
Canacol Energy Ltd. Announces Closing of Over-Allotment Option on its Previously Announced Bought Deal Prospectus Offering

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CALGARY, MAY 13, 2010 – Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX VENTURE: CNE) is pleased to announce that it has closed the over-allotment option on its previously announced bought deal equity financing (the "Offering") with a syndicate of underwriters co-led by Canaccord Financial Ltd. and FirstEnergy Capital Corp. and including Cormark Securities Inc. and Mackie Research Capital Corporation (collectively the "Underwriters"), pursuant to which the Underwriters purchased an additional 10,000,050 common shares of the Corporation at a price of \$0.75 per common share and raised gross proceeds of \$7,500,037 for the Corporation. Closing of the over-allotment option brings the aggregate gross proceeds raised from the Offering to \$57,500,288.

The net proceeds from this Offering will be used to fund seismic acquisition and drilling of exploration wells on the Corporation's heavy oil blocks in Colombia, including the newly acquired Cedrela E&P contract, the drilling of a second onshore Guyana exploration well on the Corporation's Takutu block, the acquisition of new exploration blocks in the June 2010 Colombia bid round, the repayment of a portion or all of the Corporation's debt, and general corporate purposes.

Canacol is a Canadian-based international oil and gas corporation with operations in Colombia, Brazil and Guyana. The Corporation's public filings may be found at www.sedar.com.

This press release shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any state in the United States in which such offer, solicitation or sale would be unlawful. The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

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

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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.

FOR FURTHER INFORMATION PLEASE CONTACT:

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