Canacol Energy Ltd Signs Sangretoro, COR-11, and COR-39 E&P Contracts in Colombia

CALGARY, ALBERTA – (March 1, 2011) Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX VENTURE: CNE.V) (BVC:CNE.C) is pleased to announce it has signed three new Exploration and Production ("E&P") Contracts with the Agencia Nacional de Hidrocarburos ("ANH") of Colombia. The Sangretoro E&P contract is located in the Putumayo – Caguan Basin of southern Colombia, and was previously part of the Pacarana Technical Evaluation Area ("TEA") that the Corporation was awarded in 2009. Upon completing the work program associated with the TEA the Corporation converted the most prospective part of the TEA to an E&P contract. The COR-11 and COR-39 E&P contacts are located in the Upper Magdalena Basin of central Colombia. The Corporation was the successful bidder for the COR-11 and COR-39 E&P contracts in the Ronda 2010 exploration bid round that took place in June 2010. Canacol owns a 100% operated working interest in each of the three new contracts.

Charle Gamba, President and CEO of Canacol, stated "Canacol's exploration plans on our 100% operated heavy oil acreage located in the Caguan Basin are progressing rapidly, and the signing of the new Sangretoro E&P contract positions us to prepare for the drilling of this block. The Corporation plans to drill a total of 5 wells on its 3 exploration contracts in the Caguan (Sangretoro, Cedrela, and Tamarin) starting in the second half of 2011. The award of the COR-11 and COR-39 blocks establishes a new core area located in the Upper Magdalena Valley in close proximity to the Guando and Abanico producing oil fields. The Corporation has mapped 7 light to medium oil prospects and leads representing a variety of different play types on the 2 blocks. Canacol plans to acquire 250 km of 2D seismic and drill 1 exploration well on the COR 39 block in 2011."

Each of the blocks has a six year exploration term. The Phase 1 work program commitments associated with each of the blocks are summarized below.

Sangretoro (100% Operated Working Interest – 155,934 Ha)

Phase 1(18 months): 300 kilometers ("kms") of 2D seismic for a total gross value of US$ 6 million

COR - 11 (100% Operated Working Interest - 71,595 Ha)

Phase 1 (3 years): 155 kms of 2D seismic and 1 exploration well for a total gross value of US$ 12.2 million

COR - 39 (100% Operated Working Interest – 38,488 Ha)

Phase 1 (3 years): 90 kms of 2D seismic and 2 exploration wells for a total commitment of US$15.6 million

Canacol plans to fund the capital programs for the new blocks with a combination of cash from its recent equity raise and cash flow from production operations. Canacol has existing cash on hand of approximately US$ 110 million.

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.

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