

## **Canacol Energy Ltd. Announces 110% Increase in Revenues and Strong Operating Cash Flow for Fiscal Q1 2012**

CALGARY, ALBERTA - (November 15, 2011) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; BVC:CNEC) is pleased to report its financial results for the fiscal first quarter 2012, or three months ended September 30, 2011.

This reporting period is the Corporation's first under International Financial Reporting Standards ("IFRS"). As a result, the accounting policies of the Corporation have been adjusted to comply with IFRS beginning with the balance sheet as at July 1, 2010. A comprehensive summary of all of the significant changes, including reconciliations of Canadian GAAP financial statements to those prepared under IFRS, is presented in note 23 "Transition to IFRS" of the Corporation's interim condensed consolidated financial statements as at and for the three months ended September 30, 2011.

### **FINANCIAL AND OPERATING HIGHLIGHTS** **Three months ended September 30, 2011**

Total revenues for the three months ended September 30, 2011 increased 110% to US\$ 35.3 million from US\$ 16.8 million for the comparable period.

Funds from operations for the three months ended September 30, 2011 increased 129% to US\$ 17.8 million from US\$ 7.8 million for the comparable period. Adjusted funds from operations for the three months ended September 30, 2011 increased 150% to US\$ 19.5 million from US\$ 7.8 million for the comparable period.

Net income for the three months ended September 30, 2011 was US\$ 13.5 million, compared to a loss of US\$ 30.1 million for the comparable period.

Capital expenditures for the three months ended September 30, 2011 increased to US\$ 31.4 million.

Average daily sales volumes increased 170% to 9,910 barrels of oil per day for the three months ended September 30, 2011 compared to 3,671 barrels of oil per day for the comparable period.

For the three months ended September 30, 2011, the Corporation's operating netback for non-tariff (NRI) production was US\$ 55.17/bbl and for tariff production was US\$ 8.71/bbl.

The Corporation's balance sheet remains strong with US\$ 115.5 million in cash, cash equivalents and restricted cash, and US\$ 85.1 million of working capital surplus at September 30, 2011.

(in United States dollars (tabular amounts in thousands) except as otherwise noted)

| <b>Financial</b>   |                |          |        |
|--|----------------|----------|--------|
| <b>Three months ended September 30:</b>                        |                |          |        |
|  | <b>2011</b>    | 2010     | Change |
| Crude oil sales, net of royalties                              | <b>26,453</b>  | 15,219   | 74%    |
| Tariff revenue   | <b>8,877</b>   | 1,579    | 462%   |
| Total revenues   | <b>35,330</b>  | 16,798   | 110%   |
| Funds from operations <sup>(1)</sup>                           | <b>17,761</b>  | 7,766    | 129%   |
| Per share – basic and diluted (\$)                             | <b>0.03</b>    | 0.02     | 50%    |
| Adjusted funds from operations <sup>(1)</sup>                  | <b>19,451</b>  | 7,766    | 150%   |
| Per share – basic and diluted (\$)                             | <b>0.04</b>    | 0.02     | 100%   |
| Net income (loss)  | <b>13,486</b>  | (30,068) | n/a    |
| Per share – basic and diluted (\$)                             | <b>0.03</b>    | (0.07)   | n/a    |
| Capital expenditures   | <b>31,356</b>  | 8,241    | 280%   |
| <b>September 30 and June 30:</b>                               |                |          |        |
|  | <b>2011</b>    | 2011     | Change |
| Cash and cash equivalents                                      | <b>108,986</b> | 101,627  | 7%     |
| Restricted cash  | <b>6,545</b>   | 13,048   | (50%)  |
| Net working capital surplus <sup>(1)</sup>                     | <b>85,101</b>  | 94,547   | (10%)  |
| Total assets   | <b>316,574</b> | 316,570  | -      |
| Common shares, end of period (000s)                            | <b>512,953</b> | 511,637  | -      |
| <b>Operations</b>  |                |          |        |
| <b>Three months ended September 30:</b>                        |                |          |        |
|  | <b>2011</b>    | 2010     | Change |
| Crude oil production (bopd)                                    |                |          |        |
| Tariff   | <b>6,476</b>   | 1,259    | 414%   |
| Non-tariff   | <b>3,274</b>   | 1,729    | 89%    |
| Total  | <b>9,750</b>   | 2,988    | 226%   |
| Crude oil sales (bopd)   |                |          |        |
| Tariff   | <b>6,458</b>   | 1,253    | 415%   |
| Non-tariff   | <b>3,452</b>   | 2,418    | 43%    |
| Total  | <b>9,910</b>   | 3,671    | 170%   |
| Tariff oil operating netback (\$/bbl) <sup>(2)</sup>           |                |          |        |
| Realized tariff oil price                                      | <b>14.94</b>   | 13.70    | 9%     |
| Operating and transportation costs                             | <b>(6.23)</b>  | (8.44)   | (26%)  |
| Tariff oil operating netback                                   | <b>8.71</b>    | 5.26     | 66%    |
| Non-tariff (NRI) oil operating netback (\$/bbl) <sup>(2)</sup> |                |          |        |
| Realized crude oil price, net of royalties                     | <b>84.43</b>   | 69.08    | 22%    |
| Operating and transportation costs                             | <b>(29.26)</b> | (26.55)  | 10%    |
| Non-tariff oil operating netback                               | <b>55.17</b>   | 42.53    | 30%    |

(1) Funds from operations is calculated as cash provided by operating activities and adding changes in non-cash working capital and expenditures for decommissioning obligations, if any. Adjusted funds from operations is calculated as funds from operations adjusted for pre-license costs for exploration prospects and cash taxes paid on overlifted volumes (see the Canacol's MD&A for a detailed discussion). Funds from operations and adjusted funds from operations per share are calculated using the basic and diluted weighted-average number of shares for the period as per the earnings per share calculation. Funds from operations, adjusted funds from operations and their respective per share amounts are used to analyze the Corporation's operating performance. Working capital surplus is calculated as current assets less current liabilities. All such measures do not have standardized meanings prescribed by IFRS and, therefore, may not be comparable with calculations of similar measures for other companies.

(2) Operating netback equals NRI sales/tariff revenues less operating and transportation expenses, calculated on a per barrel ("bbl") basis. Operating netback does not have a standardized measure prescribed by IFRS and therefore may not be comparable with the calculation of similar measures for other companies.

## OUTLOOK

The Corporation confirms its net revenue production guidance of 10,500 to 11,500 net average bopd for calendar year 2011. Canacol anticipates a strong finish to calendar year 2011 in terms of net production, with an anticipated exit rate in excess of 14,000 net bopd. Corporate net revenue production for the month of October 2011 averaged 11,809 bopd net, and for the month of November 2011 to date averaged 14,238 bopd net. As of September 30, 2011, the Corporation had approximately US\$ 115.5 million in cash and restricted cash and remains fully funded to execute all of its development and exploration programs through 2012.

The Corporation's has filed its unaudited interim condensed consolidated financial statements, and related Management's Discussion and Analysis as of and for the three months ended September 30, 2011 with Canadian securities regulatory authorities. These filings are available for review at [www.sedar.com](http://www.sedar.com).

*Canacol Energy is an exploration and production corporation with operations in Colombia, Guyana, and Brazil. The Corporation's common stock trades on the Toronto Stock Exchange and the Colombia Stock Exchange under ticker symbol CNE and CNE.C, respectively.*

*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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