FOR IMMEDIATE RELEASE
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Canacol Energy Ltd. Announces US$ 9 Million Capital Investment by Gemini Oil and Gas Fund II, L.P. into 2009 Colombian Development Program and Remedy of Brazilian Default with Standard Bank

CALGARY, ALBERTA- Canacol Energy Ltd. ("Canacol" or the "Corporation") is pleased to announce that it has executed a series of agreements with Gemini Oil and Gas Fund II, L.P. ("Gemini"), the Jersey based oil and gas investment fund, whereby Gemini will, subject to certain preconditions, invest up to US$ 9 million ("MM") to be used to fund a portion of the Corporation's development and appraisal programs on its producing assets in Colombia in 2009. The Corporation also announces that the default on the senior credit agreement in Brazil with Standard Bank Plc ("Standard"), announced in the second quarter report in March, 2009, has been remedied, resulting in the elimination of the Corporations debt facility in Brazil.

Charle Gamba, President and CEO of Canacol, stated "We are very pleased to have secured the majority of funding for our Colombian development projects from Gemini, which allows us to significantly increase production and reserves this year. We believe that our ability to attract investment from a reputable group such as Gemini reflects the high quality of our development and appraisal portfolio in Colombia. The Corporation has also made substantial progress with respect to reducing debt, eliminating US $74 MM in debt since December 2008, and returning all of our existing facilities to good standing with our lenders. "

Under the terms of the agreements, Gemini will invest:

- Up to US$3 MM towards the drilling of a development well and the workover of 2 existing wells in the Entrerrios Field,
- Up to US$3 MM towards the drilling of 2 development wells and the workover of one existing well in the Rancho Hermoso Field, and
- Up to US$ 3 MM towards the drilling of additional delineation wells in the Capella Field, its new heavy oil discovery on the Ombu E&P contract.

In return Gemini will be entitled to receive payments equivalent to a percentage of Canacol's gross revenues from production. Gemini has indicated that at its discretion the total investment may be increased up to a maximum of US$ 12 MM.

The development activities at the Canacol operated Entrerrios Field, where Canacol holds a 60% working interest, will include the drilling of a development well and the workover of 2 existing wells. Total net cost of the program is anticipated at US$ 3.2 MM, with Gemini funding up to US $ 3 MM of the investment. The Corporation plans to spud the Entrerrios 5 development well in late Q2 this year. The activities at the Canacol operated Rancho Hermoso Field, where Canacol holds a 100% working interest, will include the drilling of two infill development wells, Rancho Hermoso 3A and Rancho Hermoso 5, and the workover of the existing Rancho Hermoso 4 well. The total cost of the program is estimated at US$ 8.3 MM, with Gemini funding US$ 3 MM of the investment. Management anticipates that the activity in its operated Entrerrios and Rancho Hermoso fields may add an initial 3,150 gross barrels of oil per day ("bopd") (1,050 net bopd) of net after royalty production and an initial 4,000 gross bopd of new tariff production. The activities at the Capella Field, operated by Emerald Energy Plc, and where Canacol holds a 10% working interest, subject to approval by the ANH, include the drilling of additional delineation wells at a net cost of US$ 3 mm. Gemini will fund Canacol's share of the entire cost of the program.

In addition, Brazalta Brasil Norte Comercializacao de Petroleo Ltda. ("BrazAlta Brazil), a wholly owned subsidiary of the Corporation, and WWashington Petroleo S.A. ("WWashington") the borrower under a credit facility dated June 29, 2007 (the "Brazil Facility") to which the Corporation is a guarantor, have reached an agreement for the repayment of the Brazil Facility in full. The repayment of the Brazil Facility included a series of transactions, including the sale of the hedge on Brazil production for proceeds of US $0.64 MM. As a result the Corporation and WWashington have satisfied the default and paid the amount owing of US $7 MM in full. Following these transactions, the Corporation's lending relationship with Standard Bank Plc. is in good standing and the Corporation no longer cross guarantees the debt of WWashington on the Brazil Facility.

The Brazil Facility was put in place to provide exploration capital to WWashington and BrazAlta Brazil for their joint venture operations in Brazil. Pursuant to the joint venture BrazAlta Brazil was obligated to pay approximately US $3.3 MM or 47.5% of the outstanding US $7 MM and WWashington was liable for payment for the remaining 52.5%. These amounts have now been paid in full.

In connection with the repayment of the Brazil Facility, the Corporation increased its debt on its senior loan facility with Standard Bank Plc. in Colombia (the "Senior Colombia Facility") and the Corporation and its Colombian operating companies have executed an amending agreement to increase the Senior Colombian Facility by US $3.5 MM. As part of this process the Colombia mezzanine facility was reduced to an outstanding amount of US $500,000 from its original amount of US $ 11.6 MM in August, 2008. The increase of the Senior Colombian Facility by Standard Bank Plc. was accomplished as a result of increased proven reserves in Colombia since the initial establishment of the Colombia Facilities in August 2008, as disclosed in the Corporation's news release dated April 14, 2009.

The transaction between Canacol and Gemini was in part brokered by Saether Capital Corp., an independent Canadian financial consultancy, specializing in providing innovative financing alternatives for the Canadian energy industry (www.saethercapital.com).

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 (TSXV: 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. 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.

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