



QUETZAL ENERGY TO CASE CANAGUAY-1 AS A POTENTIAL OIL WELL

Calgary, Alberta August 9, 2010 - Quetzal Energy Ltd. (TSX VENTURE: QEI) ("Quetzal" or the "Company") is pleased to announce that Canaguay-1 will be cased as a potential oil well.

Canaguay -1 is the first well to be drilled on our Canaguaro exploration drilling program. The well began drilling operations on June 3, 2010 and was successfully drilled to a final total depth ("TD") of 15,850 feet on August 4, 2010. Well logs indicate in excess of 100 feet of potential net oil pay in several oil zones including the Mirador, Barco, Gacheta and Une, with the Mirador zone containing the majority of the indicated oil pay. The well was terminated at a shallower depth than planned as the prospective oil bearing formations were encountered in a structurally higher elevation than originally prognosed.

As part of the agreement to borrow the Nabors Rig 119 from Petrobras, Quetzal agreed to return the rig no later than August 15, 2010. Quetzal plans to release the Nabors rig by August 15 as per the agreement.

Quetzal has commenced sourcing a suitable service rig and initial testing is expected to begin in approximately 60 days.

Quetzal CEO Bob Szczuczko stated "The successful drilling of this well in Colombia is a major turning point for our Company and it is unfortunate that we cannot keep the Nabors rig to conduct our testing program. In the future we need to share drilling rigs of this depth capacity with our neighbors and returning the rig on time should ensure continued cooperation".

Quetzal has a 25% working interest in the Canaguaro Block and is the operator. Partners in the project are Brownstone Ventures (Barbados) Inc. 25% WI (a wholly owned subsidiary of Brownstone Ventures Inc) and Condor Exploration Inc. 50% WI.

FOR FURTHER INFORMATION PLEASE CONTACT:

Quetzal Energy Ltd.
Robert Szczuczko
Chief Executive Officer
(403) 606-1317
bob@quetzalenergy.com
www.quetzalenergy.com

Cautionary Statements

This news release contains forward-looking information and forward-looking statements within the meaning of applicable securities laws (together, "forward-looking information"). The use of any of the words "expect", "anticipate", "continue", "estimate", "believe", "plans", "intends", "confident", "may", "objective", "ongoing", "will", "should", "project", "should" and similar expressions are intended to identify forward-looking information. In particular, but without limiting the foregoing, this news release contains forward-looking information concerning the use of proceeds of the recently completed offering of units of the Corporation. .

The forward-looking information is based on certain key expectations and assumptions made by Quetzal, including expectations and assumptions concerning the operational results in Colombia and Guatemala. Although Quetzal believes that the expectations and assumptions on which the forward-looking information are based are reasonable, undue reliance should not be placed on the forward-looking information because Quetzal can give no assurance that they will prove to be correct.

Since forward-looking information addresses future events and conditions, by its very nature it involves inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the inherent risks involved in the exploration and development of oil and gas properties, the uncertainties involved in interpreting drilling results and other geological data, uncertainties relating to fluctuating oil and gas prices, the possibility of cost overruns or unanticipated costs and expenses and other factors including unforeseen delays. Anticipated exploration and development plans relating to Quetzal's properties are subject to change.

The foregoing list of assumptions, risks and uncertainties is not exhaustive. The forward-looking information contained in this press release is made as of the date hereof and Quetzal undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

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