Canacol Energy Ltd Tests 3,302 BOPD From Second of 3 Zones to be Tested for a Combined Total of 6,642 BOPD at Rancho Hermoso 6 Well in Colombia

CALGARY, ALBERTA- (AUGUST 23, 2010) Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX VENTURE:CNE) (BVC:CNEC) is pleased to provide an update of its development drilling program at its operated Rancho Hermoso Field located in the Llanos Basin of Colombia, which is operated under a contract with Ecopetrol, the state oil company of Colombia. The Corporation has completed flow testing of the Guadalupe reservoir in the recently drilled Rancho Hermoso 6 ("RH 6") well, the first of five development wells planned for 2010. The RH 6 well encountered 115 feet ("ft") of net oil pay within 5 different reservoir intervals, which include, from top to bottom, the C7, Mirador, Los Cuervos - Barco, Guadalupe, and Ubaque. On August 16, 2010, the Corporation announced that it had tested a gross rate of 3,340 barrels of oil per day ("bopd") from the Ubaque reservoir, the first of 3 reservoirs to be tested in the well.

Charle Gamba, President and CEO of Canacol, stated "We are very pleased with the flow test results of the Guadalupe reservoir in the RH 6 well. Combined with the flow rate tested from the underlying Ubaque reservoir last week, the RH 6 well has demonstrated a combined gross flow rate of 6,642 bopd, with one remaining zone yet to be tested. The 5 well drilling program currently underway at the Rancho Hermoso field, and the excellent results to date from RH 6, will allow the Corporation to reach its 7,000 bopd net production exit target by year end."

Guadalupe Flow Test Results

The Guadalupe reservoir at RH 6 contains 18 ft of net oil pay. The Guadalupe was perforated between 9,754 and 9,758 ft measured depth and flowed at a final gross rate of 3,302 bopd (826 bopd net) of 33^{o} API light gravity oil with a 14% water cut using an electrical submersible pump set to a frequency of 50 Hz during a 24 hour flow period.

Forward Plans

Following a 24 hour shut in period to obtain reservoir pressure, the completion string will be pulled from the well and a temporary bridge plug set above the Guadalupe, and the overlying Los Cuervos - Barco reservoir tested. A thinner sequence of Los Cuervos – Barco at the RH 5 was tested at a final rate of 4,434 bopd of 36^{o} API light oil under naturally flowing conditions, and a similar flow rate is anticipated from the thicker sequence of reservoir encountered at RH 6.

Following this 3rd and final test, the highest productivity reservoir will be placed on long term production. Under the terms of the Production Sharing Contract with Ecopetrol, the Corporation receives 25% of gross oil production from all non-Mirador reservoirs, which would include the Ubaque, Guadalupe, and Los-Cuervos. The Corporation shall provide the results of the Los Cuervos - Barco test when available.

Canacol is a Canadian based international oil and gas corporation with operations in Colombia, Brazil and Guyana. 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.

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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