Canacol Energy Ltd. Announces 401% Increase in Revenues and Strong Operating Cash Flow for Fiscal Year Ended 2011

CALGARY, ALBERTA - (September 29, 2011) - Canacol Energy Ltd. *("Canacol" or the "Corporation") (TSX:CNE; BVC:CNEC)* is pleased to report its financial results for the fiscal year ended 2011, or twelve months ended June 30, 2011.

FINANCIAL AND OPERATING HIGHLIGHTS

Twelve months ended June 30, 2011

Total revenues for the fiscal year ended June 30, 2011 increased 401% to US $114.4 million from US $22.8 million for the fiscal year ended June 30, 2010. Operating cash flow for the twelve months ended June 30, 2011 increased to US $47.8 million from US ($0.2) million for the twelve months ended June 30, 2010.

Capital expenditures for the fiscal year ended June 30, 2011 increased 188% to US $73.3 million from US $25.5 million for the fiscal year ended June 30, 2010. For the twelve months ended June 30, 2011, 81% of the Corporation's capital expenditures occurred in Colombia.

Average daily sales volumes increased 238% to 7,047 barrels of oil per day *("bopd")* for the twelve months ended June 30, 2011 from 2,086 bopd for the twelve months ended June 30, 2010.

For the twelve months ended June 30, 2011, the Corporation's operating netback per barrel for non-tariff production in Colombia was US $56.46.

Three months ended June 30, 2011

Total revenues for the three months ended June 30, 2011 increased 546% to US $47.9 million from US $7.4 million for the three months ended June 30, 2010. Operating cash flow for the three months ended June 30, 2011 increased to US $31.1 million from US $3.8 million for the three months ended June 30, 2010.

Capital expenditures for the three months ended June 30, 2011 increased 308% to US $24.7 million from US $6.1 million for the three months ended June 30, 2010. For the three months ended June 30, 2011, 83% of the Corporation's capital spending occurred in Colombia.

Average daily sales volumes increased 326% to 11,633 barrels of oil per day for the three months ended June 30, 2011 from 2,731 bopd for the three months ended June 30, 2010.

The Corporation exited fiscal year end June 30, 2011 at approximately 11,300 net bopd.

For the three months ended June 30, 2011, the Corporation's operating netback per barrel for non-tariff production in Colombia was US $71.16.

	3 MONTHS ENDED JUNE 30,		12 MONTHS ENDED JUNE 30,	
	2011	**2010**	**2011**	**2010**
US $ in millions				
Operating revenues	$ 47.9	$ 7.4	$ 114.4	$ 22.8
Operating cash flow	31.1	3.8	47.8	(0.2)
Capital expenditures				
Colombia	20.6	4.2	59.3	18.2
Guyana	3.7	1.6	12.5	4.8
Brazil	0.3	0.3	1.2	2.5
Other	0.1	-	0.3	-
	$ 24.7	**$ 6.1**	**$ 73.3**	**$ 25.5**
Sales volume *(bbl/d)*				
Colombia tariff	7,656	1,407	4,165	1,432
Colombia non-tariff	3,879	1,204	2,764	539
Brazil	98	120	118	115
	11,633	**2,731**	**7,047**	**2,086**
Colombia non-tariff operating netback *(US$/bbl)(1)*				
Average realized price	$ 111.61		$ 94.45	
Royalties	(8.93)		(7.56)	
Operating expenses*(2)*	(31.52)		(30.43)	
Operating netback	**$ 71.16**		**$ 56.46**	
Colombia tariff operating netback *(US$/bbl)(1)*				
Tariff revenue	$ 13.89		$ 13.76	
Operating expenses*(2)*	(4.89)		(4.06)	
Operating netback	**$ 9.00**		**$ 9.70**	

(1) "Netback" per barrel 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.

(2) Includes operating expenses and transportation expenses

OUTLOOK – FULLY FUNDED

The Corporation confirms its production guidance of 10,500 to 11,500 net average bopd for calendar year 2011. Canacol anticipates exiting calendar year 2011 with production of approximately 14,000 net bopd. As of June

2011, the Corporation had approximately US$ 115 million in cash and remains fully funded to execute all of its development and exploration programs through 2012.

The Corporation's has filed its audited consolidated financial statements, and related Management's Discussion and Analysis as of and for the year ended June 30, 2011 with Canadian securities regulatory authorities. These filings are available for review at 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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