FOR IMMEDIATE RELEASE
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Canacol Announces 378% Increase in Revenue and 323% Increase in Average Daily Production for Q3 2011 Compared to Q3 2010

Canacol Energy Ltd. ("Canacol" or the "Corporation"; TSX: CNE; BVC: CNE.C) announces that it has filed its interim quarterly financial statements for the three and nine months ended March 31, 2011 ("Financial Statements") and its Management Discussion and Analysis ("MD&A"). Copies of the filed documents may be obtained via SEDAR at www.sedar.com. All amounts are in thousands of United States dollars unless otherwise indicated.

HIGHLIGHTS

Selected results outlined below should be read in conjunction with the Corporation's Financial Statements and related MD&A.

For the quarter ended March 31, 2011, the Corporation achieved:

- $18.0 million of cash flow from operating activities, before changes in non-cash working capital, up from $1.8 million in the previous quarter.

- $32.3 million in revenue for the quarter, up 378% from the same period in 2010.

- 10,187 barrels of oil per day average daily production, up from 3,423 in the previous quarter and 2,407 in the same period in 2010.

- Completed listing on the Toronto Stock Exchange on May 3, 2011. Canacol shares continue to be listed under the symbol "CNE", and Canacol debentures continue to be listed under the symbol "CNE.DB"

- Received formal approval from Agencia Nacional de Hidrocaburos ("ANH") on three new Exploration and Production ("E&P") contracts (Sangretoro, COR 11 and COR 39).
  - Sangretoro was previously part of the Pacarana Technical Evaluation Area ("TEA"), and the conversion of this prospective heavy oil area of the TEA into the Sangretoro E&P contract allows the Corporation to move ahead with plans for drilling on this block.
  - The COR 11 and COR 39 E&P contracts establish a new core area for the Corporation in the Upper Magdalena Valley in close proximity to the Guando and Abanico producing oil fields.

- Announced that net working interest proved plus probable ("2P") oil reserves increased by 69% for the Rancho Hermoso oil field as per its December 2010 reserves report. Net 2P reserves increased to 2.219 million barrels of oil, with 2P reserves replacement at 276%. The before tax NPV10 increased 182% to $144.2 million.

- Closed a C$57.6 million (net proceeds of C$54.7 million) bought deal common share financing through the issuance of 41,745,000 common shares at a price of C$1.38.

- Funded a 0.5% participation in the new pipeline construction project, the Oleoducto Bicenteario de Colombia (the "OBC") at a cost of approximately US$5 million.

- Production guidance for calendar 2011 was revised upwards to a new target of 10,500 to 11,500 bopd based primarily on the strong performance of recently drilled wells in the Canacol operated Rancho Hermoso Field in Colombia

	For the three months ended March 31,		For the nine months ended March 31,	
FINANCIAL RESULTS	**2011**	**2010**	**2011**	**2010**
(US$000s), except share data				
Petroleum and natural gas sales, net				
Colombia [2]	22,321	3,722	51,416	7,932
Brazil [1]	1,131	1,270	2,924	2,402
	23,452	4,992	54,340	10,334
Tariff revenue	8,677	1,607	11,468	4,452
Interest and other revenue	196	165	694	1,059
Total revenue	32,325	6,764	66,502	15,845
Cash from operating activities [3]	18,024	(1,162)	27,204	(2,220)
Per share - basic and diluted	0.04	(0.00)	0.06	(0.01)
Net loss	(3,343)	(5,130)	(19,780)	(9,872)
Per share - basic and diluted	(0.01)	(0.02)	(0.04)	(0.04)
Capital expenditures				
Colombia [2]	15,820	2,042	41,412	11,530
Brazil [1]	187	1,623	912	2,175
Guyana	4,517	488	8,793	1,961
Canada	141	-	192	76
	20,665	4,153	51,309	15,742
Total assets	266,498	96,066	266,498	96,066
Total long-term liabilities	26,253	17,537	26,253	17,537
Weighted average shares outstanding				
Basic (000s)	471,056	332,288	442,606	271,705
Basic and Diluted (000s)	471,056	332,288	442,606	271,705

(1) Brazil results were estimated based on Agencia Nacional do Petroleo "ANP" data.

(2) Under the terms of one of Canacol's crude oil marketing agreement ("the Hocol agreement"), Canacol retains ownership of oil in transit until it reaches the export pipeline which can take several days at which point the ownership of the oil transfers from Canacol to Hocol. At March 31, 2011, there were approximately 42,000 bbls of oil in transit. These barrels have been included in the Corporation's production volumes. However, revenue of approximately $3,825 and expenses of $402 associated with these barrels will be reported in April when title transfer occurs.

(3) Cash flow from operating activities before changes in non- cash items.

OPERATING RESULTS	For the three months ended March 31					For the nine months ended March 31				
	2011			2010		2011			2010	
	Colombia		Brazil (1)	Colombia	Brazil (1)	Colombia		Brazil (1)	Colombia	Brazil
	Non-Tariff	Tariff				Non-Tariff	Tariff			
Sales Volume										
Crude oil and NGL (bbl/d)	3,161	-	132	211	126	2,211	-	124	318	114
Natural gas (mcf/d)	-	-	-	-	-	-	-	-	-	-
Total (boe per day)	3,161	-	132	211	126	2,211		124	318	114
Total tariff sales (bbl/d)	-	6,899	-	1,562	-	-	3,006	-	1,511	
Production										
Crude oil and NGLs (bbl/d)	3,032	-	132	732	126	2,297	-	124	456	114
Natural gas (mcf/d)	-	-	-	-	-	-	-	-	-	-
Total (boe per day)	3,032	-	132	732	126	2,297	-	124	456	114
Total tariff production (bbl/d)	-	7,023	-	1,549	-	-	3,092	-	1,525	-
Average sale prices										
Crude oil ($/bbl) (5)	87.50	-	106.06	62.39	69.65	80.96	-	96.04	63.80	67.71
Oil equivalent ($/boe)	-	-	-	-	-	-	-	-		-
Operating netback (US$/boe)										
Commodity sales revenue (2)	87.50	-	106.06	62.39	69.65	80.96	-	96.04	63.80	67.71
Tariff revenue	-	13.89	-	11.53	-	-	13.66	-	13.36	-
Tariff transportation reimbursement	-	0.08	-	4.95			0.27		1.06	
Non-refundable sales taxes	-	-	(4.19)	-	(6.77)	-	-	(3.85)	-	(3.89)
Royalties (5)	(7.00)	-	(6.89)	(5.00)	(5.74)	(6.48)	-	(6.11)	(5.10)	(5.83)
Transportation & processing (3)	(9.40)	(0.18)	(14.98)	(4.02)	(14.35)	(8.94)	(0.47)	(14.84)	(3.16)	(13.41)
Well workover & repair	-	-	-	(0.03)	(2.93)	(0.18)	(0.22)	-	(0.69)	(2.39)
MEP work unit provision	-	-	-	-	(3.72)	-	-	-	-	(3.02)
Operating expenses (4) (6)	(13.45)	(2.09)	(32.81)	(5.90)	(27.94)	(19.69)	(3.13)	(33.69)	(11.61)	(27.05)
Netback (5)	57.65	11.70	47.19	47.44	8.20	45.67	10.11	37.55	43.24	12.12

(1) Brazil results were estimated based on Agencia Nacional do Petroleo "ANP" data.

(2) Colombian commodity sales revenue and tariff revenue include transportation revenue.

(3) Colombian transportation and processing charges relate to both tariff and non-tariff production.

(4) Colombian operating expenses relate to both tariff and non-tariff oil production volumes.

(5) "Netback " per boe is calculated as revenues net of sales taxes and royalties, less transportation & processing charges, well workover and repair and operating expenses and then divided by bbls sold. Netbacks do not have a standard meaning prescribed by GAAP and therefore may not be comparable to similar measures used by other companies. Management feels this is a useful metric as it is a common metric used by other companies operating in the oil and gas industry in order to provide a comparison of relative overall performance between companies. Management uses the metric to assess the Corporation's overall performance relative to that of its competitors and for internal planning purposes. In Colombia, the total sales volumes for the three months ended March 31, 2011 were 284,460 bbls (non-tariff) and 620,869 bbls (tariff).

(6) $13.45 per bbl relates to the operating expenses per boe in Colombia of oil produced in this quarter. It does not take into account approximetely $1,600 relating to an opening inventory balance adjustement.

Canacol is a Canadian based international oil and gas corporation with operations in Colombia, Brazil and Guyana. Canacol is publicly traded on the 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 may contain statements within the meaning of safe harbour provisions as defined under Securities Laws and Regulations. The above statements are based on the current expectations and beliefs of Canacol's management and are subject to a number of risks and uncertainties that may cause the actual results to differ materially from those described above.

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. 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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