Canacol Energy Ltd Announces 69% Increase in 2P Reserves at Rancho Hermoso and Replaces 276% of 2P Reserves for Fiscal Mid-Year Ending December 31st , 2010

CALGARY, ALBERTA- (May 3, 2011) Canacol Energy Ltd. ("Canacol" or the "Corporation") (Symbol:CNE) (BVC:CNEC) is pleased to provide the results of its mid-year reserves update for its operated Rancho Hermoso oil field in Colombia.

The Corporation has increased net 2P reserves in Rancho Hermoso by 69%, from 1.312 million barrels of oil (mmbo) in June 2010 to 2.219 mmbo in December 2010 and achieved a corresponding 2P reserves replacement ratio of 276%. In the same time period, before-tax NPV10 increased 182% from US$51.17 million in June 2010 to US$144.18 million in December, 2010.

Charle Gamba, President and CEO of Canacol, "I am pleased to report that the Corporation has significantly increased Rancho Hermoso's reserves and corresponding value for the mid-year ending December 31, 2010. Canacol will continue recycling cash flow from Rancho Hermoso into its large exploration programs in Colombia."

The evaluation, effective December 31, 2010, was conducted internally with the assistance of the company's independent reserve evaluator Degolyer and MacNaughton ("D&M") 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.

The Rancho Hermoso Participation Contract in the Casanare Area results in the following net after royalty reserves:

Net After Royalty Reserves Summary (Rancho Hermoso)

	2010-Dec-31	2010-Jun-30
Proven Reserves (Bbls)	1,482,480	1,098,728
Probable Reserves (Bbls)	736,915	213,293
Total Proven + Probable Reserves (Bbls)	2,219,395	1,312,021
Possible Reserves (Bbls)	1,032,028	-
Total Proven + Probable + Possible Reserves (Bbls)	3,251,423	1,312,021

In the Rancho Hermoso Mirador Risk Service Contract, the Corporation handles 100% of the gross volumes for a service fee. The 100% gross volumes associated with the Mirador are:

Tariff Oil Summary (Rancho Hermoso)

	2010-Dec-31	2010-Jun-30
Proven Tariff Volumes (Bbls)	5,578,636	3,046,336
Probable Tariff Volumes (Bbls)	2,335,279	253,311
Total Proven + Probable Tariff Volumes (Bbls)	7,913,915	3,299,647
Possible Tariff Volumes (Bbls)	1,678,550	-
Total Proven + Probable + Possible Tariff Volumes (Bbls)	9,592,465	3,299,647

In prior NI51-101 filings the Corporation has not reported tariff volumes associated with the Mirador Risk Service Contract. A mechanism exists whereby tariff volumes may be converted to ‘deemed volumes’. The following table illustrates the contracted tariff volume and the deemed volume attributable to the Corporation’s interest based on the deemed market price on an annualized basis.

Deemed Volumes Summary (Rancho Hermoso)

	Tariff Volume (Bbls)	Deemed Price ($/bbl)	Deemed Volume (Bbls)
Proven	5,578,636	82.23	782,918
Total Proven + Probable	7,913,915	75.38	1,258,461
Total Proven + Probable + Possible	9,592,465	76.07	1,553,015

The combined before-tax net present valuation at 10 percent of the Risk Service Contract and the net after royalty reserves are:

Combined before-tax NPV10 Summary (Rancho Hermoso)

	2010-Dec-31	2010-Jun-30
	NPV10 (US$) btax	NPV10 (US$) btax
Proven	83,204,000	42,487,168
Probable	60,972,000	8,679,274
Total Proven + Probable	144,176,000	51,166,442
Possible	55,392,000	-
Total Proven + Probable + Possible	199,568,000	51,166,442

Net present valuations discounted at 10 per cent include the values for both the Risk Service Contract and the net after royalty reserves. 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 were inclusive of all contracts associated with the field.

Of the net after royalty production, 1000 bopd is hedged at a floor of US$70 and a ceiling of US$100 per barrel until October 2011, 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	$79.50	$88.00	$90.78	$93.64	$96.57	$99.58	$101.58	$103.61	$105.68	$107.79	$109.95	$112.15

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 year 2010 was US$10.74 per gross barrel, and was insensitive to West Texas Intermediate oil price fluctuation. Under an existing agreement with Ecopetrol, the tariff is US$13.89 per gross barrel until August 2011 and US$17.56 per gross barrel thereafter for the duration of life of field.

The Corporation, through its wholly-owned subsidiary Rancho Hermoso SA operates Rancho Hermoso (100% working interest) located in the Llanos Basin of Colombia. The field has two contracts with Ecopetrol S.A. (1) a Participation Contract in the Casanare Area whereby the Corporation receives approximately 25% (after royalty) of gross production from the Los Cuervos–Barco, Guadalupe, and Ubaque reservoirs, with Ecopetrol S.A. receiving the remainder, and (2) a Risked Service Production Contract for the Mirador reservoir, whereby the Corporation is paid a tariff for each barrel of oil produced and Ecopetrol S.A. receives the oil. The current tariff is US $13.89 per barrel, which will escalate to US $17.36 per barrel in August 2011 through to the commercial life of the field.

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 Colombia (BVC: CNEC). The Corporation's public filings may be found at 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 associated timelines. 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. Prospective resources are defined as those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce ant portion of the resources.

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