Canacol Energy Ltd announces 159% Increase in Reserves for Fiscal Year ending June 30th, 2010

CALGARY, ALBERTA- (October 28, 2010) Canacol Energy Ltd. ("Canacol" or the "Corporation", (TSX-V: CNE) (BVC:CNE.C) is pleased to provide the results of its year-end reserves update for its operated Rancho Hermoso and Entrerrios oil fields in Colombia, its non-operated Capella heavy oil discovery in Colombia, and its non-operated oil fields in Brazil, and an update of current Corporate production. The Corporation has increased net 2P reserves by 159%, from 4.334 million barrels of oil (mmbo) in 2009 to 6.875 mmbo in 2010, with a corresponding increase in NPV10 of 152% from US$96.17 million in 2009 to US$146.42 million in 2010. The Corporation is currently producing 5,750 net barrels of oil per day after royalty, mainly from its operated Rancho Hermoso field in Colombia.

Charle Gamba, President and CEO of Canacol, commented "I am pleased to report that over the company's fiscal year ending June 30th, 2010, we have significantly increased our reserves base and the value of those reserves, mainly through exploration success in Colombia. The Corporation anticipates adding additional reserves to its base with continued appraisal and development drilling activity at its Capella heavy oil discovery and its operated Rancho Hermoso field in Colombia throughout 2011. The Corporation has also established a significant conventional oil exploration position with interests in 19 exploration contracts covering over 3 million net acres. The execution of our exploration programs in 2011 and 2012 has the potential to add significantly to our existing production and reserves base. Based on the level of current production, the Corporation is also positioned to meet its 7,000 bopd net production target for end December 2010."

The Corporation plans to revise its reserves for end December 2010 to include the wells drilled since June 30, 2010 through to the end of December 2010 at Rancho Hermoso and Capella.

The Corporation, through its wholly-owned subsidiary Rancho Hermoso SA operates two producing oil fields, Rancho Hermoso (100% interest) and Entrerrios (60% interest), located in the Llanos Basin of Colombia. Each field has two contracts with Ecopetrol S.A. 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 company is entitled to an equity share of the volumes produced net of a royalty payment to the government. The Corporation has a 10% working interest in the Capella heavy oil discovery in Colombia, located on the Ombu Exploration and Production Contract in the Putumayo – Caguan 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.

In Brazil the corporation has a non-operated 47.5% working interest in 5 producing oil fields located on the Reconcavo Basin.

The evaluations, effective June 30, 2010, were conducted internally with the assistance of the company's independent reserve evaluator Ryder Scott (Colombia – Rancho Hermoso and Entrerrios Fields) and Degolyer and MacNaughton ("D&M") (Colombia – Capella and Brazil – Reconcavo), 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.

Net After Royalty Reserves Summary (Colombia and Brazil)

	2010-Jun-30	2009-Jun-30
Proven Reserves (Bbls)	2,613,000	1,530,000
Probable Reserves (Bbls)	4,262,000	2,804,000
Total Proven plus Probable Reserves (Bbls)	6,875,000	4,334,000
Possible Reserves (Bbls)	5,779,000	1,903,000
Total Proven plus Probable plus Possible Reserves (Bbls)	12,654,000	6,237,000

Tariff Oil Summary (Colombia)

	2010-Jun-30	2009-Jun-30
Proven Tariff Volumes (Bbls)	3,046,000	3,604,000
Probable Tariff Volumes (Bbls)	254,000	2,318,000
Total Proven plus Probable Tariff Volumes (Bbls)	3,300,000	5,922,000

Net After Royalty Reserves and Tariff Production NPV10 Summary (Corporate Roll-up)

	2010-Jun-30	2009-Jun-30
	NPV10 (US$)	NPV10 (US$)
Proven Reserves plus Tariff Volumes	$64,897,000	$36,666,000
Probable Reserves plus Tariff Volumes	$81,524,000	$59,505,000
Total Proven Reserves plus Probable Reserves plus Tariff Volumes	$146,421,000	$96,171,000
Possible Reserves plus Tariff Volumes	$130,607,000	$19,904,000
Total Proved plus Probable plus Possible Reserves plus Tariff Volumes	$277,028,000	$116,075,000

Net present valuations discounted at 10 per cent include the values for both the Risk Service Contract and the net after royalty reserves. For Colombia, the valuations are modeled on this basis because of the commercial benefits that come from distributing field operating expenses between the tariff and net after royalty production in the Rancho Hermoso field. Economic limits for a particular field were inclusive of all contracts associated with that field.

Of the net after royalty production, 140 bopd is hedged at a floor of US$55 and a ceiling of US$80.25 per barrel until December 2010, 114 bopd is hedged at a floor of US$55 and a ceiling of US$80.25 from January to August 2011, and 500 bopd is hedged at US$70 and a ceiling US$100 until August 2011.

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

Year	2010 (6 months)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
US$/Bbl WTI	$78.00	$81.60	$85.05	$88.35	$92.01	$83.85	$85.72	$97.64	$99.59	$101.58	$103.61	$105.69

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 year2010 was US$10.74 per barrel, and was insensitive to West Texas Intermediate oil price fluctuation. Under an existing agreement with Ecopetrol, the tariff will increase through a series of steps over the next year to US$17.56 per gross barrel by August 2011 for the duration of life of field.

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: CNEC). The Corporation's public filings may be found at www.sedar.com.

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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