



FOR IMMEDIATE RELEASE  
TSX-Venture: CNE  
Calgary, Alberta

March 2, 2010

***Canacol announces 121% increase in revenue during the six months ended December 31, 2009 compared to December 31, 2008.***

Canacol Energy Ltd. ("Canacol" or the "Corporation"; TSX: CNE.V) announces that it has filed its unaudited financial statements for the quarter ended December 31, 2009 ("Financial Statements") and its accompanying Management Discussion and Analysis ("MD&A"). Copies of the filed documents may be obtained via SEDAR at [www.sedar.com](http://www.sedar.com).

Canacol is a Canadian based international oil exploration and production corporation with core operations in Colombia, Brazil, and Guyana. Canacol is publicly traded on TSX Venture Exchange (TSXV: CNE). The Corporation's public filings may be found at [www.sedar.com](http://www.sedar.com).

## **HIGHLIGHTS**

Selected financial results outlined below should be read in conjunction with the Corporation's unaudited Financial Statements and related MD&A.

### **Quarterly Highlights:**

#### **For the quarter ended December 31, 2009, the Corporation:**

- Purchased all of the outstanding shares of Groundstar Resources Inc., a Guyanese company which holds a Petroleum Prospecting License in the Takutu Basin in Guyana. Canacol acquired a 90% working interest in the PPL, which comprises approximately 7,800 square kilometres. Canacol then entered into an agreement to farmout a 25% interest to Sagres Energy Inc. Canacol and Sagres will carry Groundstar's remaining 10% working interest to first commercial production.
- Completed a \$40 million private placement, the proceeds of which will be used to fund its 2009 and 2010 development and exploration programs and repay debt. Canacol repaid US\$4.1 million on its Colombia line of credit and US\$5.8 million on its reserved based credit facility and drew US\$4.5 million from its financing arrangement with Gemini, bringing the total advanced by Gemini to US\$9,000.
- Discovered a new pool at its Rancho Hermoso field in Colombia. The RH5 well encountered two new oil bearing reservoirs in the Los Cuervos and Guadalupe Formations, in addition to its targeted producing reservoir in the Mirador Formation. The Guadalupe reservoir flowed at a final rate of 3,994 barrels per day of 33° API gravity oil and 318 mcf of gas per day. The Los Cuervos reservoir flowed at a rate of 4,434 barrels per day of 36° API gravity oil with a water cut of 0%.
- Provided details on its Capella heavy oil discovery calendar 2010 work program. Canacol plans to continue appraising the field through participating in the drilling of 4 appraisal wells and 3 development wells; formulate a full field development plan through acquiring 100 square km of 3d seismic and quantifying performance of a steam injection pilot and testing a horizontal well; and monetize early

production volumes through the construction of an early production facility, the laying of flow lines, the upgrading of roads and bridges in the area and the drilling of a water disposal well.

**Subsequent to the quarter ended December 31, 2009, the Corporation:**

- Commenced the process to list Canacol on the “RNVE”, the Registro Nacional de Valores y Emisores in Colombia as well as on the “BVC”, the Bolsa de Valores de Colombia. Both listings will qualify as secondary listings, and the company’s primary exchange will remain the TSX Venture Exchange.
- Announced a US\$46 million capital budget in 2010 for exploration and development activities in Colombia, Guyana and Brazil. The budget includes the drilling of 15 wells, which includes 3 exploration wells, one each in Colombia, Guyana and Brazil, and 3 appraisal and 9 development wells in Colombia. The budget also includes the acquisition of 100 km of 3D seismic and 160 km of 2D seismic in Colombia and Brazil, the building of a 2,000 barrels of fluid per day early production facility at the Capella discovery in Colombia, and the expansion of its operated Rancho Hermoso production facilities in Colombia. Canacol also plans to participate in the exploration bid round scheduled in Colombia for late June as a qualified operator.

| FINANCIAL RESULTS                                  | Three Months Ended |                    |                   | Six Months Ended  |                   |
|--|--------------------|--------------------|-------------------|-------------------|-------------------|
|  | December 31, 2009  | September 30, 2009 | December 31, 2008 | December 31, 2009 | December 31, 2008 |
| <i>(000s), except share data</i>                   |                    |                    |                   |                   |                   |
| Petroleum and natural gas sales, net               |                    |                    |                   |                   |                   |
| Colombia <sup>(1)</sup>                            | 2,180              | 2,409              | 871               | 4,590             | 871               |
| Brazil   | 619                | 600                | 862               | 1,218             | 2,175             |
| Canada <sup>(2)</sup>                              | -                  | -                  | 33                | -                 | 70                |
|  | 2,799              | 3,009              | 1,766             | 5,808             | 3,116             |
| Tariff revenue                                     | 1,703              | 1,365              | 970               | 3,068             | 970               |
| Interest and other                                 | 280                | 675                | 338               | 955               | 367               |
| Total revenue, recurring operations                | 4,782              | 5,049              | 3,074             | 9,831             | 4,453             |
| Cash from (used in) recurring operating activities | 2,382              | (1,091)            | 5,673             | 612               | 4,183             |
| Per share - basic and diluted                      | 0.01               | (0.01)             | 0.05              | 0.00              | 0.04              |
| Net loss from continuing operations                | (3,714)            | (1,459)            | (8,847)           | (5,172)           | (11,492)          |
|  | (0.01)             | (0.01)             | (0.08)            | (0.02)            | (0.11)            |
| Capital expenditures                               |                    |                    |                   |                   |                   |
| Colombia <sup>(1)</sup>                            | 7,017              | 3,133              | 2,814             | 10,150            | 2,814             |
| Brazil   | 401                | 226                | 18                | 627               | 1,764             |
| Guyana   | 1,580              | -                  | -                 | 1,580             | -                 |
| Canada   | -                  | 82                 | 116               | 82                | (528)             |
|  | 8,998              | 3,441              | 2,948             | 12,439            | 4,050             |
| Total assets                                       | 107,515            | 84,442             | 89,106            | 107,515           | 89,106            |
| Total long-term liabilities                        | 22,579             | 24,423             | 30,789            | 22,579            | 30,789            |
| Weighted average shares outstanding                |                    |                    |                   |                   |                   |
| Basic (000s)                                       | 303,312            | 180,834            | 117,041           | 242,073           | 103,562           |
| Basic and Diluted (000s)                           | 303,312            | 180,834            | 117,063           | 242,073           | 103,656           |

| OPERATING RESULTS                          | Three Months Ended |            |            |                    |            |            |                   |         |            | Six Months Ended  |         |            |                   |         |            |
|--|--------------------|------------|------------|--------------------|------------|------------|-------------------|---------|------------|-------------------|---------|------------|-------------------|---------|------------|
|  | December 31, 2009  |            |            | September 30, 2009 |            |            | December 31, 2008 |         |            | December 31, 2009 |         |            | December 31, 2008 |         |            |
|  | Colombia (1)       | Brazil (2) | Canada (3) | Colombia (1)       | Brazil (2) | Canada (3) | Colombia (1)      | Brazil  | Canada (3) | Colombia (1)      | Brazil  | Canada (3) | Colombia (1)      | Brazil  | Canada (3) |
| Production                                 |                    |            |            |                    |            |            |                   |         |            |                   |         |            |                   |         |            |
| Crude oil and NGLs (tbb/d)                 | 313                | 105        | -          | 330                | 110        | -          | 335               | 128     | 1          | 321               | 108     | -          | 335               | 134     | 1          |
| Natural gas (mcf/d)                        | -                  | -          | -          | -                  | -          | -          | -                 | -       | 62         | -                 | -       | -          | -                 | -       | 48         |
| Total (boe per day)                        | 313                | 105        | -          | 330                | 110        | -          | 335               | 128     | 11         | 321               | 108     | -          | 335               | 134     | 9          |
| Total tariff production (tbb/d)            | 1,651              | -          | -          | 1,377              | 1,354      | -          | 1,354             | -       | -          | 1,514             | -       | -          | 1,354             | -       | -          |
| Average sale prices                        |                    |            |            |                    |            |            |                   |         |            |                   |         |            |                   |         |            |
| Crude oil (\$/bbl)                         | 75.64              | 63.83      | -          | 69.20              | 55.51      | -          | 42.64             | 77.65   | -          | 77.59             | 61.55   | -          | 42.64             | 100.25  | -          |
| Natural gas (\$/mcf)                       | -                  | -          | -          | -                  | -          | -          | -                 | -       | 5.99       | -                 | -       | -          | -                 | -       | -          |
| Oil equivalent (\$/boe)                    | -                  | -          | -          | -                  | -          | -          | -                 | 77.65   | 35.93      | -                 | 61.55   | -          | -                 | 100.25  | 46.82      |
| Operating netback (\$/boe)                 |                    |            |            |                    |            |            |                   |         |            |                   |         |            |                   |         |            |
| Commodity sales revenue                    | 75.64              | 63.83      | -          | 69.20              | 55.51      | -          | 42.64             | 77.65   | 35.93      | 77.59             | 61.55   | -          | 42.64             | 100.25  | 46.82      |
| Tariff revenue <sup>(4)</sup>              | 13.12              | -          | -          | 12.96              | -          | -          | 11.74             | -       | -          | 13.05             | -       | -          | 11.74             | -       | -          |
| Non-refundable sales taxes                 | -                  | (2.74)     | -          | -                  | (2.54)     | -          | -                 | 1.57    | -          | -                 | (2.64)  | -          | -                 | (4.46)  | -          |
| Realized loss on financial derivative      | -                  | -          | -          | -                  | -          | -          | -                 | -       | -          | -                 | -       | -          | -                 | -       | -          |
| Royalties <sup>(5)</sup>                   | (5.87)             | (7.56)     | -          | (5.54)             | (7.03)     | -          | (3.41)            | (6.55)  | (4.11)     | (5.70)            | (7.29)  | -          | (3.41)            | (8.26)  | (5.17)     |
| Transportation & processing <sup>(6)</sup> | (2.73)             | (14.43)    | -          | (3.03)             | (13.42)    | -          | (9.10)            | (29.06) | -          | (2.87)            | (13.91) | -          | (9.10)            | (20.68) | -          |
| Well workover & repair                     | (2.15)             | (2.54)     | -          | (0.01)             | (2.54)     | -          | (0.02)            | (2.39)  | -          | (1.16)            | (2.54)  | -          | (0.02)            | (2.00)  | -          |
| MEP work unit provision                    | -                  | (3.22)     | -          | -                  | (3.22)     | -          | -                 | (4.70)  | -          | -                 | (3.22)  | -          | -                 | (4.53)  | -          |
| Operating expenses <sup>(7)</sup>          | (13.53)            | (35.05)    | -          | (14.54)            | (32.19)    | -          | (14.97)           | (41.19) | (7.33)     | (13.82)           | (33.59) | -          | (14.97)           | (36.49) | (11.48)    |
| Netback <sup>(8)</sup>                     | 51.36              | (1.71)     | -          | 46.08              | (5.43)     | -          | 15.14             | (4.67)  | 24.49      | 54.04             | (1.64)  | -          | 15.14             | 23.83   | 30.17      |

<sup>(1)</sup> Colombian operations commenced in October 30, 2008.

<sup>(2)</sup> Brazil results were estimated based on the results from Q4 F2009.

<sup>(3)</sup> Canadian producing properties were sold effective January 1, 2009.

<sup>(4)</sup> Colombian Tariff revenue includes transportation revenue included in "other revenue".

<sup>(5)</sup> Royalties apply to non-tariff oil production.

<sup>(6)</sup> Colombian transportation and processing charges relate to non-tariff production.

<sup>(7)</sup> Colombian operating expenses relate to both tariff and non-tariff oil production volumes.

<sup>(8)</sup> "Netback" per boe is calculated as revenues net of sales taxes and royalties, less transportation & processing charges, well workover and repair and operating expenses and then divided by boes produced. Netbacks do not have a standard meaning prescribed by GAAP and therefore may not be comparable to similar measures used by other companies. Management feels this is a useful metric as it is a common metric used by other companies operating in the oil and gas industry in order to provide a comparison of relative overall performance between companies. Management uses the metric to assess the Corporation's overall performance relative to that of its competitors and for internal planning purposes.

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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.

**For further information please contact:**

Mr. Brian Hearst, CFO

Phone: 403-237-9925

Email: [bhearst@canacolenergy.com](mailto:bhearst@canacolenergy.com)

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