



Canacol Energy Ltd. Announces Initial Closing of Convertible Unsecured Subordinated Debenture Financing

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CALGARY, ALBERTA -- (September 4, 2009) – Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX VENTURE: CNE) is pleased to announce that it has completed the first closing of its previously announced convertible unsecured subordinated debenture offering (the "Offering").

Canacol, through Canaccord Capital Corporation, the sole agent in connection with the Offering (the "Agent"), issued \$2,700,000 aggregate principal amount of convertible unsecured subordinate debentures (the "Debentures") in this initial closing. Each Debenture issued pursuant to the Offering is subject to a coupon interest rate of 12% per annum, payable quarterly in arrears through the issuance of common shares of the Corporation at a price equal to a 10% discount to the volume weighted average trading price of the Corporation's common shares for the 10 trading days immediately preceding the quarterly interest payment date or such higher price as any regulatory body shall require. The Debentures mature on September 4, 2011, and are convertible into common shares of the Corporation at the holder's option at a conversion price equal to \$0.36 per common share. A second closing is scheduled to occur on or about September 10, 2009 with respect to the remaining \$1,300,000 of the Agent's over-allotment option.

The Agent received a commission of \$260,000 in respect of the first closing, which commission was paid by the issuance of 753,624 common shares of the Corporation to the Agent.

Following the completion of this initial closing of the Offering, Canacol has 181,846,841 common shares issued and outstanding. The private placement is subject to final TSX Venture Exchange acceptance.

All of the securities issued in connection with the initial closing of the Offering are subject to a four month hold period in accordance with applicable securities laws and TSX Venture Exchange policy.

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 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 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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