



Canacol Energy Ltd. Provides Update on the Apoteri K-2 Exploration Well in Guyana

CALGARY, ALBERTA- (March 7, 2011) Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX VENTURE:CNE) (BVC:CNE.C) is pleased to provide an update on the drilling of the Apoteri K-2 ("K-2") exploration well on the Takutu Block in Guyana. The K-2 well will be drilled to a measured depth of approximately 11,000 feet and will target the same productive reservoirs that tested over 400 barrels of oil per day of 42° API light oil from the Karanambo 1 well drilled in 1982 and located 600 meters away. Gaffney Cline and Associates attributed gross mean recoverable prospective resources of 128 million barrels of oil (83 million barrels net to Canacol's final working interest) to the discovery in the December 2009 report compiled for the Corporation.

As of the morning of Friday March 4, 2011, the K-2 well was drilling ahead at a depth of 7,366 feet measured depth ("ft md") within the Jurassic Pirara formation. Intermediate casing is planned to be set at approximately 8,970 ft md prior to drilling through the primary reservoir targets in the Manari and Apoteri formations. Drilling had been interrupted in early January 2011 due to the late arrival of some of the permanent camp facilities provided by Tuscany International Drilling Inc., which arrived on location in late January. The drilling operation since then has progressed according to plan.

Canacol has a 90% working interest in the contract, with Groundstar Resources Limited ("Groundstar"), the operator of the Petroleum Prospecting License ("PPL"), holding the remaining 10%. Sagres Energy Inc. is eligible to earn a 25% working interest in the PPL from Canacol by paying for 30% of the cost to drill the K-2 exploration well.

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 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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