



Canacol Energy Ltd. Provides Update on the Cachalote – 1 Exploration Well, Andaquies Block, Colombia

CALGARY, ALBERTA- (February 3, 2012) Canacol Energy Ltd. (“Canacol” or the “Corporation”) (TSX:CNE) (BVC:CNEC) reports that C&C Energia Ltd. (the “Operator”) has finished the completion and testing of the Neme Formation in the Cachalote-1 well in Colombia and will abandon the well. The Cachalote-1 well encountered 271 feet of Neme sandstone that contained oil shows over an interval of approximately 130 feet with average porosity of 21%. The Neme reservoir was perforated in the interval from 5,676 to 5,718 feet measured depth (“ft md”) and between 5,642 to 5,660 ft md and on a swab test flowed from the lower perforations traces of oil with a gravity of 13.8° API and fresh water at rate of 1,280 barrels per day (“bwpd”). The upper perforations tested traces of oil and 1,020 bwpd.

The data collected from the test of Cachalote-1 indicates that the oil recovered from these excellent reservoirs most likely represents a residual oil accumulation in a structure that has been either breached or flushed by fresh water. The Cachalote-1 well is the first exploration well on the Andaquies block (114,875 gross acres) located in the northern Putumayo Basin in Colombia. Canacol has a 36% non-operated working interest in the block.

The Operator plans to move the drilling rig at Cachalote-1 in the coming days to the Tardigrado prospect located on the northern portion of the Andaquies block and spud the Tardigrado-1 exploration well within 2 to 3 weeks. The Tardigrado prospect is a three-way structural closure against a fault with potential in the Neme and Caballos formations.

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 de Colombia S.A (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 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.

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