

CANARGO ENERGY CORP
Form S-3/A
September 19, 2008

As filed with the Securities and Exchange Commission on September 19, 2008

Registration No. 333-150625

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 2
TO
Form S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CanArgo Energy Corporation

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

91-0881481

*(I.R.S. Employer
Identification No.)*

**P.O. Box 291, St Peter Port
Guernsey, GY1 3RR, British Isles
+(44) 1481 729 980**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Jeffrey Wilkins
Chief Financial Officer
P.O. Box 291, St Peter Port
Guernsey, GY1 3RR, British Isles
+(44) 1481 729 980**

(Name, address, including zip code, and telephone number, including area code of agent for service)

Please forward a copy of all correspondence to:

**Peter A. Basilevsky, Esq.
Satterlee Stephens Burke & Burke LLP
11th Floor, 230 Park Avenue
New York, NY 10169
(212) 818-9200**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this form is a post-effective amendment to a registration statement filed pursuant to General Instructions I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated
filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller
reporting company)

Smaller reporting
Company

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to Be Registered(1)(2)	Proposed Maximum Offering Price per Share(3)	Proposed Maximum Aggregate Offering Price(3)	Amount of Registration Fee(3)
Common stock, \$0.10 par value	259,047,390 Shares(2)	\$0.10	\$25,904,739	\$1,018.06
Common stock subscription rights	242,107,390 Rights	\$0.10(3)	\$24,210,739(3)	\$951.48(3)
Total				\$1,969.54(4)

- (1) In the event of a stock split, stock dividend or similar transaction involving the shares of common stock, in order to prevent dilution, the number of shares registered shall be automatically increased to cover the additional shares in accordance with Rule 416 under the Securities Act of 1933.
- (2) Maximum amount of shares issuable upon exercise of all transferable subscription rights (Rights). Includes up to a maximum of 16,940,000, in aggregate, shares of common stock which may be issued to the Standby Underwriters pursuant to a conditional right for such Standby Underwriters to elect to receive their commission in shares in lieu of cash.
- (3) No consideration will be received by the Registrant for the issuance of the Rights. The Rights are transferable and may be reoffered to the public by stockholders. The registration fee was calculated in accordance with Rule 457(g) on the basis of the price at which the Rights may be exercised.
- (4) \$1,902.96 of this total registration fee was paid at the time of the initial filing of the registration statement.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information contained in this prospectus is not complete and may be changed. We may not sell these securities until the Registration Statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION DATED SEPTEMBER 19, 2008.

PROSPECTUS

CANARGO ENERGY CORPORATION

**Subscription Rights to Purchase Shares
of Common Stock at \$0.10 per Full Share**

We are distributing at no charge to the holders of our common stock transferable subscription rights (Rights) to purchase an aggregate of 242,107,390 shares of our common stock. Each Right entitles the subscription rights holder to purchase one (1) share of our common stock at the subscription price of \$0.10 per full share. Fractional shares of our common stock will not be issued in this rights offering.

The aggregate purchase price of shares offered in this rights offering is expected to be approximately \$24.2 million. Only stockholders of record as of 5:00 p.m., U.S. Eastern time (11:00 p.m. Central European Time), on October 2, 2008, which is the record date for this rights offering, will be entitled to receive Rights. See the Rights Offering beginning on page 30.

The eight Standby Underwriters listed in the table in the Standby Underwriting and Plan of Distribution section below (collectively, the Standby Underwriters), have severally agreed to underwrite the unsubscribed for shares (the Unsubscribed Shares) in their respective pro rata portions of their respective underwriting commitments at the subscription price for up to 242,000,000 of such shares in aggregate. See Standby Underwriting and Plan of Distribution beginning on page 44.

The Rights will expire if they are not exercised by 4:00 p.m., U.S. Eastern time, on October 24, 2008 with respect to Rights held by U.S. holders and 5:30 p.m. Central European Time on October 14, 2008 with respect to Rights held in the VPS System (as defined herein), which are the respective expiration dates of the Rights Offering in the U.S. and in Norway. We have the option to extend this rights offering and the period for exercising your Rights for any reason, subject to the receipt of the prior consent of the Standby Underwriters if the rights offering is extended beyond four weeks in length, including if we determine that changes in the market price of our common stock warrant an extension or if we decide to give investors more time to exercise their Rights in this rights offering, although we do not presently intend to do so. All exercises of Rights are irrevocable. ***After the Expiration Time, the Rights will no longer be exercisable and will have no value.***

You should carefully consider whether or not to exercise, sell or let lapse your Rights and in doing so you should consider all of the information about us and this rights offering contained or incorporated by reference in this prospectus, including the risk factors set forth or incorporated herein. We are not making any recommendations as to whether or not you should exercise, sell or let lapse your Rights.

Our common stock is traded on The American Stock Exchange (AMEX) and the Oslo Stock Exchange (OSE) under the symbol CNR . The last reported sale price of our common stock on the American Stock Exchange Composite Transactions Tape on , 2008 was \$0. per share and on the OSE was Norwegian kroner (NOK) . On , 2008, one

U.S. dollar equaled NOK as reported on www.oanda.com. All references herein to \$ refer to United States dollars.

We have been advised by the AMEX and the OSE that the Rights will be traded on the AMEX under the symbol CNR.RT (CNR.RT.WI until the first business day after the distribution date) and on the OSE under the symbol CNR T , respectively, beginning on October 6, 2008, the commencement date of this rights offering, until 5:00 p.m. U.S. Eastern time (11:00 p.m. Central European Time), on October 23, 2008, the last business day prior to the scheduled October 24, 2008 U.S. expiration date of this rights offering and 5:30 p.m. (Central European Time) on October 13, 2008, the scheduled Norwegian expiration date. We cannot predict if an active trading market for the Rights will develop or the price at which such Rights may be purchased or sold.

See Risk Factors beginning on page 12 to read about the risks you should consider carefully before exercising any Rights and buying shares of our common stock.

We have engaged Glitnir Securities AS (Glitnir) to act as manager and Norwegian subscription agent in connection with this rights offering. This prospectus will be used by the Standby Underwriters to sell Unsubscribed Shares (as defined below) in connection with the standby underwriting arrangements agreed to with us. Prior to and after the Expiration Time, the Standby Underwriters may only offer common stock acquired pursuant to the standby arrangements directly to the public located outside the United States and who are not U.S. Persons (as each is defined in Regulation S promulgated under the United States Securities Act of 1933, as amended (the Securities Act)) at prices set from time to time by the Standby Underwriters. Each such price when set will not exceed the highest price at which a dealer not participating in the distribution is then offering shares of common stock to other dealers plus the amount of any concession to dealers, and an offering price on any calendar day will not be increased more than once during such day. In effecting such transactions, the Standby Underwriters may realize profits or losses independent of the compensation referred to under Standby Underwriting and Plan of Distribution. The Standby Underwriters may also make sales to dealers outside the United States at prices that represent concessions from the prices at which such shares are then being offered to the public. The amount of such concessions will be determined from time to time by the Standby Underwriters. Any common stock so offered is offered subject to prior sale, when, as and if received by the Standby Underwriters, and subject to its right to reject orders in whole or in part, and any commissions received by the Standby Underwriters and any profit on the resale of the common stock purchased by the Standby Underwriters may be deemed underwriting commissions or discounts under the Securities Act. The Standby Underwriters and any dealers participating in the offer and sale of the shares will be subject to the prospectus delivery requirements of the Securities Act. The common stock may be offered and sold by the Standby Underwriters in one or more transactions through the facilities of the OSE on which the shares are then listed for trading or in negotiated transactions or a combination of these and other methods of sale. Until the expiration of the 40-day period beginning from the date hereof, an offer to sell or a sale of the Rights or the Underlying Shares (as defined below) within the United States by a broker/dealer may violate the registration requirements of the Securities Act if such offer to sell or sale is made otherwise than pursuant to the foregoing. See Standby Underwriting and Plan of Distribution beginning on page 44.

Neither the Securities and Exchange Commission nor any state securities regulators have approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public Offering Price	\$ 0.100	\$ 24,210,739
Standby Underwriters' Commission ⁽¹⁾	\$ 0.007	\$ 1,694,000 ⁽²⁾
Proceeds to CanArgo Energy ⁽³⁾	\$ 0.093	\$ 22,516,739

- (1) The commissions will be paid to the Standby Underwriters whether or not the Rights Offering is completed. The Standby Underwriters are entitled to receive, in the aggregate, a commission equal to 7% of the aggregate Subscription Price in respect of all of the 242,000,000 shares of the Rights Offering that are being underwritten by the Standby Underwriters, and each Standby Underwriter has a conditional right to elect to receive his or its commission in shares of common stock in lieu of cash; provided, however, that if a Standby Underwriter is an existing shareholder, he or it will only receive a commission for his or its part of the underwritten amount that exceeds the pro rata amount of shares that he or it would receive pursuant to an exercise of his or its Rights.
- (2) Calculated on the basis of a maximum of 242,000,000 underwritten Shares, instead of 242,107,390 shares issuable upon exercise in full of the Rights Offering by existing shareholders, and without giving effect to any reduction to a commission otherwise payable to a Standby Underwriter who is an existing shareholder on account of his or its pro rata amount of shares that he or it would receive pursuant to the exercise of his or its Rights. Assumes that all underwriting commissions are paid in cash and that no Standby Underwriter exercises his or its election to receive commissions in shares of common stock in lieu of cash.
- (3) After underwriters' commissions but before other expenses of the Rights Offering.

Glitnir Securities AS

The date of this Prospectus is , 2008

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IMPORTANT INFORMATION

In connection with the Offering in Norway an offering circular has been prepared in English (the Norwegian Offering Circular). The Norwegian Offering Circular has been prepared in compliance with Norwegian legislation and regulations, including in accordance with the Norwegian Securities Trading Act Chapter 7 and the Norwegian Securities Trading Regulation Chapter 7 for the purpose of being distributed as a prospectus for an offer of and listing of Company common shares pursuant to the Norwegian Securities Trading Act Chapter 7 and the Norwegian Securities Trading Regulation Chapter 7. The Norwegian Offering Circular has been approved by Oslo Børs for the purpose of being distributed as a prospectus in accordance with the Norwegian Securities Trading Act Chapter 7 and the Norwegian Securities Trading Regulation Chapter 7. The Norwegian Offering Circular and this prospectus are the same, except that the Norwegian Offering Circular contains certain statements which are required under E.U. Commission Regulation No. 809/2004 (as amended by E.U. Commission Regulations No. 1787/2006 and 211/2007) and/or by the Oslo Børs including responsibility statements made by our Board of Directors and the Standby Underwriters.

No person is authorized to give any information or to make any representation not contained in this prospectus in connection with the Offering and any information or representation not so contained must not be relied upon as having been authorized by us or on our behalf or by or on behalf of the manager or the Standby Underwriters. This prospectus is not intended to provide the basis of any credit or any other evaluation and should not be considered as a recommendation by us, the manager or the Standby Underwriters that any recipient of this prospectus should acquire or exercise Rights or subscribe for any shares of common stock being offered in the Offering (Offered Shares). Each prospective investor should determine for itself the relevance of the information contained in this prospectus and its subscription of Offered Shares or its acquisition or exercise of Rights should be based upon such investigation as it deems necessary.

General Information and Special Notices

The distribution of this prospectus and the Offering is, in certain jurisdictions, restricted by law, and this prospectus may not be used for the purpose of, or in connection with, any offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. This prospectus does not constitute an offer of or an invitation to acquire any Rights or to subscribe for Offered Shares in any jurisdiction in which such offer or invitation would be unlawful. Persons into whose possession this prospectus comes shall inform themselves of and observe all such restrictions. Neither the Company, the manager nor the Standby Underwriters accept any legal responsibility for any violation by any person, whether or not a prospective purchaser of Rights or Offered Shares, of any such restrictions.

This prospectus may not be distributed or otherwise made available, the Offered Shares may not be directly or indirectly offered, sold or subscribed, and the Rights may not be directly or indirectly offered, sold, acquired or exercised in Canada, Australia or Japan unless such distribution, offering, sale, acquisition, exercise or subscription is permitted under applicable laws of the relevant jurisdiction, and the Company and the Standby Underwriters receive satisfactory documentation to that effect. The prospectus may not be distributed or otherwise made available, the Offered Shares may not be directly or indirectly offered, sold or subscribed and the Rights may not be directly or indirectly offered, sold, acquired or exercised in any other jurisdiction, unless such distribution, offering, sale, acquisition, exercise or subscription is permitted under applicable laws of the relevant jurisdiction. The Company and the Standby Underwriters may require receipt of satisfactory documentation to that effect. Due to such restrictions under applicable legislation and regulations, the Company expects that certain investors residing in Canada, Australia, Japan and other jurisdictions may not be able to receive this prospectus or the Norwegian Offering Circular and may not be able to exercise their Rights and subscribe for Offered Shares.

Investors are authorized to use this prospectus solely for the purpose of considering the acquisition or exercise of the Rights and subscription for the Offered Shares described in this prospectus. The Company and other sources identified herein have provided the information contained in this prospectus. The manager and the Standby Underwriters make no warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this prospectus is, or shall be relied upon as, a promise or representation by the manager or the Standby Underwriters. Investors may not reproduce or distribute this prospectus, in whole or in part, and investors may not disclose any of the contents of this prospectus or use any information herein for any purpose other than considering the acquisition or exercise of Rights and the subscription for Offered Shares. Investors agree to the foregoing by accepting delivery of this prospectus. Prospective holders of the Rights and prospective subscribers for the Offered Shares should make an independent assessment as to whether the information in this prospectus is relevant, and any acquisition or exercise of the Rights and any subscription for the Offered Shares should be based on the examinations that the holder or subscriber in question may deem necessary. In addition to their own examination of the Company and the terms of the Offering, including the merits and risks involved, investors should rely only on the information contained in this prospectus, including the risk factors described herein, and any notices required under any orders, rules or regulations issued by any Norwegian securities regulators on issuers' duties to disclose information, and the rules of the Oslo Børs that are published by the Company and that expressly amend this prospectus or which are filed with the United States Securities and Exchange Commission and are incorporated by reference herein.

In connection with the Offering, the Standby Underwriters or their affiliates, acting as investors for their own account, may sell, acquire or exercise Rights and offer, sell and subscribe for Offered Shares in the Offering. They may in this capacity for their own account hold, buy or sell such securities and any other of the Company's securities and any investments related thereto, and they may offer or sell such securities or other investments in contexts other than in connection with the Offering. References in this prospectus to the Rights being allocated, acquired or sold and the

Offered Shares being subscribed, offered, sold or acquired should therefore be considered to comprise such offers or placements of securities to the Standby Underwriters or their affiliates. The Standby Underwriters do not intend to disclose the extent of any such investments or

transactions other than in compliance with legal or regulatory requirements to do so. The Standby Underwriters in connection with the Offering will receive commissions from the Company. In connection with the Standby Underwriters' usual business activities, the Standby Underwriters and certain companies affiliated therewith may have provided and may in future provide investment banking advice and carry on normal banking business with the Company and its subsidiaries.

The manager and the Standby Underwriters do not make any direct or indirect representations and do not assume responsibility for the accuracy and completeness of the information contained in this prospectus. Neither the delivery of this prospectus nor the acquisition or exercise of Rights or the subscription of the Offered Shares shall create any implication that the information contained in this prospectus is correct as at any time subsequent to the prospectus date or that there have been no changes in the affairs of the Company since the date hereof. Any material change as compared with the contents of this prospectus will be published as a supplement pursuant to applicable laws, rules and regulations.

This prospectus may not be forwarded, reproduced or in any other way redistributed by anyone but the manager, the Standby Underwriters and the Company. The Rights and the Offered Shares may be subject to restrictions on transferability and resale under applicable securities legislation in certain jurisdictions and may not be acquired, transferred, exercised or resold unless permitted under applicable securities legislation. Persons into whose possession this prospectus may come undertake to inform themselves about and to observe such restrictions. None of the Company, the manager, or the Standby Underwriters assume any legal responsibility for any violation of these restrictions by any person, irrespective of whether such person is a potential holder of the Rights and a potential subscriber for the Offered Shares. Prospective holders of the Rights and prospective subscribers of the Offered Shares should make their own individual assessment of the legal basis of and consequences of the Offering, including possible tax consequences and possible foreign exchange restrictions which may apply, before deciding whether to invest in the Rights and the Offered Shares.

Potential acquirers of Rights and subscribers of Offered Shares shall comply with all applicable laws and provisions in countries or regions in which they acquire, subscribe, offer, sell or exercise the Rights or the Offered Shares or possess or distribute this prospectus and shall obtain consent, approval or permission, as required, for the acquisition of the Rights or subscription for the Offered Shares.

Notice to Investors in the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the EU Directive 2003/71 (together with all current implementing measures in the individual Member States, the Prospectus Directive) (each a Relevant Member State), not including Norway, no offering of Rights and Offer Shares to the public will be made in any Relevant Member State prior to the publication of a prospectus concerning the Rights and the Offered Shares, which has been approved by the competent authority in such Relevant Member State or, where relevant, approved in another Relevant Member State and notified to the competent authority in such Relevant Member State, all pursuant to the Prospectus Directive, except that with effect from and including the date of implementation of the Prospectus Directive in such Relevant Member State, an offering of Rights and Offered Shares may be made to the public at any time in such Relevant Member State:

to legal entities that are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

to any legal entity fulfilling at least two of the following conditions (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43 million; and (3) an annual net revenue of more than 50 million, as shown in its last annual or consolidated accounts;

to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Standby Underwriters, for any such offer; or

in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Offered Shares shall result in a requirement for the publication by the Company or the Standby Underwriters of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of the above, the expression an offer of Rights and Offered Shares to the public in relation to Rights and Offered Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering, the Rights and Offered Shares so as to enable an investor to decide to exercise or acquire Rights or subscribe for Offered Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

Notice Concerning Canada, Australia and Japan

This prospectus may not be distributed or otherwise made available, the Offered Shares may not be directly or indirectly offered, sold or subscribed, and the Rights may not be directly or indirectly offered, sold, acquired or exercised in Canada, Australia or Japan, unless such distribution, offering, sale, acquisition, exercise or subscription is permitted under applicable laws of the relevant jurisdiction, and the Company and the Standby Underwriters receive satisfactory documentation to that effect. Due to such restrictions under applicable legislation and regulations, the Company expects that certain investors residing in Canada, Australia, Japan and other jurisdictions may not be able to receive this prospectus and may not be able to exercise their Rights or subscribe for the Offered Shares. No offering and no solicitation to any person is being made by the Company in any circumstances that would be unlawful.

Presentation of Financial and Certain Other Information

Our audited financial statements as at December 31, 2006 and 2007 and for each of the three years in the three year period ending December 31, 2007 incorporated by reference in this prospectus from our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, as amended, have been prepared in accordance with generally accepted U.S. accounting principles (GAAP), which differs in certain respects from International Financial Reporting Standards as adopted by the EU and the additional Norwegian disclosure requirements for financial statements of listed companies. Financial information set forth in such financial statements and associated schedules has been rounded. Accordingly, in certain instances, the sum of the numbers in a column or row may not conform exactly to the total figure given for that column or row. In addition, certain percentages presented in such information reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

In this prospectus all references to Kroner , kroner , or NOK are to the currency of the Kingdom of Norway, all references to U.S. dollars , U.S. Dollars , US\$, USD , or \$ are to the currency of the U.S., all references to pounds , pounds sterling , UK £ or £ are to the currency of the United Kingdom and all references to Euro , euro and currency introduced from the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended. References to US Eastern time and to CET refer to local time on the east coast of the United States and local Central European Time, respectively. References to the VPS System refer to the securities clearance and registration system maintained by the Norwegian Central Securities Depository and DNB NOR bank.

Enforceability of Judgments

The Company is organized under the laws of the State of Delaware in the United States, with our domicile in the municipality of Dover, County of Kent, State of Delaware. All of the members of our Board of Directors and Executive Management and certain of the experts named herein are residents of British Isles or other jurisdictions

outside the U.S. All of our assets as well as the assets of such non-resident persons are located in jurisdictions outside the U.S.

As a result, it may not be possible for investors to effect service of process upon such persons or us with respect to litigation that may arise under U.S. federal securities law or to enforce against them or us judgments

obtained in U.S. courts, whether or not such judgments were made pursuant to civil liability provisions of the federal or state securities laws of the U.S. or any other laws of the U.S. We have been advised by our Norwegian counsel that there is not currently a treaty between the U.S. and Norway providing for reciprocal recognition and enforceability of judgments rendered in connection with civil and commercial disputes and accordingly that a final judgment rendered by a U.S. court based on civil liability would not be enforceable in Norway. Considerable uncertainty exists whether Norwegian courts would allow actions to be predicated on the securities laws of the U.S. or other jurisdictions outside Norway.

Foreign Currency Presentation

We publish our financial statements in United States Dollars. Certain financial information included in this prospectus contains conversions of certain Dollar amounts into Kroner amounts, Pounds Sterling and into Euros at specified rates. These conversions should not be construed as representations that the Dollar amounts actually represent such Kroner, Pound or Euro amounts or could be converted into Kroner, Pounds or Euros at the rates indicated or at any other rate. In addition, certain additional information herein has been presented in U.S. dollars. The conversions in our financial statements of financial information into other currencies have been made using the rates disclosed therein. Unless otherwise indicated, conversions of financial information have been made using the foreign exchange reference rates set forth on the cover page of this prospectus.

Independent Auditors

Our audited consolidated financial statements as at December 31, 2006 and 2007 and for each of the three years in the three year period ending December 31, 2007 included herein by reference have been reported upon by LJ Soldinger Associates LLC, independent registered public accountants.

Financial Calendar

We are subject to the periodic reporting requirements and other disclosure requirements of the U.S. Securities Exchange Act of 1934, as amended (Exchange Act), and, accordingly, as an accelerated filer (as defined in the Exchange Act) we are required to file an Annual Report on Form 10-K with the SEC within 75 days after the end of each fiscal year, which report includes audited consolidated financial statements among other matters. In addition, we file interim Quarterly Reports on Form 10-Q containing unaudited interim financial information as well as other required information with the SEC within 40 days after the end of each of the first three fiscal quarters ended March 31, June 30 and September 30 in each year. Finally, in connection with the solicitation of proxies for our Annual General Meetings we are required to file proxy materials with the SEC.

Available Information

See the sections of this prospectus entitled *Where You Can Find More Information* and *Documents Incorporated by Reference* for information as to how you can obtain additional information regarding the Company, its business, financial condition and the Offering. The following documents have been filed as exhibits with the SEC and can be accessed on the SEC's website www.sec.gov and are available for inspection at any time: (i) our Amended and Restated Certificate of Incorporation and Bylaws; (ii) the documents incorporated by reference in this prospectus as identified in the section entitled *Documents Incorporated by Reference*; and (iii) this prospectus and the registration statement of which this prospectus forms a part.

PROSPECTUS SUMMARY

The following summary highlights selected information contained in this prospectus. This summary does not contain all the information you should consider before investing in the securities and is qualified in its entirety by the more detailed information appearing elsewhere in this prospectus. Before making an investment decision, you should read the entire prospectus and the information incorporated by reference herein carefully, including the Risk Factors section.

Unless the context requires otherwise, references to *the Company*, *CanArgo*, *we*, *us* and *our* are to CanArgo Energy Corporation and its subsidiaries. A glossary of certain oil and gas terms and definitions used in this prospectus is set forth on page 8. References to persons comprise references both to individuals and to legal entities.

The Company

The Company is an independent oil and gas exploration and production company engaged in oil and gas exploration, development and production in Georgia. The Company's executive offices are located at PO Box 291, St Peter Port, Guernsey, GY1 3RR, British Isles and its telephone number is +(44) 1481 729 980.

Risk Factors

The investment in the common stock or the Rights offered hereby is subject to risk factors that should be carefully reviewed prior to determining whether to purchase the common stock or purchase or exercise the Rights. These factors relate to the Company's financial condition, risks associated with operations in Georgia and other countries in the former Soviet Union, risks inherent in oil and gas operations, and volatility in our stock price. See Risk Factors beginning on page 12 below.

The Offering

Rights Offering

Each record holder of common stock (*Record Date Holder*) as of 5:00 p.m., U.S. Eastern time on October 2, 2008 (the *Record Date*) will be distributed at no charge one transferable subscription right (*Right*) for each share of common stock held of record on the Record Date. Each Right will entitle the holder thereof (*Rights Holder*) to purchase from the Company one share of common stock (an *Underlying Share*) for a price of \$0.10 per share (the *Subscription Price*). An aggregate of up to 259,047,390 shares of common stock will be issued in the Offering upon exercise of the Rights or pursuant to the Standby Underwriting Agreements (as defined below), including pursuant to the exercise by the Standby Underwriters of their conditional rights to acquire up to 16,940,000 shares in lieu of payment of their underwriting commissions in cash. The Rights will be evidenced by transferable certificates (the *Subscription Rights Certificates*) except for those stockholders who hold their shares of common stock in the book entry system maintained by the Depository Trust Company (*DTC*) or the VPS System, whose Rights will be evidenced by an electronic book entry certificate registered with DTC or in the VPS System, respectively.

Conditions to Rights Offering

There are no conditions to the completion of the Rights Offering other than compliance with all requisite regulatory requirements.

Basic Subscription Privilege

Rights Holders are entitled to purchase, at the Subscription Price, one Underlying Share for each whole Right held (the Basic Subscription Privilege). No fractional shares will be issued. See The

Rights Offering Subscription Privileges Basic Subscription Privilege .

Subscription Price

\$0.10 per Underlying Share, payable in cash. See The Rights Offering Exercise of Rights by Rights Holders and Standby Underwriting and Plan of Distribution Determination of Subscription Price.

Shares of Common Stock Outstanding after Rights Offering

As of the Record Date there were 242,107,390 shares of common stock outstanding. A maximum aggregate of 242,107,390 shares of common stock may be issued pursuant to the Basic Subscription Privilege. Accordingly, after this Offering, approximately 501,154,780 shares of common stock will be outstanding, assuming the exercise in full by the Standby Underwriters of their conditional right to receive their commission in shares in lieu of cash. If only the shares that are the subject of the Rights Offering are issued (i.e., if the Standby Underwriters do not exercise their conditional right to receive their commission in shares in lieu of cash) approximately 484,214,780 shares of common stock will be outstanding after this Offering.

Transferability of Rights

The Rights, including the Basic Subscription Privilege, may be transferred or assigned prior to the relevant Expiration Time in the United States or in Norway. On and after each such relevant Expiration Time, unexercised Rights will expire and will have no value. We have been advised by the AMEX and the OSE that the Rights will be traded on the AMEX under the symbol CNR.RT (CNR.RT.WI until the first business day after the distribution date) and on the OSE under the symbol CNR T , respectively, beginning on or about October 6, 2008, until 5:00 p.m., U.S. Eastern time, on October 23, 2008, on the AMEX and 5:30 p.m. (CET) on October 13, 2008 on the OSE, in each case the last business day prior to the scheduled relevant expiration date of the Rights Offering.

If your shares are held of record by a broker, custodian bank or other nominee on your behalf, including in the VPS System or in the book entry system maintained by DTC, you may sell your Rights by contacting your broker, custodian bank or other nominee through which you hold your common stock. To sell your Rights, if you are a U.S. stockholder you should complete and return to your broker, custodian bank or other nominee the form entitled Beneficial Owner Election Form such that it will be received well in advance of 5:00 p.m., U.S. Eastern time, on October 23, 2008 (which is the latest possible date and time that the Rights will be traded on the AMEX), the last business day prior to the scheduled October 24, 2008 U.S. expiration date of this Rights Offering. Foreign registered stockholders and stockholders who hold their shares in the VPS System should see Foreign and Other Stockholders below and The Rights Offering Foreign and Other Stockholders and consult the Norwegian Offering Circular.

If you are a record holder of a Subscription Rights Certificate, you may sell your Rights through Computershare (the U.S. Subscription Agent) in which case, you must deliver your properly completed and executed Subscription Rights Certificate, with appropriate instructions, to the U.S. Subscription Agent. The U.S. Subscription Agent will only facilitate subdivisions, transfers or direct sales (other than on the AMEX) of Rights until 5:00 p.m. U.S. Eastern time, on October 21, 2008, three business days prior to the scheduled October 24, 2008 U.S. expiration date of this Rights Offering. You may also choose to sell your Rights through a broker, custodian bank or other nominee. Foreign registered stockholders and stockholders who hold their shares in the VPS System should see Foreign and Other Stockholders below and The Rights Offering Foreign and Other Stockholders and consult the Norwegian Offering Circular.

The deadline to sell your Rights is subject to extension if we extend the expiration date of this Rights Offering with the consent of the Standby Underwriters if the Rights Offering is extended beyond four weeks in length. See The Rights Offering Methods for Transferring and Selling Subscription Rights.

Record Date

October 2, 2008

Expiration Time

4:00 p.m., U.S. Eastern time, October 24, 2008, or such later time to which the Offering may have been extended (the U.S. Expiration Time) and 5:30 p.m. CET on October 14, 2008, or such later time to which the Offering has been extended (the Norwegian Expiration Time and together with the U.S. Expiration Time, the Expiration Time). See The Rights Offering Expiration and Extension of the Rights Offering. Rights not exercised prior to the relevant Expiration Time will expire and become worthless.

Procedure for Exercising Rights

Subject to certain limited conditions as described in Risk Factors, you may exercise your Rights pursuant to the following steps:

If you are a record holder of a Subscription Rights Certificate, you may exercise your Rights by properly completing and signing your Subscription Rights Certificate. For the exercise of a Right to be effective, your Subscription Rights Certificate, together with full payment of the Subscription Price, must be received by the U.S. Subscription Agent on or prior to the Expiration Time of this Rights Offering, and payment must clear prior to the expiration of this Rights Offering, provided that if you cannot deliver your Subscription Rights Certificate to the U.S. Subscription Agent on time and you are a U.S. record holder, you may follow the guaranteed delivery procedures described under The Rights Offering Guaranteed Delivery Procedures. If you use the mail, we recommend that you use insured, registered mail, return receipt requested. The described guaranteed delivery procedures will not be applicable for foreign registered stockholders or stockholders holding shares through the

VPS System. See The Rights Offering Exercise of Rights by Rights Holders.

If you hold shares of our common stock through a broker, custodian bank or other nominee, we will ask your broker, custodian bank or other nominee to notify you of this Rights Offering. If you wish to sell or exercise your Rights, you will need to have your broker, custodian bank or other nominee act for you. If you are a U.S. stockholder to exercise your Rights, you should complete and return to your broker, custodian bank or other nominee the form entitled *Beneficial Owner Election Form* such that it will be received by 5:00 p.m., U.S. Eastern time, on October 23, 2008, the last business day prior to the U.S. Expiration Time of this Rights Offering. You should receive this form from your broker, custodian bank or other nominee with the other Rights Offering materials. You should contact your broker, custodian bank or other nominee if you do not receive this form. See *The Rights Offering* *Beneficial Owners* .

If you are a foreign registered stockholder or hold your shares in the VPS System see *Foreign and Other Stockholders* below and *The Rights Offering* *Foreign and Other Stockholders*.

No Revocation of Exercise

All exercises of Rights are irrevocable, even if you later learn information that you consider to be unfavorable to the exercise of your Rights. You should thus not exercise your Rights unless you are certain that you wish to purchase additional shares of our common stock at a subscription price of \$0.10 per full share. Rights not exercised prior to the expiration of this Rights Offering will expire and will be void and no longer exercisable. Please see *Risk Factors* for a discussion relating to the irrevocability of subscription exercises and *The Rights Offering* *No Revocation*.

Persons Holding Common Stock, or Wishing to Exercise Rights Through Others

Persons holding shares of common stock beneficially, and receiving the Rights issuable with respect thereto, through a broker, dealer, commercial bank, trust company or other nominee, as well as persons holding certificates for common stock directly who would prefer to have such institutions effect transactions relating to the Rights on their behalf, should contact the appropriate institution or nominee and request it to effect such transactions for them. See *The Rights Offering* *Exercise of Rights by Rights Holders* and *The Rights Offering* *Beneficial Owners*.

Issuance of Common Stock

Certificates representing shares of common stock purchased pursuant to the Basic Subscription Privilege will be delivered to subscribers as soon as practicable after the closing of the Rights Offering, corresponding Rights have been validly exercised and payment therefor has been received by the Company with the exception of those stockholders whose shares are registered in the VPS System in Norway or are included in the book entry system maintained by DTC. Such stockholders will not receive stock certificates and instead will have their shareholdings appropriately registered in such book entry systems.

Extension of the Rights Offering

We have the option to extend this Rights Offering and the period for exercising your Rights for any reason, subject to the prior receipt of the consent of the Standby Underwriters if we extend the Rights Offering beyond four weeks in length, including if we determine that changes in the market price of our common stock warrant an extension or if we decide to give stockholders more time to exercise their Rights in this Rights Offering, although we do not presently intend to do so. See The Rights Offering Expiration and Extension of the Rights Offering.

Commissions or Fees

We will not charge a brokerage commission or a fee to Rights Holders for exercising their Rights. However, if you exercise your Rights through a broker, custodian bank or other nominee, you will be responsible for any fees charged by your broker, custodian bank or other nominee.

If you sell your Rights, you will be responsible for any commissions, taxes or broker fees arising from any such sale. If a Subscription Agent sells Rights for you, it will aggregate and sell concurrently all Rights being sold on a particular day and will send you a check for the net proceeds from the sale of any of your Rights, less a commission and any applicable taxes or broker fees, as soon as practicable following the sale. Any sales through a Subscription Agent will be deemed to be effected at the weighted average net sale price of all Rights sold by the Subscription Agent on the relevant date of sale.

If you sell your Rights through your broker, custodian bank or other nominee either because you are a beneficial holder or because you are a record holder that chooses to sell your Rights through a broker, custodian bank or other nominee, you may receive a different amount of proceeds than if you are a record holder and you choose to sell the same amount of Rights through the Subscription Agent. If you sell your Rights through your broker, custodian bank or other nominee instead of a Subscription Agent, your sales proceeds will be the actual sales price of your Rights less any applicable broker's commission, taxes or other fees, rather than the weighted average net sale price of all Rights sold by the Subscription Agent on the relevant date as described above.

Standby Underwriting Commitments

The Standby Underwriters named in the table set forth in the Standby Underwriting and Plan of Distribution section below (collectively, the Standby Underwriters) have each severally and not jointly agreed to underwrite up to a maximum of 242,000,000 of the unsubscribed for Underlying Shares (the Unsubscribed Shares) at the Subscription Price per share pro rata to their respective underwriting commitments as indicated in the table. See The Rights Offering Standby Underwriting Commitments and Standby Underwriting and Plan of Distribution Standby Underwriting Agreements.

AMEX and OSE Symbols for Common Stock and Rights

CNR is the symbol for the common stock on both the AMEX and OSE; we have been advised that the AMEX and OSE symbols for

the Rights are CNR.RT (CNR.RT.WI until the first business day after the distribution date) and CNR T, respectively.

Use of Proceeds

The proceeds from the Rights Offering, before the payment of expenses of the Rights Offering, including any compensation due to the Standby Underwriters, are estimated to be a minimum of \$24,200,000. Of such proceeds: \$12,000,000 is expected to be used for the implementation of a production enhancement program at the Ninotsminda Field in Georgia which may include the drilling of a new well in the eastern part of the Field with up to two horizontal completions and a new vertical well on the northern flank of the Field; \$3,000,000 is expected to be used for the further evaluation of the Manavi prospect in Georgia with a focus on the completion of well testing operations at the M12 well; \$1,000,000 will be used to further our farm-out strategy in respect of our other exploration acreage in Georgia; \$5,000,000 is expected to be used for the repayment of indebtedness; and \$3,200,000 is expected to be used for general working capital purposes (including payment of the expenses of the Offering and the commission in respect of the underwriting of the Offering, in the event that the Standby Underwriters elect to receive their commission in cash). See Use of Proceeds.

Deciding Not to Exercise Subscription Rights

You will retain your current number of shares of our common stock even if you do not exercise your Rights. You are not required to subscribe in this Rights Offering. However, if you do not exercise your Rights, the percentage of our common stock that you own will decrease, and your voting and other rights will be diluted as a result of the issuance of approximately 259,047,390 shares of our common stock pursuant to this Rights Offering (assuming this Rights Offering is fully subscribed and the Standby Underwriters elect to take their commissions in shares of common stock rather than in cash). See Dilution.

Manager

We and Glitnir Securities AS have entered into an engagement agreement, dated June 26, 2008, pursuant to which Glitnir is acting as manager and Norwegian Subscription Agent in connection with this Rights Offering. We will pay a fee and all expenses of Glitnir in connection with the Rights Offering for acting as the manager and as Norwegian Subscription Agent. The fee attributable to the Rights Offering is 2.5% of the gross proceeds to be raised in the rights offering, or approximately \$600,000. We will also pay all fees and expenses of Computershare related to its role as U.S. Subscription Agent in connection with this Rights Offering. See Standby Underwriting and Plan of Distribution The Manager.

No Recommendations

An investment in our common stock must be made pursuant to each investor's evaluation of such investor's best interests. Accordingly, the Company, the manager and the Standby Underwriters make no recommendations to the holders of our common stock.