Canacol announces a 133% increase in revenue during the year ended June 30, 2010 compared to 2009

CALGARY, ALBERTA- (Oct 29, 2010) Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX VENTURE:CNE) (BVC:CNE.C) is pleased to announce that it has filed its annual financial statements for the year ended June 30, 2010 ("Financial Statements"), Management Discussion and Analysis ("MD&A") and Form 51-101F1 - Statement of Reserves Data and Other Oil and Gas Information, under National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities, and related documents. Copies of the filed documents may be obtained via SEDAR at www.sedar.com.

MESSAGE FROM THE PRESIDENT AND CEO

Charle Gamba, President and CEO of Canacol Energy Ltd., commented "In the past twelve months the Corporation has consolidated a significant oil production and exploration position in its focus areas of Colombia, Brazil, and Guyana, with interests in 7 producing conventional oil fields and 12 exploration contracts covering 3.1 million net acres. For the remainder of 2010, the Corporation is focused on executing its development drilling on its operated oil producing assets in Colombia and Guyana to increase near term base oil production and cash flow, as well as continuing the ongoing appraisal activity on its non-operated Capella heavy oil discovery in Colombia. In 2011, the Corporation will focus on executing high impact oil exploration programs, which include the drilling of the second exploration well in Guyana, the drilling of one exploration well in Brazil, and the drilling of three development wells in Rancho Hermoso. In 2011 the Corporation will also continue its appraisal and development drilling activity on its non-operated Capella heavy oil discovery in Colombia to capture mid to long term production and reserves growth. With the recent closing of a US$39 million private placement in July 2010, the Corporation is fully funded to execute its 2010 and 2011 programs. The Corporation is focused on executing its considerable portfolio of development and exploration opportunities to deliver value to its shareholders."

HIGHLIGHTS

Selected results outlined below should be read in conjunction with the Corporation's Financial Statements and related MD&A. All amounts are in thousands of US Dollars unless otherwise stated.

For the year ended June 30, 2010, the Corporation:

- **Increased its land base around its Ombu E&P contract heavy oil discovery in Colombia.**
  - The Pacarana Technical Evaluation area was awarded, consisting of approximately 470,022 hectares. Pacarana is immediately adjacent and to the south of the Ombu Contract.
  - The Tamarin E&P Contract was awarded, consisting of approximately 27,000 hectares. Tamarin is 25 kilometres directly southwest of the Ombu Contract.
  - The Cedrela E&P Contract was awarded, consisting of approximately 129,418 hectares. Cedrela is 50 kilometres directly southwest of the Ombu Contract.

  The Corporation has 100% working interest in all three contracts.

- **Solidified its financial position through a combination of share issues, convertible debenture issues and other financial related activities**.
  - The Corporation completed the following share offerings:

  - A private placement equity financing for gross proceeds of $0.35 million through the issuance of 2,219,048 units (Common share plus ½ of a common share warrant).
  - A private placement equity financing for gross proceeds of $38.8 million through the issuance of 142,858,000 common shares.
  - A private placement equity financing for gross proceeds of $56 million through the issuance of 76,667,050 common shares.
- The Corporation issued $3.7 million 12% convertible debentures with interest paid in common shares.
- The Corporation repaid its $17.5 million reserves-based credit facility, its $4.6 million line of credit balance and repurchased its Gemini royalties agreement for cash consideration of $18.3 million plus the issuance of 4,421,260 common shares.

➢ **Continued successful development of its Rancho Hermoso field in Colombia.**

- The Rancho Hermoso 3A well was completed and tested production rates of up to 799 barrels of oil per day from the Mirador reservoir.
- The Rancho Hermoso 4 well completed workover and tested a combined gross rate of 2,339 barrels of oil per day from 3 zones.
- The Rancho Hermoso 5 well was completed and encountered two new oil bearing reservoirs. The Guadalupe reservoir flowed at a final rate of 3.994 barrels of oil and 318 mcf of gas per day. The Los Cuervos reservoir flowed at a rate of 4,434 barrels of oil per day.
- The Rancho Hermoso 6 well was completed subsequent to year end, and tested at a total gross rate of 12,847 barrels of oil per day from 3 zones.
- The Rancho Hermoso 7ST well was completed subsequent to year end and tested 5,019 barrels of oil per day from the Los Curevos-Barco reservoir.
- The rig will be mobilized to the Rancho Hermoso 8 ("RH 8") well which is anticipated to spud the first week of November. The Corporation has also contracted the Saxon 132 drilling rig which is being mobilized to the Rancho Hermoso 9 ("RH 9) location to commence drilling in mid November.

➢ **Solidified its working interest and prepared for exploration in Guyana.**

- The Corporation purchased Groundstar Resources Inc, increasing its working interest in the 7,800 square kilometre Takutu Basin Petroleum Prospecting License to 90%. The Corporation then entered into a farmout agreement with Sagres Energy Inc. for a 25% interest, leaving Canacol with a 65% working interest.
- The Corporation executed a contract for a drilling rig for its Guyana exploration well. The rig is currently being mobilized. Construction of the drilling pad and staging areas are complete and tubular and wellheads are on location.

➢ **Continued to develop its Capella potential subsequent to the end of the year.**

- The Corporation completed the first horizontal well, Capella FH-10. The Capella FH-10 well yielded flow rates of up to 437 barrels of oil per day, greater than 2 times that of a vertical well.
- The Corporation announced the results of its reserves appraisal for the year ended June 30, 2010. The 2P reserves associated with Ombu increased from 1.2 to 2.4 million net barrels, with 3P increasing 279% from 3.6 to 9.6 million net barrels.
- The Corporation announced the results of its cyclic steam injection pilot from the Capella C5 well. Under the pilot, the vertical well increased production 330%. This increase in recoverable oil was not taken into account in the reserves report.

➢ **Continued to strengthen its financial position and market liquidity subsequent to the end of the year.**

- The Corporation closed a bought-deal offering of $39 million 8% convertible debentures, which are trading on the TSXV under the symbol CNE.DB.

- Canacol commenced trading on the Bolsa de Valores de Colombia ("BVC").

Annual Summary Information

US$000's (Except per share amounts)	2010	2009	2008
Petroleum and natural gas sales [2]			
Colombia	12,466	3,702	-
Brazil	3,246	2,591	4,751
Canada	-	38	139
	15,712	6,331	4,890
Tariff Revenue	6,336	2,607	-
Interest and other	792	845	596
Total operating revenue	22,840	9,783	5,486
Total production (bbl)	300,348	120,972	62,697
Total tariff production (bbl)	522,789	279,068	-
Total Assets	158,762	73,299	109,769
Total long term liabilities	11,908	23,191	76,078
Cash (from) used in operating activities	(219)	(2,095)	(2,970)
Per share [1]	(0.00)	(0.02)	(0.04)
Net loss	(21,646)	(18,684)	(9,632)
Per share [1]	(0.07)	(0.15)	(0.11)

(1) Per share amount are basic and diluted

(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 transfer from Canacol to Hocol. At the end of June 30, 2010, there were approximately 57,000 bbls of oil in transit. These barrels have been included in the Canacol's production volumes. However, the revenue of $3,600 and expenses of $2,300 asssociated with these barrels will be reported as July sales when the title transfer occurred. This timing difference in revenue recognition has the effect of deferring $1,300 of cash flow from oil produced in June to the following month.

FINANCIAL RESULTS	For the three months ended June 30, 2010	2009	For the year ended June 30, 2010	2009
(US$000s), except share data				
Petroleum and natural gas sales, net				
Colombia [1] [4]	4,486	1,925	12,466	3,702
Brazil [2]	845	69	3,246	2,591
Canada [3]	-	-	-	38
	5,331	1,994	15,712	6,331
Tariff revenue	1,874	858	6,336	2,607
Interest and other revenue	212	425	792	845
Total revenue, recurring operations	7,417	3,277	22,840	9,783
Cash from (used in) continuing operating activities	3,799	(3,269)	(219)	(2,095)
Per share - basic and diluted	0.01	(0.02)	(0.00)	(0.02)
Net loss from continuing operations	(11,648)	(4,498)	(21,646)	(18,684)
Per share - basic and diluted	(0.04)	(0.03)	(0.07)	(0.15)
Capital expenditures				
Colombia [1]	4,179	2,163	18,191	6,078
Brazil [2]	275	(14)	2,465	3,093
Guyana	1,635	-	4,833	737
Canada [3]	-	(936)	-	(2,351)
	6,089	1,213	25,489	7,557
Total assets	158,762	73,299	158,762	73,299
Total long-term liabilities	11,908	23,191	11,908	23,191
Weighted average shares outstanding				
Basic (000s)	383,873	140,503	299,785	122,490
Basic and Diluted (000s)	383,873	140,503	299,785	122,490

[1] Colombian operations commenced in October 30, 2008.

[2] Brazil results were estimated based on Agencia Nacional do Petroleo "ANP" data.

[3] Canadian producing properties were sold effective January 1, 2009. Therefore there is no impact for the year ended June 30, 2010.

[4] 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 transfer from Canacol to Hocol. At the end of June 30, 2010, there were approximately 57,000 bbls of oil in transit. These barrels have been included in the Canacol's production volumes. However, the revenue of $3,600 and expenses of $2,300 asssociated with these barrels will be reported as July sales when the title transfer occurred. This timing difference in revenue recognition has the effect of deferring $1,300 of cash flow from oil produced in June to the following month.

OPERATING RESULTS	For the three months ended June 30, 2010		For the three months ended June 30, 2009		For the year ended June 30, 2010		For the year ended June 30, 2009		
Production	Colombia	Brazil (1)	Colombia	Brazil	Colombia	Brazil (1)	Colombia (2)	Brazil	Canada (3)
Crude oil and NGLs (bbl/d)	1,439	120	298	118	701	121	313	118	1
Natural gas (mcf/d)	-	-	-	-	-	-	-	-	48
Total (boe per day)	1,439	120	298	118	701	121	313	118	9
Total tariff production (bbl/d)	1,152	-	1,015	-	1,432	-	1,154	-	-
Average sale prices									
Crude oil ($/bbl) (9)	74.13	86.12	58.94	61.51	68.60	82.77	45.95	85.96	-
Oil equivalent ($/boe)	-	-	-	-	-	-	-	-	40.14
Operating netback (US$/boe)									
Commodity sales revenue (9)	74.13	86.12	58.94	61.51	68.60	82.77	45.95	85.96	40.14
Tariff revenue (4)	11.94	-	9.28	-	12.08	-	9.34	-	-
Non-refundable sales taxes	-	(4.63)	-	(1.53)	-	(4.10)	-	(3.82)	-
Realized gain on financial derivative	-	-	-	38.47	-	-	-	-	-
Royalties (5)	(5.72)	(5.67)	(5.62)	(5.18)	(5.37)	(5.80)	(3.10)	(7.08)	(4.43)
Transportation & processing (6)	(7.43)	(14.04)	(10.25)	(20.21)	(4.32)	(13.60)	(7.27)	(17.73)	-
Well workover & repair	(2.24)	-	(1.27)	(2.04)	(1.11)	-	(0.44)	(1.71)	-
MEP work unit provision	-	(17.97)	-	(3.95)	-	(4.49)	-	(3.88)	-
Operating expenses (7)	(14.01)	(23.91)	(10.84)	(32.05)	(10.70)	(32.52)	(10.61)	(31.29)	(9.84)
Netback (8)	44.73	19.90	30.96	35.02	47.10	22.26	24.53	20.45	25.87

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

(2) Colombian operations commenced in October 30, 2008.

(3) Canadian producing properties were sold effective January 1, 2009. Therefore there is no impact for the year ended June 30, 2010.

(4) Colombian revenue includes transportation revenue included in "other revenue".

(5) Royalties apply to non-tariff oil production.

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

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

(8) "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 boes produced. 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.

(9) As as June 30, 2010, the Corporation received approximately $0.35 million (equivalent to the sale of 8,596 bbls) as compensation for higher than average quality of crude delivered.

Canacol is a Canadian based international oil and gas corporation with operations in Colombia, Brazil and Guyana. Canacol is publicly traded on TSX Venture Exchange (TSXV: CNE). 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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