



Canacol Energy Ltd. Announces Guyana Resource and Drilling Update

CALGARY, ALBERTA -- (December 29, 2009) – Canacol Energy Ltd. (“Canacol” or the “Corporation”) (TSX VENTURE: CNE) is pleased to report an update of its prospective resources in Guyana in the Takutu Block, Guyana. The Corporation has a 65% non-operated working interest in the block. In November 2008 the Corporation announced contingent resources for the Takutu Block Karanambo discovery which tested 411 barrels of light oil (42° API) per day by Home Oil in 1982. This contingent resource figure was based on a report prepared by Gaffney Cline & Associates (“GCA”) dated July 2008.

The Corporation has received an updated report from GCA and is amending this contingent resource estimate previously provided by GCA to be prospective resources as follows.

Guyana - Oil Prospective Resources Unrisked as at December 21, 2009.

| Prospect | Reservoir | Low (MMBbl) | Best (MMBbl) | High (MMBbl) | Mean (MMBbl) | GCoS ⁽¹⁾ |
|----------------|-----------|----------------|-----------------|-----------------|-----------------|---------------------|
| Karanambo (K2) | Apoteri | 4.4 | 38.3 | 281.1 | 127.7 | 90% |
| Pirara River | Apoteri | 0.8 | 15.1 | 216.9 | 132.8 | 10% |
| Rewa High | Apoteri | 0.4 | 12.2 | 360.2 | 128.8 | 10% |
| Rewa High | Fan-Delta | 7.4 | 26.7 | 89.8 | 41.6 | 10% |

Notes:

- (1) The Geologic Chance of Success (GCoS) reported here represents an indicative estimate of the probability that the drilling of this prospect would result in a discovery which would warrant the recategorization of that volume as a Contingent Resource. These GCoS percentage values have not been arithmetically applied within this assessment.

The joint venture operator, Groundstar Resources Ltd., is currently tendering for a drilling rig and associated services in order to drill the K-2 exploration well in Q2 2010. The bottom hole location for the K-2 well will be approximately 400 meters northwest of the Karanambo 1 discovery well, and will target the same productive reservoirs that tested light oil in 1982. The joint venture to date has completed the construction of the drilling pad, access roads, and staging areas in preparation of drilling. In addition, the joint venture has purchased the tubulars and wellheads for the drilling of up to 3 wells, which are now in country in preparation of drilling the K-2 well.

The amendment in no way effects any of the proved and probable reserves of the Corporation which remain unchanged as at June 30, 2009 and may be retrieved from the Corporation’s Form 51-101F1 - Statement of Reserves Data and Other Oil and Gas Information, Form 51-101F2 - Report on Reserves Data by Independent Qualified Reserves Evaluators, and Form 51-101F3 - Report of Management and Directors on Oil and Gas Disclosure, under National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities all of which are contained in the Corporation’s Annual Information Form. Such filings can be accessed electronically from the SEDAR website at www.sedar.com.

Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be subclassified based on project maturity. Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from

known accumulations using established technology or technology under development, but which are not currently considered to be recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters, or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage. Contingent Resources are further classified in accordance with the level of certainty associated with the estimates and may be subclassified based on project maturity and/or characterized by their economic status.

The Corporation also announces that it has issued 166,667 common shares at a deemed price of \$0.37 per common share to an arm's length party as a finder's fee pursuant to the previously announced Gemini Oil and Gas Fund II, LP financing facility. The shares are subject to a four-month hold period.

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 (TSX VENTURE:CNE). The Corporation's public filings may be found at www.sedar.com.

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.

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