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Canacol Announces Particulars of the Recently Announced Carrao Energy Ltd. Acquisition

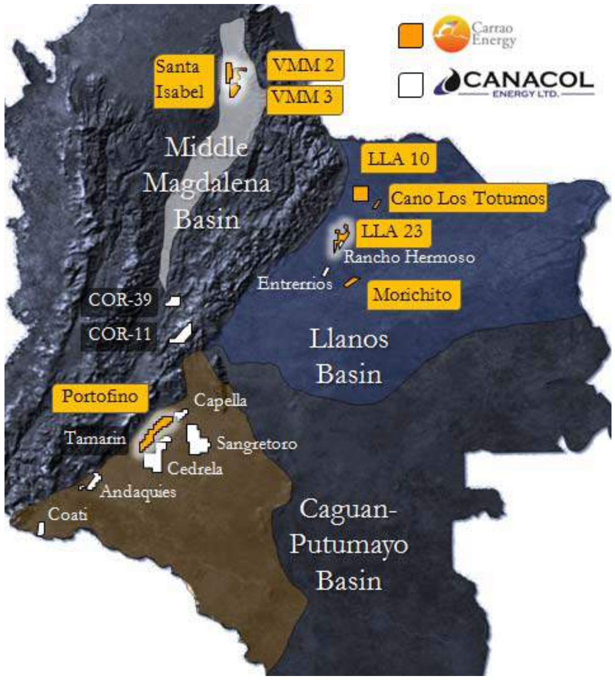
CALGARY, ALBERTA- (November 16, 2011) Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE) (BVC:CNEC) is pleased to announce further particulars relating the acquisition of the private company, Carrao Energy Ltd. ("Carrao") announced on November 9, 2011.

On November 9, 2011, the Corporation delivered the offer materials to the Carrao shareholders and has now secured a voluntary soft lock up agreement from the second largest shareholder of Carrao which is a large institutional investor holding approximately 18% of the issued and outstanding common Carrao Shares. As a result Canacol now has received lock ups representing approximately 67% of Carrao common Shares. The minimum take up condition under the offer is 66.67% of the Carrao Shares allowing Canacol to expect a closing to occur on November 29, 2011 following the expiry of the offer on November 25, 2011. In addition, with the transaction completion at a near certainty, Canacol is able to provide further particulars regarding Carrao and its properties.

Charle Gamba, CEO and President of Canacol, stated "The Carrao acquisition provides us with a set of exploration assets governed under the terms of the ANH that are an excellent strategic fit to our existing exploration and production assets. Three sets of assets are particularly compelling: 1) the LLA 23 block, located immediately north of Rancho Hermoso, which provides a light oil prospect inventory with the potential to add significant and early cashflow that we have identified on the basis of the existing seismic and proprietary knowledge related to our activities at Rancho Hermoso, 2) the Portofino block, which augments our position in this frontier heavy oil basin in Colombia where we have already experienced exploration success with the Capella discovery, and 3) the Middle Magdalena assets, which provide a new core area for Canacol with exposure to a large high quality unconventional shale oil play in partnership with a major oil producer. We expect to significantly expand the scope of our 2012 exploration drilling program in Colombia, which we shall announce when we provide our 2012 production and exploration guidance later in November 2011".

Description of Assets

Carrao has working 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 (LLA 23, LLA 10, Cano Los Totumos, and Morichito) totaling 175,000 net acres, one block in the Caguan-Putumayo basin (Portofino) totaling 103,000 net acres, and three blocks in the Middle Magdalena basin (VMM 2, VMM 3, Santa Isabel) totaling 138,000 net acres. Carrao is designated administrator and has the right to become official operator subject to ANH approval of four of the eight blocks: LLA 23, Cano Los Totumos, Portofino, and Santa Isabel.



LLA 23 (51% working interest)

Located in the Llanos basin, operated block LLA 23 is located immediately north of and adjacent to the Rancho Hermoso field. The Corporation has mapped an extension of the Rancho Hermoso fault trend north onto this block, and has mapped three prospects using the available 2D seismic. The Corporation anticipates stacked pay potential on LLA 23, as is the case at the Rancho Hermoso field. LLA 23 offers significantly better ANH fiscal terms with 2-3 times better netbacks and reserve valuations than those available under the Rancho Hermoso tariff and non-tariff contracts. Utilizing its expertise developed at the adjacent and on trend Rancho Hermoso field, the Corporation plans to drill the first exploration well on LLA 23 in the second quarter of 2012. According to the pre-acquisition agreement with Carrao, the Corporation has the option to acquire an additional 20% working interest in LLA 23 for approximately US$4 million, which will be exercised on closing.

Portofino (40% working interest)

Located in the Caguan-Putumayo basin, Portofino is located immediately to the southwest of the Capella field located on the Ombu E&P block, and augments the Corporation's significant acreage position along this exciting heavy oil exploration trend. The Corporation holds a dominant land position within the relatively unexplored northern part of the Caguan-Putumayo Basin. The basin covers approximately 110,300 square kilometers and ultimately extends south to Colombia's border with both Ecuador and Peru. Sharing a geological history with the Oriente and Maranon basins of Ecuador and Peru, respectively, the bulk of exploration to date has been focused on the southern part of the basin, where approximately 30 fields have been discovered.

Recent 2D seismic data collected on the Portofino block has revealed large faulted anticlines similar in character and size to the recent discovery at Capella. Utilizing its expertise developed at the adjacent and on trend Capella field, the Corporation plans to drill its first exploration well on the Portafino block well in the first half of 2012.

Middle Magdalena Assets

Located in the Middle Magdalena basin, these three blocks (Santa Isabel 90% working interest, VMM 2 40% working interest, and VMM 3 20% working interest) expose Canacol to both conventional and unconventional light oil exploration opportunities. The 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. Ecopetrol is targeting over 25,000 barrels of production per day from the Middle Magdalena unconventional shale fairway by 2015.

VMM 3 is associated with a major oil producer, a world-class partner that is consolidating its position in the area. Under the terms of the agreement executed between Carrao and the major oil producer in September 2011, Carrao sold 100% of its working interest in the block to the major oil producer for a cash consideration. Under the terms of the agreement, the major oil producer will assume all of the work program commitments including the acquisition of 3D seismic and the drilling of up to 3 exploration wells. The major oil producer also granted Carrao the right to back in for a 20% working interest in the block at no additional cost after the expiry of the first 2 year period. The transaction is subject to approval by the ANH, which is expected before current year end.

While participating in the upside at VMM 3, the Corporation aims to capture proprietary information to de-risk its higher working interest in the adjacent Santa Isabel and VMM 2 blocks.

Transaction Process

Mr. Gamba is the President, CEO and Executive Director of Canacol and is also an Independent Director of Carrao (holding less than 1% of Carrao Shares). Canacol struck a special committee of the board, which excluded Mr. Gamba, to formulate and negotiate the offer for Carrao. Carrao likewise struck a special committee of the board, excluding Mr. Gamba, to analyze and accept the Canacol offer. Mr. Gamba had no involvement in the formulation, negotiation, or acceptance of the offer in his capacity as President, CEO and Executive Director of Canacol, nor as Independent Director of Carrao.

The Canacol special board committee retained Canaccord Genuity as exclusive financial advisor to provide independent fairness and strategic advice in connection with the transaction.

Key Terms and Conditions

The Offer is for approximately CDN$ 69 million equity value before deduction of acquired working capital and using CDN$ 0.58 per Carrao 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 as at November 9, 2011. Carrao's working capital is estimated at US$14.5 million, before deduction of expenditures on exploration commitments prior to closing, which are creditable against the working capital amount. In aggregate, Canacol expects to issue between 103.1 million and 106.0 million common shares to effect the transaction, which is dependent on the ultimate treatment of outstanding Carrao stock options and warrants, and assuming no working capital adjustment at closing. The Offer has accounted for the contingent closing of Carrao's transaction of VMM 3 to the major oil producer with a 10% escrow holdback on the total consideration paid to Carrao shareholders. Further particulars of the transaction are contained in the Canacol press release of November 9, 2011.

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.

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).

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
www.canacolenergy.com