

FOR IMMEDIATE RELEASE

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## Canacol Energy Announces C\$50 Million Bought Deal Prospectus Offering

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CALGARY, ALBERTA -- (January 26, 2011) – Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX VENTURE: CNE) is pleased to announce that it has entered into an agreement with a syndicate of underwriters to acquire, on a "bought deal" basis, 36,300,000 common shares at a price of C\$1.38 per common share for gross proceeds of C\$50,094,000. The syndicate will be co-led by Cormark Securities Inc. and Canaccord Genuity Corp., and includes FirstEnergy Capital Corp., Stifel Nicolaus Canada Inc., TD Securities Inc., and Mackie Research Capital Corporation, collectively (the "Underwriters").

In addition, the Corporation has granted the Underwriters an over-allotment option to acquire up to an additional 5,445,000 common shares at a price of C\$1.38 per common share. This option is exercisable, in whole or in part, by the Underwriters, in their sole discretion, at any time up to 30 days after the closing date. If the over-allotment option is exercised in full, additional gross proceeds will be C\$7,514,100 for total gross proceeds of C\$57,608,100.

The Corporation expects to use the net proceeds of this offering to fund the Corporation's capital program, including continued field development and exploration operations in Colombia, Guyana and Brazil and for general corporate purposes.

The offering will be made in all the provinces of Canada, other than Quebec, by way of short form prospectus. The offering is scheduled to close on or about February 15, 2011.

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](http://www.sedar.com).

This press release shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any state in the United States in which such offer, solicitation or sale would be unlawful. The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

This press release may contain statements within the meaning of safe harbour provisions as defined under Securities Laws and Regulations. The above statements are based on the current expectations and beliefs of Canacol's management and are subject to a number of risks and uncertainties that may cause the actual results to differ materially from those described above. 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. 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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