Canacol Energy Ltd. Announces 73% Increase in Proved Reserves and Replaces 209% of Proved Reserves for Fiscal Year Ended June 30, 2011

CALGARY, ALBERTA--(September 27, 2011) - Canacol Energy Ltd. *("Canacol" or the "Corporation") (TSX:CNE; BVC:CNEC)* is pleased to report its reserves for the fiscal year ended June 30, 2011 for its operated Rancho Hermoso and Entrerrios oil fields and its non-operated Capella heavy oil discovery in Colombia.

Total corporate proved reserves *("1P")* for the fiscal year ended June 30, 2011 increased 73% to 4.5 million barrels *("mmbls")* from 2.6 mmbls for the fiscal year ended June 30, 2010, with a corresponding 1P reserve replacement of 209%*. In the same period, 1P pre-tax NPV-10 increased 207% from US $64.9 million to US $199.2 million. Total corporate proved plus probable reserves *("2P")* increased to 7.9 mmbls for the fiscal year ended June 30, 2011. In the same period, 2P pre-tax NPV-10 increased to US $311.9 million.

CORPORATE TOTAL

Net After Royalty Reserves, Deemed Volumes and Pre-Tax NPV-10 Summaries

	30-Jun-11					30-Jun-10	
	Reserves	Reserves Pre-Tax	Deemed Volumes	Total Reserves Plus Deemed Volumes	Total Pre-Tax	Reserves	Total Pre-Tax
Volumes in Mbbl and		NPV-10			NPV-10		NPV-10
Pre-Tax NPV-10 in 000s of U.S. dollars	*Mbbl*	*(US$ in 000s)*	*Mbbl*	*Mbbl*	*(US$ in 000s)***	*Mbbl*	*(US$ in 000s)***
Total Proved *(1P)*	**4,513**	**$134,409**	**784**	**5,297**	**$199,216**	**2,613**	**$64,897**
Probable	3,434	$95,301	251	**3,685**	$112,728	4,262	$81,524
Total proved plus probable *(2P)*	**7,947**	**$229,710**	**1,035**	**8,982**	**$311,944**	**6,875**	**$146,421**
Possible	5,137	$142,880	246	**5,383**	$158,714	5,779	$130,607
Total proved plus probable plus possible *(3P)*	**13,084**	**$372,590**	**1,281**	**14,365**	**$470,658**	**12,654**	**$277,028**

The evaluations, effective June 30, 2011, were conducted internally with the assistance of the Corporation's independent reserve evaluator DeGolyer and MacNaughton ("D&M") and are in accordance with National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities. The reserves are provided on a net after royalty basis in units of barrels of oil (bbl) using a forecast price deck in US dollars. The estimated values may or may not represent the fair market value of the reserve estimates.

** Reserves replacement ratio: Ratio of reserve additions to production, as reported in financial statements during the fiscal year ended June 30, excluding acquisitions and dispositions on a proved basis.*

***Net present valuations discounted at 10% include the values for both the Risk Service Contract and the net after royalty reserves.*

Charle Gamba, President and CEO of Canacol commented "I am pleased to report that the Corporation has significantly increased reserves and the corresponding value of those reserves, mainly through continued exploitation success in Colombia. The Corporation sees the potential to increase reserves further in Rancho Hermoso and Capella through more development drilling. The Corporation has also established a transformative conventional oil exploration position with interests in 12 exploration contracts covering 2.5 million net acres. The execution of our exploration programs for fiscal year 2012 has the potential to add significantly to our existing production and reserve base. As of June 30, 2011, The Corporation had approximately US$ 115 million in cash and remains fully funded through 2012."

Rancho Hermoso & Entrerrios Oil Fields

The Corporation operates two producing oil fields, Rancho Hermoso *(100% gross working interest)* and Entrerrios *(60% gross working interest)*, located in the Llanos Basin of Colombia. Each field has two contracts governing the production. One contract, a Risk Service Contract, provides a tariff revenue for each barrel produced from the Mirador interval in the Rancho

Hermoso field, and the remaining three contracts are production sharing type arrangements whereby the Corporation is entitled to an equity share of the volumes produced net of a royalty payment to the government.

Rancho Hermoso Net After Royalty Reserves Summary

Rancho Hermoso's net after royalty 2P reserves for fiscal year ended June 30, 2011 increased 88% to 2.5 mmbls from 1.3 mmbls for the fiscal year ended June 30, 2010.

Reserves in Mbbl	June 30, 2011 *Mbbl*	June 30, 2010 *Mbbl*
Total proved reserves *(1P)*	1,921	1,099
Probable reserves	543	213
Total proved plus probable reserves *(2P)*	**2,464**	**1,312**
Possible reserves	2,228	
Total proved plus probable plus possible reserves *(3P)*	**4,692**	**1,312**

The evaluations, effective June 30, 2011, were conducted internally with the assistance of the company's independent reserve evaluator DeGolyer and MacNaughton ("D&M") and are in accordance with National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities.

Rancho Hermoso Tariff Oil Summary

Rancho Hermoso's proved plus probable tariff volumes for fiscal year ended June 30, 2011 increased 124% to 7.4 mmbls from 3.3 mmbls for the fiscal year ended June 30, 2010.

For Rancho Hermoso's Mirador Risk Service Contract, the Corporation handles 100% of the gross volumes for a service fee.

Tariff Gross Volumes in Mbbl	June 30, 2011 *Mbbl*	June 30, 2010 *Mbbl*
Proved tariff volumes	5,582	3,046
Probable tariff volumes	1,802	254
Total proved plus probable tariff volumes	**7,384**	**3,300**
Possible tariff volumes	1,802	
Total proved plus probable plus possible tariff volumes	**9,186**	**3,300**

The evaluations, effective June 30, 2011, were conducted internally with the assistance of the Corporation's independent reserve evaluator DeGolyer and MacNaughton ("D&M"). The Corporation does not have a direct interest in the oil or gas but the revenues realized from the Mirador Risk Service Contract are predicated on reserves defined under COGEH methodology and definitions. The revenue is equated to a deemed volume of the same type and quality of hydrocarbon.

Rancho Hermoso Deemed Volume Summary

Rancho Hermoso's contracted tariff volume and the deemed volume attributable to the Corporation's interest based on the deemed market price on an annualized basis at June 30, 2011.

	June 30, 2011		
Tariff and Deemed Volumes in Mbbl	Tariff Volume *Mbbl*	Deemed Price *$/bbl*	Deemed Volume *Mbbl*
Proved	5,582	$ 96.53	784
Proved plus probable	7,384	$ 96.85	1,036
Total proved plus probable plus possible	9,186	$ 97.30	1,281

The evaluations, effective June 30, 2011, were conducted internally with the assistance of the Corporation's independent reserve evaluator DeGolyer and MacNaughton ("D&M"). The Corporation does not have a direct interest in the oil or gas but the revenues realized from the Mirador Risk Service

Contract are predicated on reserves defined under COGEH methodology and definitions. The revenue is equated to a deemed volume of the same type and quality of hydrocarbon. As of the fiscal year end June 30, 2010, the Corporation had not reported deemed volumes associated with the Mirador Risk Service Contract.

RANCHO HERMOSO TOTAL

Pre-Tax NPV-10 Summary for Net After Royalty Reserves and Deemed Volumes

Total Rancho Hermoso proven plus probable pre-tax NPV-10 for the fiscal year ended June 30, 2011 increased 319% to US $214.5 million from US $51.2 million for the fiscal year ended June 30, 2010.

Total Rancho Hermoso proved plus probable plus possible pre-tax NPV-10 for the fiscal year ended June 30, 2011 increased 475% to US $294.1 million from US $51.2 million for the fiscal year ended June 30, 2010.

	June 30, 2011	June 30, 2010
In 000s of U.S. dollars	Pre-Tax NPV-10 *(US $ 000s)*	Pre-Tax NPV-10 *(US $ 000s)*
Proved	$169,417	$42,487
Probable	$45,056	$8,679
Total proved plus probable	**$214,473**	**$51,166**
Possible	$79,620	$0
Total proved plus probable plus possible	**$294,093**	**$51,166**

The evaluations, effective June 30, 2011, were conducted internally with the assistance of the Corporation's independent reserve evaluator DeGolyer and MacNaughton ("D&M"). The Corporation does not have a direct interest in the oil or gas but the revenues realized from the Mirador Risk Service Contract are predicated on reserves defined under COGEH methodology and definitions. The revenue is equated to a deemed volume of the same type and quality of hydrocarbon. As of the fiscal year end June 30, 2010, the Corporation had not reported deemed volumes associated with the Mirador Risk Service Contract.

114 bopd was hedged at a floor of US $55 and a ceiling of US $80.25 per barrel to the end of August 2011, 500 bopd was hedged at a floor of US $70 and a ceiling of US $100 per barrel to the end of August 2011, 500 bopd is hedged at a floor of US $70 and a ceiling of US $100 per barrel until October 2011, and 500 bopd is hedged at a floor of US $70 and a ceiling of US $100 per barrel until November 2011.

The net after royalty reserve valuations were derived using a forecast price deck as follows:

Year	*2011**	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*
US$/bbl, WTI	*$ 99.00*	*$ 99.20*	*$ 99.36*	*$ 99.49*	*$ 99.58*	*$ 101.58*	*$ 103.61*	*$ 105.68*	*$ 107.79*	*$ 109.95*	*$ 112.15*	*$ 114.39*

For the tariff production valuation, the Corporation receives an operating tariff from Ecopetrol S.A. for each gross produced barrel of oil. The average tariff price for fiscal year 2011 was US $13.76 per gross barrel, and was insensitive to West Texas Intermediate oil price fluctuation. Under an existing agreement with Ecopetrol, the tariff was US $13.89 per gross barrel from September 2010 until August 2011 and is presently US $17.56 per gross barrel for the duration of life of field.
** For 6 months*

Capella

The Corporation has a 10% gross working interest in the Capella heavy oil discovery in Colombia, located on the Ombu Exploration and Production Contract in the Caguan-Putumayo Basin. The contract was awarded to the operator under the new terms defined by the Agencia Nacional de Hidrocarburos, whereby production is subject to a sliding scale royalty payable to the government. Royalty is determined by various production and reserves thresholds, and varies from a low of 8% to a high of 23%. The royalty level for Capella production is discounted by 25% due to the heavy nature of the crude oil.

CAPELLA TOTAL

Net After Royalty Reserves and Pre-Tax NPV-10 Summaries

Capella's net after royalty 1P reserves for fiscal year ended June 30, 2011 increased 112% to 2.5 mmbls from 1.2 mmbls for the fiscal year ended June 30, 2010. In the same period, 1P pre-tax NPV-10 increased 66% from US $17.3 million to US $28.6 million.

	June 30,2011		June 30, 2010	
Reserves in Mbbl and Pre-Tax NPV-10 in 000s of U.S. dollars	*Mbbl*	Pre-Tax NPV-10 *(000s)*	*Mbbl*	Pre-Tax NPV-10 *(000s)*
Total proved reserves *(1P)*	2,521	$28,642	1,190	$17,251
Probable reserves	2,889	$67,523	3,042	$47,473
Total proved plus probable reserves *(2P)*	**5,410**	**$96,165**	**4,232**	**$64,724**
Possible reserves	2,896	$78,867	5,309	$117,598
Total proved plus probable plus possible reserves *(3P)*	**8,306**	**$175,032**	**9,541**	**$182,322**

The evaluations, effective June 30, 2011, were conducted internally with the assistance of the Corporation's independent reserve evaluator DeGolyer and MacNaughton ("D&M") and are in accordance with National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities. The reserves are provided on a net after royalty basis in units of barrels of oil (bbl) using a forecast price deck in US dollars. The estimated values may or may not represent the fair market value of the reserve estimates.

The net after royalty reserve valuations were derived using a forecast price deck as follows:

Year	*2011**	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*
US$/bbl, WTI	*$ 99.00*	*$ 99.20*	*$ 99.36*	*$ 99.49*	*$ 99.58*	*$ 101.58*	*$ 103.61*	*$ 105.68*	*$ 107.79*	*$ 109.95*	*$ 112.15*	*$ 114.39*

** For 6 months*

Reconcavo Basin, Brazil – Discontinued Operations

Effective June 30, 2011, the Corporation's non-operated 47.5% working interest in 5 producing oil fields located in the Reconcavo Basin were sold.

The Corporation's has filed its reserves 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.

Reserves replacement ratio: Ratio of reserve additions to production, as reported in financial statements during the fiscal year ended June 30, excluding acquisitions and dispositions on a proved basis.

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