



**SEPAC Calgary**

**June 15, 2009**

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An investment in the company is speculative due to the nature of the company's business. The ability of the company to carry out its growth initiatives as described in this confidential PowerPoint presentation is dependant on the company obtaining additional capital. There is no assurance that the company will be able to successfully raise the capital required or to complete each of the growth initiatives described. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the company.

- **Quality Asset Base**

- ▶ Low risk development assets with stable cash flow in Colombia and Brazil
- ▶ Significant upside at recent Capella oil discovery in Colombia
- ▶ High potential appraisal/exploration opportunity in Guyana

- **Management Team**

- ▶ Proven team with extensive hands on experience in South America
- ▶ Focused on internal organic growth

- **Attractively Valued**

- ▶ Trading at significant discount to its Net Asset Value and peers

- ▶ **Building for Future**

- ▶ Expand existing portfolio with low risk development and big impact exploration in Colombia and Brazil
- ▶ Actively seeking strategic partner in Brazil

## ■ Corporate

- ▶ Founded February 2008 as a Canadian private company
- ▶ Listed on the TSXV with trading symbol CNE in February 2009
- ▶ 200 MM shares outstanding fully diluted with market cap of CAN\$ 38 MM
- ▶ Corporate office in Calgary. Offices in Bogota, Houston, and Rio de Janeiro
- ▶ Seasoned international management team with direct operating experience in Colombia and Brazil

## ■ Assets

- ▶ Producing and exploration assets in Colombia, Brazil, and Guyana
- ▶ 1,900 bopd net revenue production (>90% from Colombia)
- ▶ Targeting 2009 exit rate of 6,000 bopd net revenue production

## ■ Value

- ▶ Remaining net 2P reserves of 8.5 mmo oil, after tax NPV10 US\$92 mm (US\$45 bbl WTI)
- ▶ 1P Net Asset Value of CAN \$0.14 / share, 2P of CAN\$0.47/ share
- ▶ Exposure to >300 mmo unrisks resource potential on 15 exploration blocks

- **Recent Capella heavy oil discovery in Colombia is material**
  - ▶ Operator, Emerald Energy, was assigned 245 million barrels (P90) to 1.1 billion barrels P(10) of original oil in place<sup>1</sup> based on the drilling results of five wells
  - ▶ Largest discovery in Colombia in 10 years
  
- **Balance of production and cash flow with exploration upside**
  - ▶ Current net revenue production is approximately 1,900 bopd
  - ▶ 2009 drilling program set to triple production to exit rate 6,000 bopd net revenue production
  - ▶ Significant appraisal upside exists at Capella
  - ▶ Big impact appraisal/exploration opportunity in Guyana
  
- **Capitalization**
  - ▶ In April 2009, announced US\$ 9 mm capital investment by Gemini Oil and Gas Advisors Plc
  - ▶ In May 2009, closed CAN\$ 6 mm private placement

1. As evaluated by Netherland, Sewell & Associates under SPE guidelines (not N1 51-101 complaint)

## ■ Colombia

- ▶ 2 operated oil production blocks in Llanos Basin
- ▶ Non-operated Capella oil discovery in Caguan Basin
- ▶ 1 operated exploration block with existing discovery in Middle Magdalena Basin

## ■ Brazil

- ▶ 4 non-operated producing fields
- ▶ 13 exploration blocks covering 287,000 gross acres

## ■ Guyana

- ▶ 1 non-operated exploration block with 1 existing discovery and 2 prospects

## ■ Current Production, Reserves & Value

- ▶ 1900 bopd net revenue production
- ▶ Planned 2009 exit rate 6,000 bopd net revenue production
- ▶ Remaining net 2P reserves of 8.5 mmbo oil,
- ▶ After tax NPV10 US\$92 mm (US\$45 bbl WTI)



# Rancho Hermoso and Entrerrios Fields, Colombia



## ■ The Fields

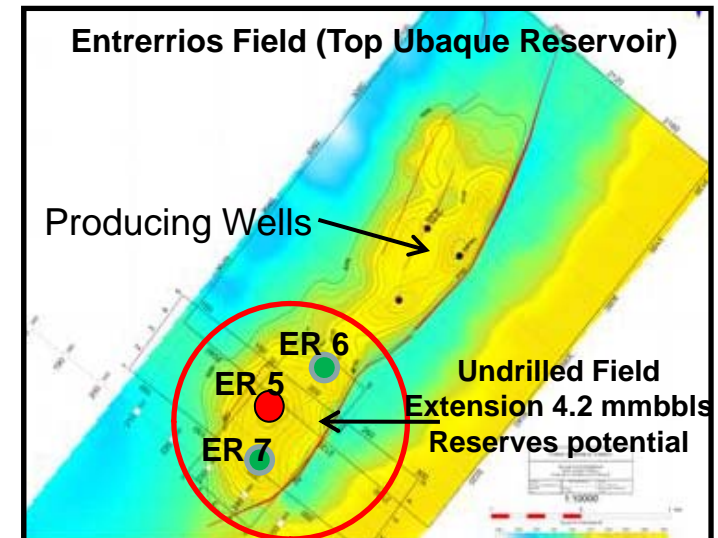
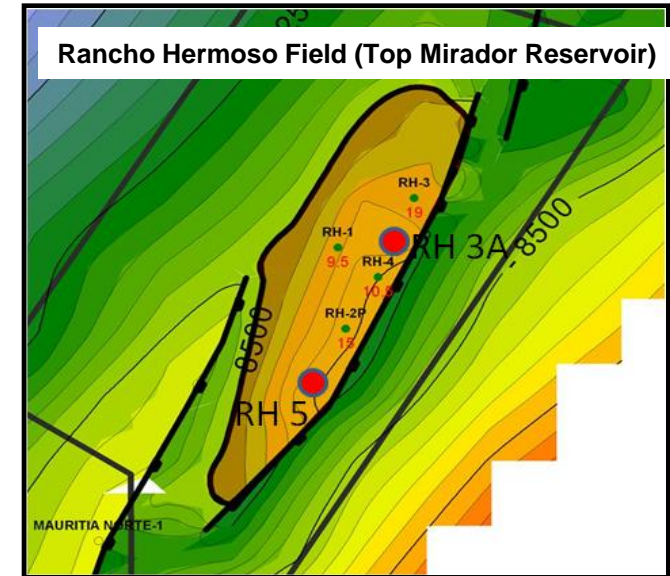
- ▶ Rancho Hermoso (100%)
- ▶ Entrerrios (60%)
- ▶ Canacol operator
- ▶ Currently producing 1,800 bopd net revenue production

## ■ Reserves & Value

- ▶ 6.1 mmb net 2P remaining reserves,
- ▶ After tax NPV10 of US\$33 mm (\$45 / bbl WTI deck)

## ■ 2009 Plans:

- ▶ Drill 3 low risk development wells
- ▶ Work-over 3 existing producers
- ▶ Add 5,000 bopd net revenue production
- ▶ Targeting 2009 exit rate > 6,000 bopd net revenue production
- ▶ US\$ 12 mm net capital
- ▶ Secured by funds from Gemini investment and recent private placement
- ▶ Program to commence in Q3 / 09



# Capella, Colombia

## ■ The Field

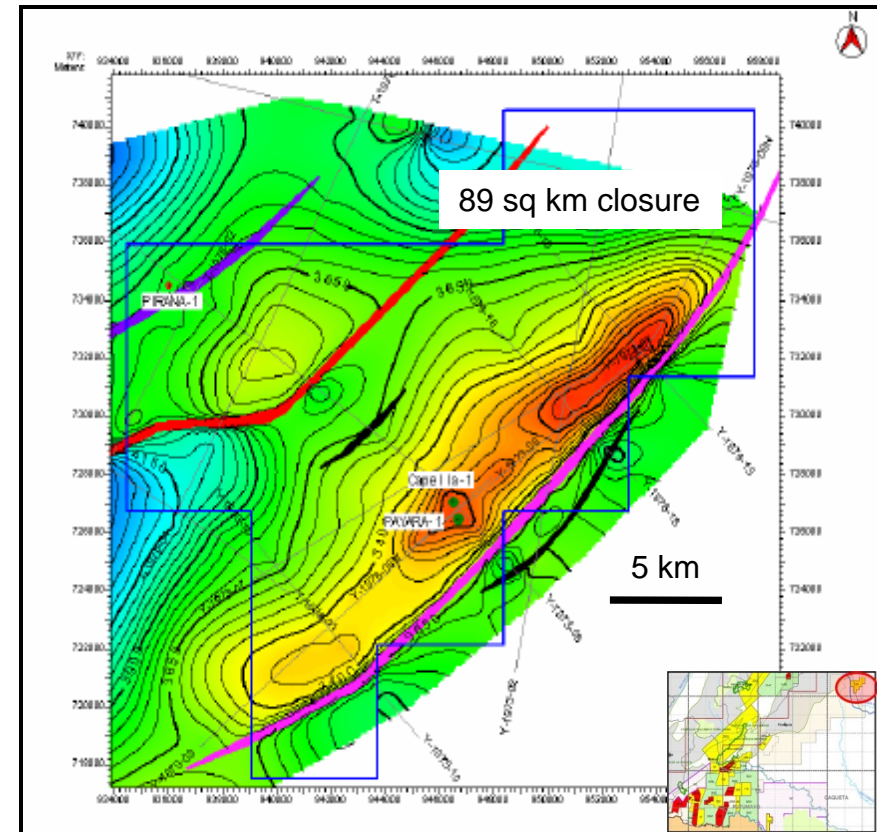
- ▶ Discovered July 2008. 22,000 acres in area
- ▶ Operated by Emerald Energy Plc.
- ▶ Canacol 10% WI (subject to ANH approval)
- ▶ Drilled and completed 6 wells to date
- ▶ 9°-11° API oil
- ▶ Wells test 82 to 345 bopd on cold flow production
- ▶ Currently producing 700 bopd gross from 3 wells

## ■ Resource Size, Reserves & Value

- ▶ 245 million barrels (P90) to 1.1 billion barrels P(10) of original oil in place<sup>1</sup>
- ▶ 2P net reserves of 1.4 million barrels in presently appraised part of field
- ▶ After tax NPV10 US\$16 million

## ■ 2009 Work Plans

- ▶ 4 appraisal wells planned for 2009
- ▶ Planned steam injection pilot Q3/09



1. As evaluated by Netherland, Sewell & Associates under SPE guidelines (not N1 51-101 complaint)



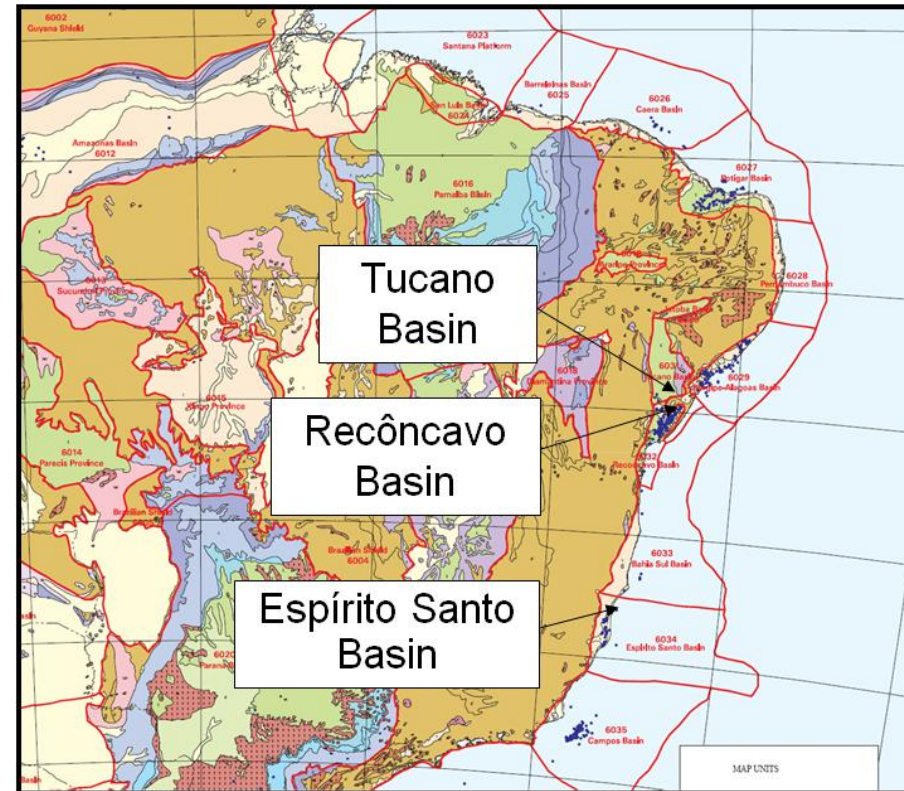
## ■ Canacol Strategy

- ▶ Adopt a focused approach to selection of high potential development and exploration opportunities based on technical and commercial merit
- ▶ Consolidate current exploration position
- ▶ Optimize value of existing producing assets
- ▶ Participate as operator in 2009 exploration and marginal producing field rounds

## ■ Canacol Competitive Advantage

- ▶ Qualified operator in-country
- ▶ Operated and non-operated interests in 13 exploration blocks in 3 onshore basins
- ▶ Interests in 4 producing contracts
  - Producing 140 bopd net
  - 1.3 mmb net remaining 2P reserves
  - After tax NPV10 = US\$ 43 mm

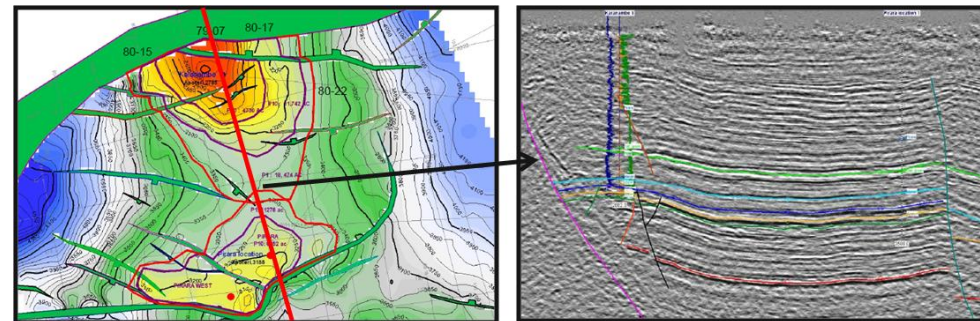
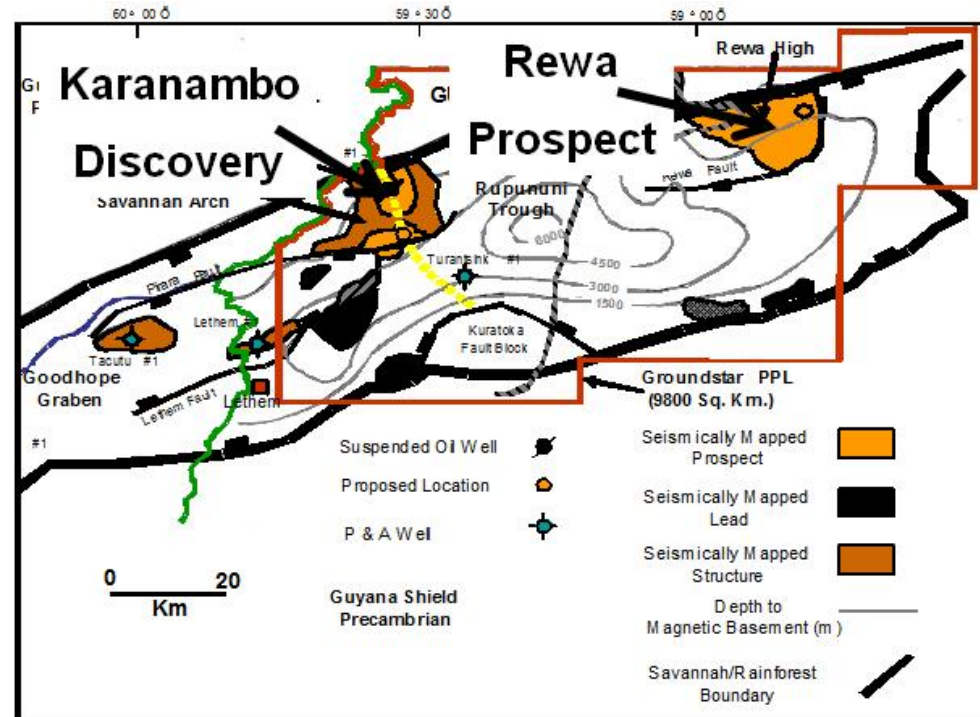
## ■ Actively seeking a strategic partner



# Guyana Takutu Block



- **Petroleum Prospecting Licence**
  - ▶ Negotiated 50% WI by farmin May 2008
  - ▶ Currently negotiating the purchase of the operators interest to increase WI to 90%
  - ▶ Secure operatorship after drilling of first well
- **Karanambo discovery**
  - ▶ Drilled in 1982 by Home Oil
  - ▶ Tested 400 bopd 43° API oil from fractured volcanics. Well capable of > 1000 bopd
  - ▶ Well was significantly damaged
  - ▶ Significant appraisal upside
    - 100 mmb gross mean contingent resources
- **Exploration upside**
  - ▶ 2 additional prospects identified
    - 225 mmb gross mean unrisked prospective resources
- **Operations**
  - ▶ Preparing locations for 2 well program in 2010



## ■ Objectives:

- Execute low risk development drilling and work over programs on operated assets to increase production and cash flow
- Continue appraisal of Capella discovery in preparation of full field development 2010
- Execute selective exploration work in preparation of executing exploration drilling programs in 2010 of high impact prospects

COUNTRY	ASSETS	CURRENT NET PRODUCTION	PLANNED ACTIVITY	NET COST (US\$mm)	ANTICIPATED RESULTS
Colombia	Rancho Hermoso (100% WI) Entrerrios (60% WI)	1800 bopd	3 new drills and 3 workovers	13.0	5,000 bopd new initial production, >6,000 bopd net exit rate
	Capella (10% WI)	50 bopd	4 wells and facilities	1.5	150 bopd net exit rate
	La Sierra E&P	NA	Acquire 42 sq km 3D	1.0	Identify 2 locations for 2010 exploration drilling
Brazil	3 Espirito Santo Exploration Blocks (100% WI)	NA	Acquire 112 km 2D	1.7	Identify location for 2010 exploration drilling
Guyana	Takutu Block (55% WI)	NA	Lease and road construction	2.0	Prepare to drill Karanambo appraisal well in 2010

- **2009 Production and Cash Flow (US\$ 55 / bbl WTI)**
  - ▶ 1,900 bopd current net revenue production
  - ▶ 3 well development drilling and 3 well work-over program in Colombia
  - ▶ Planned 2009 exit rate > 6,000 bopd net revenue production
  - ▶ Incremental US\$ 8.2 mm net cash flow
  
- **2010 Production and Cash Flow (US\$65 / bbl WTI)**
  - ▶ 5,700 bopd net revenue production averaged over the year
  - ▶ US\$24 mm net cash flow
  
- **2010 Development/ Appraisal / Exploration**
  - ▶ Potential production additions with continued development drilling in Capella and Entrerrios fields.
  - ▶ Guyana has potential to add production in 2010 with drilling of the Karanambo appraisal well (>1,000 bopd 43 API oil).
  - ▶ Exploration drilling commitments in Colombia and Brazil have potential to add production and reserves in 2010.

# Current Net Asset Value



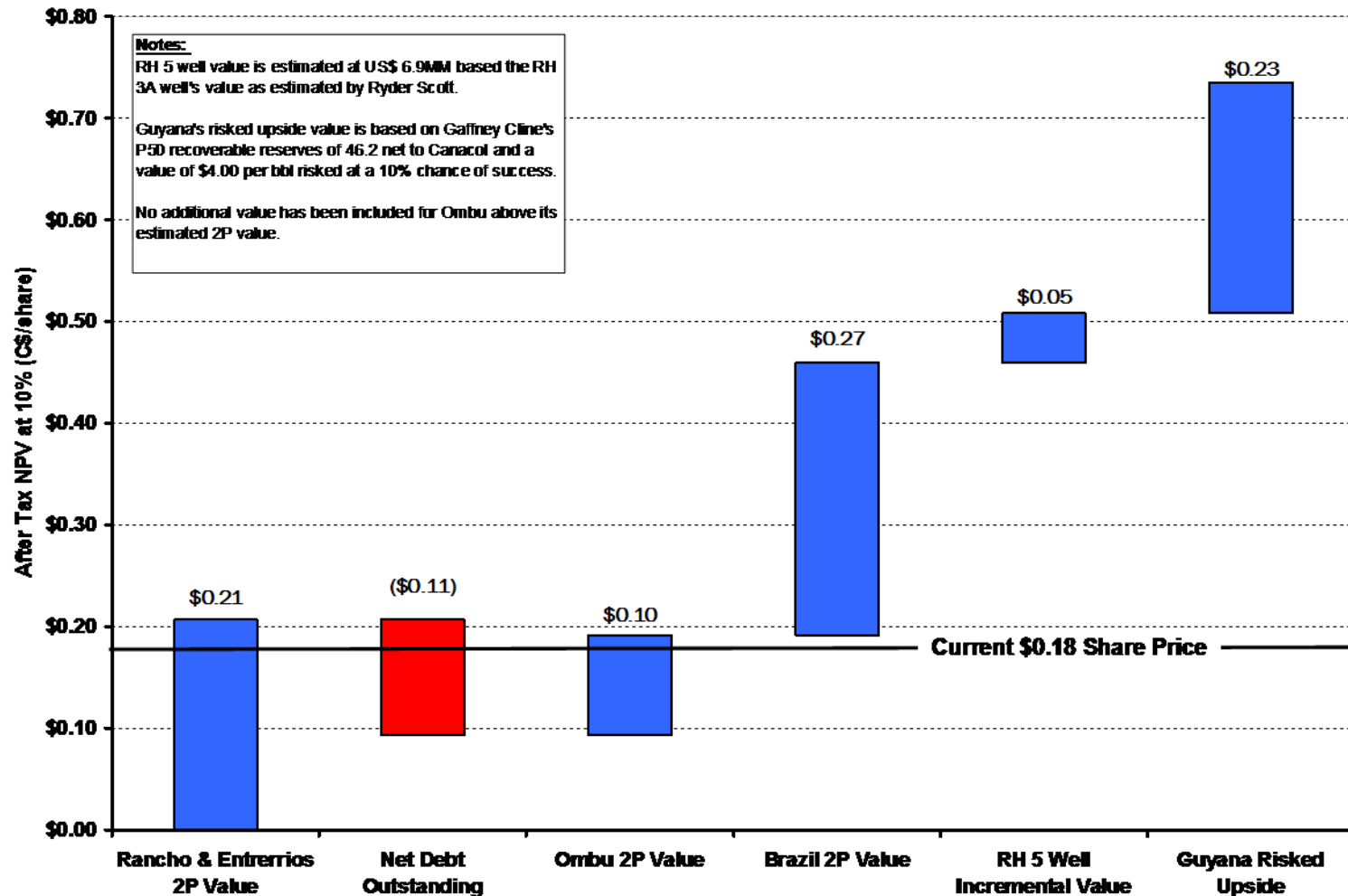
## Canacol Energy Net Asset Value Analysis Post C\$6.0 Million Equity Injection at C\$0.125 per Share

<u>Base Net Asset Value</u>	After Tax NPV @ 10%	
	(US\$MM)	(C\$/Share)
Rancho Hermoso Proven Reserves	\$18.0	\$0.11
Entrerrios Proven Reserves	4.7	\$0.03
Brazil Proven Reserves	8.0	\$0.05
Ombu Proven Reserves	7.3	\$0.05
Net Debt Outstanding	(23.7)	(\$0.15)
Equity Issued	5.4	\$0.03
1P Net Asset Value	<b>\$21.7</b>	<b>\$0.14</b>
Rancho Hermoso Probable Reserves	2.3	\$0.01
Entrerrios Probable Reserves	8.2	\$0.05
Brazil Probable Reserves	35.0	\$0.22
Ombu Probable Reserves	8.5	\$0.05
2P Net Asset Value	<b>\$75.7</b>	<b>\$0.47</b>

### Notes:

1. Rancho Hermoso and Entrerrios reserves are as per Ryder Scott and are based on the following price deck:
  - WTI: 2009 \$54.00, 2010 \$65.00, 2011 \$73.00, 2012 \$82.00, 2013 \$91.00, 2014 \$93.00, 2015 \$94.86
2. Brazil reserves are as per DeGolyer & MacNaughton and are based on the following price deck:
  - WTI: 2009 \$54.00, 2010 \$65.00, 2011 \$73.00, 2012 \$82.00, 2013 \$91.00, 2014 \$93.00, 2015 \$94.86
3. Assumes a USD/CAD exchange rate of 0.90x

# Current Valuation Analysis



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