FOR IMMEDIATE RELEASE
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Canacol announces a 275% increase in revenue during the three and six months ended December 31, 2010 compared to same periods in 2009

Canacol Energy Ltd. ("Canacol" or the "Corporation"; TSX: CNE.V; BVC: CNE.C) announces that it has filed its interim quarterly financial statements for the three and six months ended December 31, 2010 ("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 December 31, 2010, the Corporation:

- Achieved a 275% increase in revenue over the same period in 2009 due to a substantial production increase.

- Engaged with Citivalores S.A. Sociedad Comisionista de Bolsa in Colombia in preparation for the integration of the Colombia, Chile and Peru stock markets through presenting road shows in these three countries. The Corporation also commenced the process of listing on the Toronto Stock Exchange.

- Continued developing the Rancho Hermoso field, including:
  - Completed drilling and testing the Rancho Hermoso 7 well. The Los Cuervos – Barco reservoir was perforated and tested at a final gross rate of 5,019 bbl/d (1,255 bbl/d net).
  - Completed drilling and testing the Rancho Hermoso 9 well. The RH 9 well encountered 109 feet of net oil pay within 5 different reservoir intervals. The Mirador reservoir was tested at a rate of 6,750 bbl/d of tariff oil.
  - Completed drilling and testing of the Rancho Hermoso 8 well subsequent to the end of the quarter. The Los Cuervos – Barco reservoir was tested at a final stable gross rate of 3,927 bbl/d (982 bbl/d net).
  - Completed drilling the Rancho Hermoso 10 well subsequent to the end of the quarter. Two of four zones have been tested, including the Ubaque reservoir which tested at a final stable gross rate of 8,122 bbl/d (2,030 bbl/d net) and the Guadalupe reservoir which tested at a final stable gross rate of 10,944 bbl/d (2,736 bbl/d net). The Corporation is currently testing the Los Cuervos – Barco and C7 reservoirs next.
  - The Corporation is expanding the fluid handling capacity of the facilities of the field to accommodate future development drilling.

- Announced a US$106,000,000 capital budget for the 2011 calendar year for exploration and development activities in Colombia, Guyana, and Brazil. The budget includes:

- Drilling 39 gross wells (13 net wells), which include 6 exploration wells and 33 appraisal and development wells,
- The acquisition of 650 kilometres of 2D exploration seismic,
- Building an early production facility at the Capella discovery,
- The continued expansion of its operated Rancho Hermoso production facilities,
- The funding of the Corporation's share of the OBC pipeline project in Colombia.

Subsequent to the quarter ended December 31, 2010, the Corporation:

- The Corporation's average worldwide net production for the month of January 2011 was approximately 8,500 barrels of oil per day ("bbl/d"), which consisted of 2,700 bbl/d net royalty production and 5,800 bbl/d of tariff production. The Corporation's average worldwide net production for February 2011 to date was approximately 10,700 bbl/d, which consisted of 3,200 bbl/d net royalty production and 7,500 bbl/d of tariff production, up from an average of approximately 3,228 bbl/d (2,278 bbl/d net royalty production and 950 bbl/d tariff production) for the three months ended December 31, 2010.

- On February 8, 2011, the Corporation achieved record net production of 13,500 bbl/d which consisted of 4,890 bbl/d of net royalty production and 8,610 bbl/d of tariff production.

- With current production levels increasing faster than planned, due primarily to better than anticipated performance from the recently drilled wells at Rancho Hermoso, and with the addition of 2 to 3 additional wells to the Rancho Hermoso drilling program in 2011, bringing the total RH wells to be drilled in 2011 to 6, the Corporation is currently revising its production guidance for calendar 2011.

- Continued drilling of Apoteri K-2 well, the first exploration well on the Takutu Block in Guyana. The K-2 well is being drilled to approximately 11,000 feet md, 600 metres away from the Karanambo 1 well.

- Under the terms of an agency agreement dated on January 26, 2011, the Corporation is qualifying the sale and distribution of 36,300,000 common shares at a price of C$1.38 per common share. Upon closing, the gross proceeds to the Corporation are estimated to be C$50,094,000 before deducting estimated issue expenses and agent's fees in the aggregate totalling approximately C$2,505,000. In addition, the Corporation has granted the agents an option, exercisable until the closing of the offering to purchase up to a total of 5,445,000 additional common shares at a price of C$1.38 per common share. The proceeds of the financing will be used to drill up to 3 additional wells at the Rancho Hermoso field, and advance exploration program on its COR 11 and 39 exploration blocks in the Upper Magdalena Basin

FINANCIAL RESULTS	For the three months ended December 31, 2010	2009	For the six months ended December 31, 2010	2009
(US$000s), except share data				
Petroleum and natural gas sales, net				
Colombia [(2)]	14,735	2,063	29,095	4,259
Brazil [(1)]	934	585	1,793	1,132
	15,669	2,648	30,888	5,391
Tariff revenue	1,212	1,611	2,791	2,848
Interest and other revenue	247	265	498	886
Total revenue, recurring operations	17,128	4,524	34,177	9,125
Cash from (used in) continuing operating activities	14,644	1,610	16,720	566
Per share - basic and diluted	0.03	0.01	0.04	0.00
Net loss from continuing operations	(13,835)	(4,157)	(16,437)	(4,803)
Per share - basic and diluted	(0.03)	(0.01)	(0.04)	(0.02)
Capital expenditures				
Colombia [(2)]	19,451	6,638	25,592	9,422
Brazil [(1)]	380	379	725	582
Guyana	2,521	1,495	4,276	1,467
Canada	51	-	51	75
	22,403	8,512	30,644	11,546
Total assets	185,635	102,728	185,635	102,728
Total long-term liabilities	26,651	21,573	26,651	21,573
Weighted average shares outstanding				
Basic (000s)	446,475	303,312	438,368	242,073
Basic and Diluted (000s)	446,475	303,312	438,368	242,073

(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 transfer from Canacol to Hocol. At the end of December 31, 2010, approximately 58,350 bbls of oil in inventory was in transit and the respective revenues and expenses were recognized after December 31, 2010.

OPERATING RESULTS	For the three months ended December 31				For the six months ended December 31			
	2010		2009		2010		2009	
	Colombia	Brazil (1)	Colombia	Brazil (1)	Colombia	Brazil (1)	Colombia	Brazil
Sales Volume								
Crude oil and NGL (bbl/d)	2,161	117	298	105	2,222	120	371	108
Natural gas (mcf/d)	-	-	-	-			-	-
Total (boe per day)	2,161	117	298	105	2,222	120	371	108
Total tariff sales (bbl/d)	950	-	1,614	-	1,102		1,479	
Production								
Crude oil and NGLs (bbl/d)	2,193	117	313	105	1,938	120	321	108
Natural gas (mcf/d)	-	-	-	-	-	-	-	-
Total (boe per day)	2,193	117	313	105	1,938	120	321	108
Total tariff production (bbl/d)	1,113	-	1,651	-	1,170	-	1,514	-
Average sale prices								
Crude oil ($/bbl) (5)	74.17	96.06	63.06	60.38	73.56	90.65	45.95	57.13
Oil equivalent ($/boe)	-	-	-	-	-	-	-	-
Operating netback (US$/boe)								
Commodity sales revenue (2)	74.17	96.06	63.06	60.38	73.56	90.65	45.95	57.13
Tariff revenue (3)	13.86	-	11.81	-	13.77	-	9.34	-
Non-refundable sales taxes	-	(3.79)	-	(2.59)	-	(3.67)	-	(2.45)
Realized gain on financial derivative	-	-	-	-	-	-	-	-
Royalties (5)	(5.56)	(5.75)	(5.05)	(7.15)	(5.68)	(5.69)	(3.10)	(6.77)
Transportation & processing (3)	(6.55)	(18.07)	(2.76)	(13.65)	(4.45)	(14.77)	(7.27)	(12.91)
Well workover & repair	(0.39)	-	(0.01)	(2.40)	(0.48)	-	(0.44)	(2.36)
MEP work unit provision	-	-	-	(3.05)	-	-	-	(2.99)
Operating expenses (4)	(10.75)	(35.54)	(13.25)	(33.16)	(13.90)	(34.16)	(10.61)	(31.18)
Netback (5)	50.92	32.91	41.99	(1.62)	49.05	32.36	24.53	(1.53)

(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 volume for the three months ended December 31, 2010 were 198,806 bbls (non-tariff) and 87,415 bbls (tariff).

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) and the Bolsa de Valores Colombia (BVC:CNE.C). 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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