# Canacol Energy Ltd. Announces Closing of a $41.5 Million Bought Deal Convertible Debenture Offering

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CALGARY, ALBERTA -- (July 16, 2010) – Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX VENTURE: CNE) announced today that is has closed its previously announced bought deal short form prospectus offering with a syndicate of underwriters (the "Underwriters") led by Canaccord Genuity Corp. and including FirstEnergy Capital Corp., Cormark Securities Inc., Citigroup Global Markets Canada Inc. and Mackie Research Capital Corp., pursuant to which the Underwriters purchased $41.5 million principal amount of convertible unsecured debentures with an interest rate of 8.00% per annum, payable semi-annually on the last day of June and December commencing on December 31, 2010 (the "Offering"). The debentures are convertible at the holder's option into common shares of the Corporation at any time prior to the maturity date and the business day immediately preceding the date fixed by the Corporation for redemption at a conversion price of $1.0526 per common share, being the ratio of 950 common shares per $1,000 principal amount of debentures. The Corporation has applied to list the debentures (including the underlying common shares issuable upon conversion, redemption or maturity of the debentures) on the TSX Venture Exchange. Listing will be subject to the Corporation fulfilling all requirements of the TSX Venture Exchange.

Canacol has used US$9.6 million of the net proceeds of the Offering to replenish its working capital as a result of the repayment of its reserves based credit facility with Standard Bank and US$18 million to terminate the investment agreements on its Rancho Hermoso, Entrerrios, and Capella oil fields in Colombia from Gemini Oil and Gas Fund II, L.P ("Gemini"). Both of these transactions are effective on June 30, 2010. These transactions will save the Corporation approximately US$800,000 in cash flow monthly, and up to US$15 million over the life of the Gemini investment agreements. The Corporation intends to use the remainder of the net proceeds of the Offering and the additional cash flow to fund continued field development and exploration operations.

In connection with the satisfaction of the termination of the Gemini investment agreements, the Corporation issued 4,421,260 common shares of the Corporation to Gemini at a price of $0.82 per share.

Following the completion of the Offering, the Corporation has approximately US$80 million in cash and equivalents with which to fund its development and exploration programs on its 25 exploration and production contracts through 2010 and 2011.

The Offering and the completion of the Gemini transaction is subject to normal regulatory approvals including the approval of the TSX Venture Exchange.

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.

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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