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## **Canacol Energy Ltd. Announces Financing Arrangement and Issuance of Warrants**

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CALGARY, ALBERTA -- (July 7, 2009) – Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX VENTURE: CNE) is pleased to announce that it has entered into an agreement for the sale of a USD\$1,000,000 receivable for USD\$910,000.00 with an arm's length private equity lender ("Lender"), based in Vancouver, British Columbia (the "Financing"). The sale of the receivable has no recourse to Canacol for the amounts owing.

The proceeds from the Financing will be used to fund future programs mainly in Colombia and Guyana.

Pursuant to the terms of the Financing, Canacol has agreed to issue to the Lender, 1,500,000 warrants (the "Warrants"). Each Warrant is exercisable into one common share of Canacol at a price of \$0.30 until 18 months following the issuance of the Warrants. All of the Warrants issued in connection with the Financing are subject to a four-month hold period. The Corporation has also agreed to pay a finder's fees of 8% of the Financing to Canaccord Capital Corporation in accordance with the TSX Venture Exchange policies (the "Fee").

Completion of the Financing, payment of the Fee and issuance of the Warrants are subject to certain conditions including, but not limited to, the receipt of all necessary regulatory approvals including the approval of the TSX Venture Exchange.

The sale of the receivable pursuant to the Financing will minimize dilution to the shareholders and at the same time provide the Corporation with the funds required for its programs going forward. Furthermore, the Corporation intends to have a first closing of all or a portion of the funds of its announced private placement, on or about July 15, 2009.

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.

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](http://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.

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:

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