Canacol Energy Ltd Tests Total of 12,847 BOPD from 3Separate Zones in the Rancho Hermoso 6 Well in Colombia

CALGARY, ALBERTA- (AUGUST 27, 2010) Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX VENTURE:CNE) (BVC:CNE.C) is pleased to provide an update of its development drilling program at its Rancho Hermoso Field, a field under commercial production, located in the Llanos Basin of Colombia, which is operated under a Participation Contract with Ecopetrol. The Corporation has completed flow testing of the Los Cuervos – Barco 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. Three of the five reservoirs, the Ubaque, the Guadalupe, and the Los Cuervos – Barco, were flowed tested separately. 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, and on August 23, 2010, the Corporation announced that it had tested 3,302 bopd from the overlying Guadalupe reservoir.

Charle Gamba, President and CEO of Canacol, stated "We are very pleased with the final flow test results from the RH 6 well, the first of 5 wells we are drilling in the Rancho Hermoso field this year. With a combined total gross flow rate of 12,847 bopd from three of the five oil bearing reservoirs encountered in the well, we are on track to deliver on our exit target of 7,000 bopd net production for 2010. Drilling continues at Rancho Hermoso, with the RH 7 well currently at 8,881 feet, and results are anticipated soon. Following the completion of the RH 7 well the Corporation will spud the third well in the program, RH 8, in early September."

Los Cuervos - Barco Flow Test Results

The Los Cuervos – Barco reservoir at RH 6 contains 33 ft of net oil pay. The Los Cuervos - Barco was perforated between 9,726 and 9,743 ft measured depth ("MD") and flowed at a final gross rate of 6,205 bopd (1,551 bopd net) of 35^{o} API light gravity oil with 7% water cut using an electrical submersible pump set to a frequency of 45 Hz during a 24 hour flow period. Following a 24 hour shut in period to obtain reservoir pressure, the Los Cuervos – Barco reservoir will be placed on long term production. The Corporation plans to co-mingle production from the Los Cuervos – Barco and Guadalupe reservoirs towards year end after the long term production performance of the zone has been established.

Rancho Hermoso 7 Well

The rig meanwhile is drilling the RH 7 well at a location approximately 1,500 ft to the north of the RH 6 well. The rig is currently drilling at a depth of 8,881 ft MD, and is anticipated to reach a total depth of approximately 10,213 ft MD in late August. 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.

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.

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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