



Canacol Energy Ltd. Provides Caguan Heavy Oil Production and Exploration Operations Update

CALGARY, ALBERTA - (March 14, 2012) Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE) (BVC:CNEC) is pleased to provide an operations update for its non-operated Capella heavy oil field and adjacent operated exploration contracts in Colombia. The Capella field is located on the Ombu Exploration and Production ("E&P") contract located in the Caguan-Putumayo basin of southern Colombia. The Corporation, through a farm-in agreement with Emerald Energy Plc., earned a 10% interest in the Ombu E&P contract through the drilling of the Capella 1 discovery well in July 2008. Since its discovery, the Corporation has participated in the drilling of 24 appraisal and production wells at Capella, and the acquisition of 189 square kilometers ("kms") of 3D seismic. The Corporation also has interests in four E&P Contracts adjacent to and on trend with the Capella field, with plans to acquire 380 kms of 2D seismic and drill 5 exploration wells in 2012.

Capella Operations Update

Year-to-date, the Corporation has participated in the drilling and completion of two horizontal wells, Capella R53H and Capella R55H. The Capella R53H well tested at a stable rate of 288 gross barrels of oil per day ("bopd") with a 0.7% water cut, and the Capella R55H well tested at a stable rate of 242 gross bopd with a 4% water cut. Two rigs are presently active in the field and have recently completed the drilling of Capella L17H and R56H, both of which are horizontal wells. The Capella L17H well reached total depth of 5,050 feet measured depth ("ft md") on March 3, 2012 and is currently being completed and brought on production. The Capella R56H well reached a total depth 4,855 ft md on March 11, 2012 and is currently being cased prior to being completed and brought on production. The rigs are scheduled to be mobilized within the next week to the L18H and B21H locations, both planned as horizontal production wells.

For the remainder of 2012, the Corporation anticipates participating in the drilling of 18 additional horizontal and vertical wells in the field. By year-end 2012, the Corporation will have participated in the drilling of 44 wells in the field. Current productive capacity of the field is approximately 3,000 gross bopd although security issues associated with the transportation of crude oil by truck along local roads has resulted in intermittent shut in of production in the field when local storage capacity of approximately 7,000 barrels of oil is exceeded.

Canacol's heavy oil exploration

The Corporation is the operator of four E&P contracts (877,000 net acres) located adjacent to and on trend with the Capella heavy oil field: Cedrela (100% operated working interest), Sangretoro (100% operated working interest), Tamarin (100% operated working interest) and Portofino (40% working interest). The Corporation has identified 50 prospects and leads on the 4 blocks using the approximately 500 kilometers of new 2D seismic acquired in 2011. The Corporation also drilled one exploration well, Tamarin 1, a dry hole, in late 2011 with no operational or security issues.

In 2012 the Corporation plans to acquire an additional 380 kms of 2D seismic and drill 5 consecutive exploration wells. Canacol expects to spud the first exploration well in July, 2012.

Canacol is a Canadian-based international oil and gas corporation with operations focused onshore in Colombia and Ecuador. Canacol is publicly traded on Toronto Stock Exchange (TSX: CNE) and the Bolsa de Valores Colombia (BVC: CNEC). The Corporation's public filings are available 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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