



Canacol Energy Ltd. Announces the Closing of its Underwritten Private Placement Equity Financing

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CALGARY, ALBERTA -- (October 15, 2009) – Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX VENTURE: CNE) is pleased to announce that it has closed its previously announced underwritten private placement financing, including the exercise, in full, of the underwriters' option, for total gross proceeds of \$40,000,240. Pursuant to the financing, the Corporation has issued 142,858,000 common shares at a price of \$0.28 per common share (the "Offering"). The Offering was completed by a syndicate of underwriters, led by Canaccord Capital Corporation and including FirstEnergy Capital Corp.

The Corporation plans to use the proceeds of the Offering to fund all of its planned exploration and development activities through 2010. These activities include the continued appraisal and development of its share of the Capella oil discovery in Colombia, the continued development drilling of its operated oil producing assets in Colombia, and the drilling of 3 exploration wells in 2010. A portion of the funds will also be used to repay a portion of the Corporation's outstanding debt.

Charle Gamba, President and CEO of Canacol, stated "We are very pleased to have met with such success in this private placement. The raise enables the Corporation to execute its development and appraisal programs on its Colombian producing assets, including its oil discovery at Capella. The Corporation is also now fully funded to execute its high impact exploration programs in 2010, most notably the drilling of the Karanambo light oil prospect in Guyana, and the acquisition of 2D seismic in advance of drilling its Tamarin exploration contract adjacent to its Capella oil discovery in Colombia."

Following the completion of the Offering, Canacol has 324,277,584 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.

Pursuant to the previously announced Gemini Oil and Gas Fund II, LP financing facility which is being used to fund a portion of the Corporation's development drilling activities in Colombia, Canacol has agreed to issue 333,333 common shares at a deemed price of \$0.15 per common share to an arm's length party as a finder's fee. Further details of the Gemini investment are disclosed in the news release of the Corporation dated April 17, 2009. These shares will be subject to a four-month hold period. The transaction is subject to final TSX Venture Exchange acceptance.

Canacol is a Canadian based international oil and gas corporation with operations in Colombia, Brazil and Guyana. Canacol is publicly traded on the 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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