



Canacol Energy Ltd. Announces Closing of C\$57 Million Bought Deal Prospectus Offering

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CALGARY, ALBERTA (FEBRUARY 15, 2011) – Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX VENTURE: CNE) is pleased to announce that it has closed its previously announced "bought deal" equity financing with a syndicate of underwriters co-led by Cormark Securities Inc. and Canaccord Genuity Corp., and which includes FirstEnergy Capital Corp., Stifel Nicolaus Canada Inc., Citigroup Global Markets Canada Inc., Mackie Research Capital Corporation and TD Securities Inc. (collectively, the "Underwriters"), pursuant to which the Underwriters purchased 41,745,000 common shares of the Corporation ("Common Shares") at \$1.38 per Common Share and raised gross proceeds of C\$57,608,100 for the Corporation (the "Offering"). This included 5,445,000 Common Shares issued pursuant to the full over-allotment option being exercised by the Underwriters.

The net proceeds from the Offering will be used to fund operations in the Rancho Hermoso Field and COR 11 and 39 E&P Contracts (100% operated working interest). Based upon the results of its recent drilling campaign, the Corporation has identified significant upside within the Rancho Hermoso field and plans to drill two to three additional development wells in addition to the five previously scheduled for 2011. The expected capital requirement associated with the drilling and completion of these additional wells is approximately C\$15 million. The Corporation has chosen to accelerate its exploration programs on the COR 11 and 39 E&P contracts that it successfully bid in the 2010 Colombian exploration bid round. The expected combined capital requirement associated with these programs is approximately C\$20 million. The Corporation also intends to use C\$12 million of the net proceeds to fund exploration activities in Guyana. The remainder of the proceeds will be placed into treasury to fund general corporate needs, which may include execution of one or more exploration farm-in opportunities the Corporation is currently evaluating in Colombia and Brazil.

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

This press release shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any state in the United States in which such offer, solicitation or sale would be unlawful. The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

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.

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