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### ***Canacol Energy Ltd. Announces Acquisition of a Private Colombian Exploration Company***

CALGARY, ALBERTA- (November 9, 2011) Canacol Energy Ltd. (“Canacol” or the “Corporation”) (TSX:CNE) (BVC:CNEC) announced today that it has entered into a pre-acquisition agreement with a private company (“PrivateCo.”) for Canacol to acquire all of PrivateCo.’s fully diluted common shares and other securities (“the Offer”). PrivateCo.’s Board has determined that the Offer is in the best interest of PrivateCo.’s shareholders and will recommend that shareholders accept the Offer. The Corporation expects the transaction to close by mid December 2011.

The transaction provides Canacol a suite of exploration assets located in the Llanos, Caguan, and Middle Magdalena basins of Colombia and an expected working capital injection of approximately US\$ 14 million at closing. With the Corporation’s US\$ 115 million in cash as of June 30, 2011 and strong cash flows from the Rancho Hermoso field, Canacol expects to fund and execute PrivateCo.’s exploration program in calendar year 2012 with no material impact to the Corporation’s existing production and exploration programs.

PrivateCo. has interests in eight exploration and production (“E&P”) blocks in Colombia governed by contracts under the Agencia Nacional de Hidrocarburos (“ANH”). These assets consist of four blocks in the Llanos basin (152,000 net acres), one block in the Caguan-Putumayo basin (103,000 net acres), and three blocks in the Middle Magdalena basin (138,000 net acres). PrivateCo. is the operator of four of the eight blocks. PrivateCo. shall proceed to file a request for assignment to Canacol, before the ANH, of the participating interests.

#### **PrivateCo.’s Five Key Assets**

##### ***Operated Block 1 (51% working interest)***

Located in the Llanos basin, Block 1 is located immediately north of and adjacent to the Rancho Hermoso field. The Corporation sees very good potential for the extension of the Rancho Hermoso production trend north on to operated Block 1 along the established fault trend. The Corporation anticipates stacked pay potential on operated Block 1, as is the case at the Rancho Hermoso field. Canacol aims to apply its expertise developed at Rancho Hermoso to the adjacent, and on trend, operated Block 1. According to the pre-acquisition agreement with PrivateCo., the Corporation has the option to acquire an additional 20% working interest on operated Block 1 for approximately US\$4 million, which will be exercised on closing.

##### ***Operated Block 2 (40% working interest)***

Located in the Caguan-Putumayo basin, Block 2 is located immediately to the southwest of the Capella field on the Ombu E&P block, and augments the Corporation’s significant acreage position along this exciting heavy oil exploration trend. The exploration potential of this block is characterized by large, faulted anticlines similar to the recent discovery at Capella. Canacol aims to utilize its local knowledge acquired at Capella and extensive activity in the area to the adjacent and on trend, operated Block 2.

##### ***Operated Block 3 (90% working interest)***

##### ***Non-operated Block 4 (40% working interest)***

##### ***Non-operated Block 5 (20% working interest)***

Located in the Middle Magdalena basin, these three blocks are situated in a potentially large, unconventional oil shale fairway in the thick Cretaceous La Luna formation analogous to the Eagle Ford formation, which underlies much of south and east Texas. This unconventional play type has received considerable attention from international

resource play operators in recent months. Non-operated Block 5 is associated with a world-class partner that is consolidating its position in the area. While participating in the upside at non-operated Block 5, the Corporation aims to capture proprietary information to de-risk PrivateCo.'s higher working interest in adjacent, operated Block 3 and non-operated Block 4.

### **Key Terms and Conditions**

The Offer is for approximately CDN\$ 69 million or CDN\$ 0.58 per PrivateCo. share payable in Canacol shares. The purchase price is based on the Corporation's trailing five-day volume weighted average price per share of CDN\$ 0.67.

The Offer is made pursuant to the terms and conditions of the pre-acquisition agreement. These conditions include that Canacol accumulates 90% of PrivateCo.'s common shares. In addition, the pre-acquisition agreement contains customary non-solicitation covenants on the part of PrivateCo., a matching right for the Corporation in the event any superior proposal arises, and a deal termination fee of CDN\$ 1.5 million payable by PrivateCo. to Canacol in certain circumstances.

Canacol has entered into a "hard" lock-up agreement with PrivateCo.'s largest shareholder, who represents approximately 49% of PrivateCo.'s common shares. Additionally, PrivateCo.'s largest shareholder has agreed to place a voluntary trading restriction on the Corporation's shares, received as consideration, as follows: (i) 10% released on closing; (ii) 30% released on the three month anniversary of Closing; (iii) 30% released on the six month anniversary of Closing; and (iv) 30% released on the nine month anniversary of closing. Upon closing of the transaction, the Corporation will invite a nominee from PrivateCo.'s largest shareholder to join Canacol's Board of Directors.

Each of PrivateCo.'s directors and senior officers has agreed to tender all of their shares, representing a further 5% of common shares. With a total of 54% of common shares of PrivateCo. subject to lock-up terms, the Corporation intends to mail the Offer to PrivateCo.'s shareholders as soon as possible.

In Canada, the offer is subject to regulatory and stock exchange approvals, including the approval of the Toronto Stock Exchange. In Colombia, the parties will comply with applicable regulatory notices and procedures.

*Canacol is a Canadian-based international oil and gas corporation with operations in Colombia, Guyana, and Brazil. Canacol is publicly traded on Toronto Stock Exchange (TSX: CNE) and the Bolsa de Valores de Colombia S.A (BVC: CNEC). The Corporation's public filings may be found at [www.sedar.com](http://www.sedar.com).*

*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 timing for completion of the transaction and anticipated benefits results from the transaction described in this press release. 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.*

*Forward-looking information is based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated by Canacol and described in the forward-looking information. The material risk factors affecting Canacol and its business are contained in Canacol's Annual Information Form, which is available under Canacol's issuer profile on Sedar ([www.sedar.com](http://www.sedar.com)).*

*The forward-looking information contained in this press release is made as of the date hereof and Canacol undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless required by applicable securities laws. The forward-looking information contained in this press release is expressly qualified by this cautionary statement.*

*This press release shall not constitute an offer to sell or the solicitation of an offer to buy securities in the United States, nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.*

**For further information please contact:**

Kevin Flick

Vice President of Capital Markets and Investor Relations

1-214-235-4798

Email: [kflick@canacolenergy.com](mailto:kflick@canacolenergy.com)

[www.canacolenergy.com](http://www.canacolenergy.com)