

CANOEL INTERNATIONAL ENERGY Ltd



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BUSINESS ACQUISITION REPORT

FORM 51-102F4

CANOEL ANNOUNCES SUCCESSFUL COMPLETION OF ITS ACQUISITION IN ARGENTINA

Canoel International Energy Ltd. (“Canoel” or the “Company”) (TSX VENTURE: CIL) reports that it has acquired two Nevada (USA) holding companies, respectively Central Patagonia Corporation (“Patagonia”) and CPC Holding Inc (“ Holding”) , that respectively own 95% and 5% of Central Patagonia Srl, in Argentina (“ SRL”) .

SRL , owns 100% and operates properties in two adjacent fields in Argentina called Don Ernesto and Don Alberto. The acquisition was completed through Ingenieria Petrolera Patagonia Ltd., a new Denver, Colorado based, wholly-owned subsidiary of Canoel.

No informed person, associate or affiliate of Canoel was a party to the transaction.

The properties are located in the region of Patagonia in Southern Argentina, in the basin of San Jorge, Province of Chubut, within the area of Comodoro Rivadavia and have produced approximately 51,000 barrels of oil in 2009 with no associated gas.

The oil is sweet, non-paraffinic, with an average 18°API . Wells are connected to battery tanks through an existing infrastructure which is partially owned by the Corporation.

An independent oil engineering firm in Houston has estimated the total recoverable proved producing reserves, as shown in their January 2010 reserve report, amount to 474,192 bbl.

The license owned by SRL are granted under an old Mining Code and therefore does not have any limited time duration .

The production of crude oil by the two properties together has been last year 51,000 barrels.

Consequently this acquisition provides Canoel will immediate revenues.

Crude oil prices in Argentina are capped to a variable level which has been last year 42USD and has now been improved recently to approximately 49 USD.

These prices are the results of complicate formula that are indicated by refineries following indications or decree from the government.

In September 2009, Canoel announced the signing of an MOU and has kept the market informed of developments regarding this deal with press releases in February 2010 and April 2010.

The purchase price is US \$2,400,000.00 and was partially funded by vendor financing (precisely 1,000,000 USD). The balance of USD 1,400,000 was paid by Canoel at closing.

In addition the Company has agreed to pay the Vendors an amount equal to the working capital of the acquired entities at closing (USD 443,003.97), which is payable by Canoel within 8 months.

The strategy of Canoel in respect of SRL is to optimize production with a larger focus and deeper attention to these 2 properties than the previous management responsible for many and much larger properties.

The basin has demonstrated a quite stable production for decade and level decline are in the area quite modest.

For this purpose an engineer has been brought to monitor the properties and an expert local production technician has been hired.

The P & L of SRL is benefiting on the other side by the reduction of overheads as SRL has reduced to zero the staff in Buenos Aires, capital of Argentina, to concentrate only in the office located within the producing properties in Comodoro Rivadavia.

The attached financial statements for a part of this report.

The following executive officers are knowledgeable about the acquisition. For further information, please contact:

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