Rancho Hermoso field (Mirador formation) in Colombia, whereby we've increased production 14-fold from approximately 2,400 bopd gross to 34,000 bopd gross over a period of 3 years. This contract with the EPPE offers tremendous opportunity to drill up and deploy secondary recovery techniques to the Libertador and Atacapi mature fields to increase production and cash flow, and continue executing our significant oil exploration program. Canacol's capital program remains fully funded from a combination of cash-on-hand and operating cash flow."

Effective February, 2012, the Contractor plans to spend a total of US \$334 million (US \$84 million, net to Canacol) for the drilling of 31 new development wells and working over 28 existing wells over the 15-year period of the contract. In return for increased production at EPPE's mature fields, the Contractor will receive a fixed price tariff of US \$39.56 for each incremental barrel produced, which is insensitive to oil price fluctuations.

In addition to absorbing all operating costs at the Libertador and Atacapi fields, EPPE will continue to manage regular operations, licensing and permits, and relations with communities and the local government. The Contractor will supervise base curve production and assist EPPE with potentially reducing operating expenses at both fields. The value of any success achieved will be split 50/50 between EPPE and the Contractor.

Besides incremental production, the contract entitles the Contractor to additional upside potential from optimization of the fields' existing production, the implementation of various secondary recovery techniques, and exploration opportunities. Libertador and Atacapi fields have been producing for 30 years and are currently producing approximately 16,000 bopd.

Canacol is a Canadian-based international oil and gas corporation with operations in Colombia, Guyana, and Brazil. Canacol is publicly traded on Toronto Stock Exchange (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.

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