

CANACOL ENERGY LTD.

**ANNUAL INFORMATION FORM
YEAR ENDED DECEMBER 31, 2017**

DATED: MARCH 26, 2018



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SCHEDULES

SCHEDULE A	Report on Reserves Data by Independent Qualified Reserves Evaluators (Form 51-101F2)
SCHEDULE B	Report of Management and Directors on Oil and Gas Disclosure (Form 51-101F3)
SCHEDULE C	Audit Committee Terms of Reference

CERTAIN DEFINITIONS

In this Annual Information Form, the following abbreviations and terms shall have the meanings set forth below, unless the context otherwise requires:

Selected Defined Terms

“2010 Debentures” means the convertible unsecured debentures that carried interest at a rate of 8% per annum and were convertible at the holder’s option into Common Shares at any time prior to June 30, 2015 and the business day immediately preceding the date fixed by the Corporation for redemption at a conversion price of C\$10.526 per Common Share, being the ratio of 95 Common Shares per C\$1,000 principal amount of 2010 Debentures. On June 30, 2015, the Corporation redeemed the 2010 Debentures, by issuing approximately 9,757,263 Common Shares to satisfy the outstanding principal amount of the 2010 Debentures plus accrued and unpaid interest up to, but excluding, the redemption date based on a price of C\$2.72 per Common Share;

“2013 Credit Facility” means the \$220 million senior secured term loan with a syndicate of banks. The term loan was for a five-year term, carried interest at LIBOR plus 4.50% and was secured by all of the material assets of Canacol. On April 27, 2015, the Corporation cancelled and repaid all amounts outstanding under the 2013 Credit Facility with proceeds from 2015 Credit Facility;

“2014 Senior Notes” means the \$100 million unsecured floating rate senior notes which were issued pursuant to a note indenture agreement, with \$50 million drawn and funded on October 29, 2014, \$25 million drawn and funded on April 2, 2015 and a further \$25 million which was committed and available to be drawn at any time up to April 27, 2016 at the sole discretion of the Corporation, which was undrawn. The 2014 Senior Notes were repayable in full on the maturity date of December 31, 2019 and carried interest at LIBOR plus 8.5% per annum. On February 14, 2017, the Corporation cancelled and repaid all amounts outstanding under the 2014 Senior Notes with proceeds from 2017 Credit Facility;

“2015 Credit Facility” means the \$200 million senior secured term loan with a syndicate of banks. The term loan was due September 30, 2019, carried interest at LIBOR plus 4.75% and was secured by all of the material assets of the Corporation. Proceeds from the 2015 Credit Facility were used for repayment of all amounts outstanding under the 2013 Credit Facility, costs of the transaction, and for other general corporate purposes. On September 30, 2015, the Corporation prepaid \$20 million on the 2015 Credit Facility, thereby reducing the balance outstanding at such time to \$180 million. On February 14, 2017, the Corporation cancelled and repaid all amounts outstanding under the 2015 Credit Facility with proceeds from 2017 Credit Facility;

“2017 Credit Facility” means the secured term loan with a syndicate of banks. The term loan is due March 20, 2022, with interest payable quarterly and principal repayable in 13 equal quarterly instalments starting March 20, 2019, following an initial grace period. The term loan bears interest at LIBOR plus 5.5% and is secured by all of the material assets of the Corporation. The Corporation increased the borrowing base of the 2017 Credit Facility during the financial year ended December 31, 2017 from \$265 million to \$305 million, with no change to the term or the repayment schedule. Proceeds from the 2017 Credit Facility were used for repayment of all amounts outstanding under each of the 2015 Credit Facility and the 2014 Senior Notes, costs of the transaction and for other general corporate purposes. See also *“Description of Capital Structure – Long-Term Debt”*;

“ABCA” means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

“ANH” means Agencia Nacional de Hidrocarburos, or National Hydrocarbon Agency, an agency of the Colombian government;

“BGEC” means Boury Global Energy Consultants Ltd., an independent petroleum engineering consulting firm;

“**BGEC Report**” means the report prepared by BGEC on March 6, 2018 entitled “Consolidated Property Reports as of December 31, 2017 owned by Canacol Energy Ltd.” dated effective December 31, 2017;

“**Board of Directors**” means the board of directors of the Corporation, as constituted from time to time;

“**BVC**” means the Bolsa de Valores de Colombia, the principal stock exchange of Colombia;

“**Canacol Colombia**” means Canacol Energy Colombia S.A., a wholly-owned subsidiary of the Corporation, formerly Rancho Hermoso S.A.;

“**Carrao**” means Carrao Energy Ltd.;

“**Carrao Acquisition**” means the acquisition of Carrao by the Corporation, completed on November 30, 2011, pursuant to which the Corporation acquired exploration assets located in the Llanos, Caguan, and Middle Magdalena basins of Colombia. Canacol acquired all of the issued and outstanding securities of Carrao;

“**Coati E&P Contract**” means the E&P Contract located in the Caguan-Putumayo Basin, Colombia, operated by Amerisur Exploración Colombia Ltda., wherein the Corporation has a 40% working interest;

“**Common Shares**” means common voting shares in the capital of Canacol as presently constituted;

“**ConocoPhillips Colombia**” means ConocoPhillips Colombia Ventures Ltd., a wholly-owned subsidiary of ConocoPhillips Company;

“**Corporation**” or “**Canacol**” means Canacol Energy Ltd., and, when used in the context of describing the Corporation’s assets and business, may include its subsidiaries and predecessors;

“**COR-4 E&P Contract**” means the E&P Contract located in the Upper Magdalena Basin, Colombia, operated by the Corporation, wherein the Corporation has a 100% working interest;

“**COR-11 E&P Contract**” means the E&P Contract located in the Upper Magdalena Basin, Colombia, operated by the Corporation, wherein the Corporation has a 100% working interest;

“**COR-39 E&P Contract**” means the E&P Contract located in the Upper Magdalena Basin, Colombia, operated by the Corporation, wherein the Corporation has a 100% working interest;

“**D&M**” means DeGolyer and MacNaughton, an independent petroleum engineering consulting firm;

“**D&M Report**” means the report prepared by D&M on February 26, 2018 entitled “Report as of December 31, 2017 on Reserves and Revenue of Certain Properties in Colombia and Ecuador with interests owned by Canacol Energy Ltd. Executive Summary NI 51-101” dated effective December 31, 2017;

“**EBITDAX**” earnings before interest, taxes, depreciation, depletion, amortization, exploration expense and non-recurring or non-cash charges;

“**Ecopetrol**” means Ecopetrol S.A., the national oil company of Colombia and formerly known as Empresa Colombiana de Petróleos;

“**Ecuador IPC**” means the 15-year (expiring 2027) incremental production contract awarded to Pardaliservices by PetroAmazonas regarding the Libertador & Atacapi Fields located in northern Ecuador. The Corporation has a non-operated 25% equity interest (27.9% capital participation interest) in the Ecuador IPC; however, on March 7, 2018, the Corporation announced that it completed the sale of its equity interest in Ecuador IPC to the other joint venture partners of Pardaliservices;

“**Emerald**” means Emerald Energy PLC Sucursal Colombia;

“**Esperanza E&E Contract**” means the E&E Contract located in the Lower Magdalena Basin, Colombia, acquired pursuant to the Shona Acquisition, operated by the Corporation, and wherein the Corporation has a 100% working interest;

“**E&E Contract**” means an exploration and exploitation contract;

“**E&P Contract**” means an exploration and production contract;

“**ExxonMobil Colombia**” means ExxonMobil Exploration Colombia Limited, a wholly owned subsidiary of ExxonMobil Corporation;

“**GAAP**” means generally accepted accounting principles for publicly accountable enterprises in Canada, which is currently in accordance with IFRS;

“**Hupecol**” means Hupecol Operating Co. LLC;

“**IFRS**” means International Financial Report Standards as issued by the International Accounting Standards Board;

“**Libertador & Atacapi Fields**” means the mature fields located in northern Ecuador, which are the subject of the Ecuador IPC that was awarded by PetroAmazonas to Pardaliservices;

“**LIBOR**” means the London Interbank Offered Rate;

“**LLA 23 E&P Contract**” means the E&P Contract located in the Llanos Basin, immediately north of and adjacent to the Rancho Hermoso Field, operated by the Corporation, wherein the Corporation has a 100% working interest. This E&P Contract was acquired pursuant to the Carrao Acquisition;

“**Los Picachos E&P Contract**” means the E&P Contract located in the Caguan-Putumayo Basin, Colombia, acquired pursuant to the Shona Acquisition and operated by Hupecol, wherein the Corporation has a 37.5% working interest;

“**Macaya E&P Contract**” means the E&P Contract located in the Caguan-Putumayo Basin, Colombia, acquired pursuant to the Shona Acquisition and operated by Hupecol, wherein the Corporation has a 37.5% working interest;

“**NI 51-101**” means National Instrument 51-101 – *Standard of Disclosure for Oil and Gas Activities* of the Canadian Securities Administrators;

“**NI 51-102**” means National Instrument 51-102 — *Continuous Disclosure Obligations* of the Canadian Securities Administrators;

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators;

“**Ombu E&P Contract**” means the E&P Contract located in the Caguan-Putumayo Basin, Colombia, operated by Emerald, wherein the Corporation has a 10% working interest;

“**Ombu Farm-out Agreement**” means a farm-out agreement entered into in July 2008, whereby the Corporation earned a 10% working interest in the Ombu E&P Contract;

“**Pardaliservices**” means Pardaliservices S.A., the joint venture company established by Tecpetrol International S.A., Schlumberger Ltd., Sertepet S.A., and Canacol that was awarded the Ecuador IPC;

“**PetroAmazonas**” means PetroAmazonas EP, the upstream national oil company of Ecuador in charge of exploration and production activities. In November 2012, PetroAmazonas acquired EP PetroEcuador’s upstream exploration and production interests;

“**Petrotech**” means Petrotech Engineering Ltd., an independent engineering consulting firm;

“**Petrotech Reports**” means the reports prepared by Petrotech each dated February 14, 2018 entitled “Evaluation of the Interests of Canacol Energy Ltd. in the Palmer and Ariana Fields in the Esperanza Block in the Lower Magdalena Valley Basin of Colombia” and “Evaluation of the Interests of Canacol Energy Ltd. in the Oboe Field in the VIM 5 Block, Lower Magdalena Valley Basin of Colombia” each dated effective December 31, 2017;

“**Phantom Warrants**” means the phantom warrants issued by the Corporation to the lenders in connection to the Shona Term Loan such that the Corporation would pay an amount (in cash or Common Shares, at the election of the Corporation) equal to the in-the-money amount of 2,697,292 common share purchase warrants of the Corporation at an exercise price of C\$4.50 per Common Share. On October 21, 2014, the Corporation announced the settlement of the 2,697,292 outstanding Phantom Warrants for \$3.5 million, paid in cash;

“**Portofino E&P Contract**” means the E&P Contract located in the Caguan-Putumayo Basin, Colombia, operated by Frontera Energy Corp., wherein the Corporation has a 60% working interest;

“**Rancho Hermoso**” means the field located in the Llanos Basin, operated by Canacol Colombia by agreement with Ecopetrol;

“**Sangretoro E&P Contract**” means the E&P Contract located in the Caguan-Putumayo Basin, Colombia, operated by the Corporation, wherein the Corporation has a 100% working interest;

“**Santa Isabel E&P Contract**” means the E&P Contract located in the Middle Magdalena Basin, Colombia, operated by the Corporation, wherein the Corporation had a 100% working interest in the shallow formations and a 100% working interest in the deep formations. The Corporation relinquished the Santa Isabel E&P Contract during the financial year ended December 31, 2017;

“**Shareholder**” means a holder of record of one or more Common Shares;

“**Shona**” means Shona Energy Company, Inc.;

“**Shona Acquisition**” means the acquisition by the Corporation of all of the shares of Shona, a British Columbia company that had operations focused in Colombia (Esperanza, Los Picachos, VIM 21 and Macaya E&E and E&P Contracts) and Peru (Block 102);

“**Shona Term Loan**” means a senior secured credit agreement for \$45 million entered into by the Corporation in connection with the Shona Acquisition. The credit facility carried a term of one year, was repayable in full upon maturity, bore interest at 15% per annum and was secured by the assets of Shona. On April 3, 2013, the Corporation cancelled and repaid all amounts outstanding under the Shona Term Loan with proceeds from the 2013 Credit Facility described herein;

“**SSJN-7 E&P Contract**” means the E&P Contract located in the Lower Magdalena Valley Basin, Colombia, operated by Canacol, wherein the Corporation has a 50% working interest;

“**TSX**” means the Toronto Stock Exchange;

“**Vetra**” means Vetra Exploración y Producción Colombia S.A.S.;

“**VIM 5 E&P Contract**” means the E&P Contract located in the Lower Magdalena Basin, Colombia, operated by the Corporation, wherein the Corporation has a 100% working interest;

“**VIM 19 E&P Contract**” means the E&P Contract located in the Lower Magdalena Basin, Colombia, operated by the Corporation, wherein the Corporation has a 100% working interest;

“**VIM 21 E&P Contract**” means the E&P Contract located in the Lower Magdalena Basin, Colombia, operated by the Corporation, wherein the Corporation has a 100% working interest;

“**VMM 2 Additional E&P Contract**” means the E&P Contract located in the Middle Magdalena Basin, Colombia, operated by ConocoPhillips, wherein the Corporation has a 13.4% working interest, for the development of non-conventional reservoirs in the same block as the VMM 2 E&P Contract;

“**VMM 2 E&P Contract**” means the E&P Contract located in the Middle Magdalena Basin, Colombia, operated by Vetra, wherein the Corporation has a 40% working interest in the shallow formations. During the financial year ended December 31, 2017, the Corporation and Vetra applied to relinquish the exploration area of the VMM 2 E&P Contract and also entered into the VMM 2 Additional E&P Contract for the development of non-conventional reservoirs in the same block as the VMM 2 E&P Contract; and

“**VMM 3 E&P Contract**” means the E&P Contract located in the Middle Magdalena Basin, Colombia, operated by ConocoPhillips, wherein the Corporation has a 20% working interest. This E&P Contract was granted by the ANH on December 2, 2015 to develop non-conventional reservoirs and is contiguous with the Santa Isabel and VMM 2 E&P Contracts, which were both acquired pursuant to the Carrao Acquisition.

Technical Terms

“**abandonment and reclamation costs**” means all costs associated with the process of restoring a reporting issuer’s property that has been disturbed by oil and gas activities to a standard imposed by applicable government or regulatory authorities;

“**associated gas**” means the gas cap overlying a crude oil accumulation in a reservoir;

“**conventional natural gas**” means natural gas that has been generated elsewhere and has migrated as a result of hydrodynamic forces and is trapped in discrete accumulations by seals that may be formed by localized structural, depositional or erosional geological features;

“**crude oil**” means a mixture consisting mainly of pentanes and heavier hydrocarbons that exists in the liquid phase in reservoirs and remains liquid at atmospheric pressure and temperature. Crude oil may contain small amounts of sulphur and other non-hydrocarbons but does not include liquids obtained from the processing of natural gas;

“**deemed volumes**” means those volumes produced under a service agreement in which the Corporation does not have a direct interest, but represents reserves attributable to the Corporation as calculated using the cash flow divided by the fixed tariff price over the life of the reserves. The Corporation has a non-operated 25% equity participation interest in the Ecuador IPC for which it receives a fixed price tariff for each incremental barrel produced;

“**developed non-producing reserves**” are those reserves that either have not been on production, or have previously been on production but are shut-in and the date of resumption of production is unknown;

“**developed producing reserves**” are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty;

“developed reserves” are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g., when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing;

“development costs” means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from the reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

- (a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines and power lines, to the extent necessary in developing the reserves;
- (b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and the wellhead assembly;
- (c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and
- (d) provide improved recovery systems;

“development well” means a well drilled inside the established limits of an oil or gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive;

“exploration costs” means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to in part as “prospecting costs”) and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

- (a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies (collectively sometimes referred to as “geological and geophysical costs”);
- (b) costs of carrying and retiring unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence and the maintenance of land and lease records;
- (c) dry hole contributions and bottom hole contributions;
- (d) costs of drilling and equipping exploratory wells; and
- (e) costs of drilling exploratory type stratigraphic test wells;

“exploration well” means a well that is not a development well, a service well or a stratigraphic test well;

“field” means an area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition. There may be two or more reservoirs in a field that are separated vertically by intervening impervious strata or laterally by local geologic

barriers, or both. Reservoirs that are associated by being in overlapping or adjacent fields may be treated as a single or common operational field. The geological terms “structural feature” and “stratigraphic condition” are intended to denote localized geological features, in contrast to broader terms such as “basin”, “trend”, “province”, “play” or “area of interest”;

“**forecast prices and costs**” means future prices and costs that are:

- (a) generally accepted as being a reasonable outlook of the future; and
- (b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the reporting issuer is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a);

“**future income tax expenses**” means expenses estimated (generally, year-by-year):

- (a) making appropriate allocations of estimated unclaimed costs and losses carried forward for tax purposes, between oil and gas activities and other business activities;
- (b) without deducting estimated future costs (for example, Crown royalties) that are not deductible in computing taxable income;
- (c) taking into account estimated tax credits and allowances (for example, royalty tax credits); and
- (d) applying to the future pre-tax net cash flows relating to the reporting issuer’s oil and gas activities the appropriate year-end statutory tax rates, taking into account future tax rates already legislated;

“**future net revenue**” means a forecast of revenue, estimated using forecast prices and costs or constant prices and costs, arising from the anticipated development and production of resources, net of the associated royalties, operating costs, development costs, and abandonment and reclamation costs;

“**gross**” means:

- (a) in relation to the Corporation’s interest in production or reserves, its “company gross reserves”, which are its working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the Corporation;
- (b) in relation to wells, the total number of wells in which the Corporation has an interest; and
- (c) in relation to properties, the total area of properties in which the Corporation has an interest;

“**heavy crude oil**” means crude oil with a relative density greater than 10° API gravity and less than or equal to 22.3° API gravity;

“**light crude oil**” means crude oil with a relative density greater than 31.1° API gravity;

“**medium crude oil**” means crude oil with a relative density that is greater than 22.3° API gravity and less than or equal to 31.1° API gravity;

“**natural gas**” means a naturally occurring mixture of hydrocarbon gases and other gases;

“**natural gas liquids**” or “**NGLs**” means those hydrocarbon components that can be recovered from natural gas as a liquid including, but not limited to, ethane, propane, butanes, pentanes plus, and condensates;

“net” means:

- (a) in relation to the Corporation’s interest in production or reserves its working interest (operating or non-operating) share after deduction of royalty obligations, plus its royalty interest in production or reserves;
- (b) in relation to the Corporation’s interest in wells, the number of wells obtained by aggregating the Corporation’s working interest in each of its gross wells; and
- (c) in relation to the Corporation’s interest in a property, the total area in which the Corporation has an interest multiplied by the working interest owned by the Corporation;

“operating costs”, see “production costs”;

“possible reserves” means those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves;

“probable reserves” are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves;

“production” means the cumulative quantity of petroleum that has been recovered at a given date. Recovering, gathering, treating, field or plant processing (for example, processing gas to extract natural gas liquids) and field storage of oil and gas;

“production costs” (or “operating costs”) means costs incurred to operate and maintain wells and related equipment and facilities, including applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities. Lifting costs become part of the cost of oil and gas produced. Examples of production costs are:

- (a) costs of labour to operate the wells and related equipment and facilities;
- (b) costs of repairs and maintenance;
- (c) costs of materials, supplies and fuel consumed, and supplies utilized, in operating the wells and related equipment and facilities;
- (d) costs of well services; and
- (e) taxes, other than income and capital taxes;

“property acquisition costs” means costs incurred to acquire a property (directly by purchase or lease, or indirectly by acquiring another corporate entity with an interest in the property), including:

- (a) costs of lease bonuses and options to purchase or lease a property;
- (b) the portion of the costs applicable to hydrocarbons when land including rights to hydrocarbons is purchased in fee; and
- (c) brokers’ fees, recording and registration fees, legal costs and other costs incurred in acquiring properties;

“proved property” means a property or part of a property to which reserves have been specifically attributed;

“proved reserves” are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves;

“reserves” are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on (a) analysis of drilling, geological, geophysical, and engineering data; (b) the use of established technology; and (c) specified economic conditions, which are generally accepted as being reasonable and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates being “proved reserves”, “probable reserves” and “possible reserves”;

“reservoir” means a subsurface rock unit that contains an accumulation of petroleum;

“resources” means petroleum quantities that originally existed on or within the earth’s crust in naturally occurring accumulations, including discovered and undiscovered (recoverable and unrecoverable) plus quantities already produced. Total resources is equivalent to total petroleum initially-in-place;

“service well” means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt-water disposal, water supply for injection, observation, or injection for combustion;

“solution gas” means natural gas dissolved in crude oil;

“stratigraphic test well” means the drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Ordinarily, such wells are drilled without the intention of being completed for hydrocarbon production. They include wells for the purpose of core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic test wells are classified as:

- (a) “exploratory type” if not drilled into a proved property; or
- (b) “development type”, if drilled into a proved property. Development type stratigraphic wells are also referred to as “evaluation wells”;

“support equipment and facilities” means equipment and facilities used in oil and gas activities, including seismic equipment, drilling equipment, construction and grading equipment, vehicles, repair shops, warehouses, supply points, camps, and division, district or field offices;

“undeveloped reserves” are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned. In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to sub-divide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator’s assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status;

“unproved property” means a property or part of a property to which no reserves have been specifically attributed; and

“working interest” means the net interest held in an oil and natural gas property which normally bears its proportionate share of the costs of exploration, development and operations as well as any royalties or other production burdens.

ABBREVIATIONS AND CONVERSION

In this Annual Information Form, the following abbreviations and terms have the meanings set forth below:

Oil and Natural Gas Liquids		Natural Gas	
bbl	barrel	Mcf	thousand cubic feet
Mbbl	one thousand barrels	MMcf	million cubic feet
MMbbl	one million barrels	Mscf	thousand standard cubic feet
bbl/d	barrels per day	Bcf	billion cubic feet
bopd	barrels of oil per day	Mcf/d	thousand cubic feet per day
NGL	natural gas liquids	MMcf/d	million cubic feet per day
		MMscf/d	million standard cubic feet per day
		MMBTU	million British Thermal Units
		MMBTU/d	million British Thermal Units per day

Other	
BOE or boe	barrel of oil equivalent is derived by converting natural gas to oil in the ratio of 5.7 Mcf of natural gas to one bbl of oil. A BOE conversion ratio of 5.7 Mcf to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 5.7:1, utilizing a conversion on a 5.7:1 basis may be misleading as an indication of value. In this Annual Information Form, the Corporation has expressed BOE using the Colombian conversion standard of 5.7 Mcf: 1 bbl required by the Ministry of Mines and Energy of Colombia.
boe/d	barrels of oil equivalent per day
Mboe	one thousand barrels of oil equivalent
MMboe	one million barrels of oil equivalent
M	thousand
ft	feet
km	kilometre
km ²	square kilometres
m ³	cubic metre
API	American Petroleum Institute
° API	an indication of the specific gravity of crude oil measured on the API gravity scale. Liquid petroleum with a specified gravity of 28° API or higher is generally referred to as light crude oil
\$000s or M\$	thousands of dollars
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade
kWh	kilowatt-hour

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units):

To convert from	To	Multiply by
BOE	Mcf	5.7
Mcf	m ³	28.174
m ³	cubic feet	35.315
bbl	m ³	0.159
m ³	bbl	6.290
ft	metres	0.305
metres	ft	3.281
miles	km	1.609
km	miles	0.621
acres	hectares	0.405
hectares	acres	2.471

INFORMATION

The information in this Annual Information Form is stated as at December 31, 2017, unless otherwise indicated. For an explanation of the capitalized terms and expression and certain defined terms, see “*Certain Definitions*” and “*Abbreviations and Conversion*”. **Except as otherwise indicated, all dollar amounts in this Annual Information Form are expressed in United States dollars and references to \$ are to United States dollars.** References to C\$ are to Canadian dollars.

Colombian and Ecuadorian estimated future net revenue based on the D&M Report, the BGEC Report and the Petrotech Reports is presented in United States dollars effective December 31, 2017.

NON-GAAP TERMS

This AIF refers to certain financial measures that are not determined in accordance with GAAP. Since non-GAAP measures do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies, securities regulations require that non-GAAP measures are clearly defined, qualified and reconciled to their nearest GAAP measure. Except as otherwise indicated, these non-GAAP measures are calculated and disclosed on a consistent basis from period to period. Specific adjusting items may only be relevant in certain periods.

The intent of non-GAAP measures is to provide additional useful information with respect to Canacol’s operational and financial performance to investors and analysts though the measures do not have any standardized meaning under IFRS. The measures should not, therefore, be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate these non-GAAP measures differently.

In particular, the term “netback” is used in this Annual Information Form and readers should be cautioned that netback is not defined by GAAP and may not be comparable to similar measures presented by other companies. Management believes this is a useful metric in providing a comparison of relative overall performance between companies as it is a common metric used by other companies operating in the oil and gas industry. Management uses the metric to assess the Corporation’s overall performance relative to that of its competitors and for internal planning purposes.

“**Netback**” is a non-GAAP financial measure and is calculated as revenues net of royalties, less transportation and processing charges, repair and operating expenses and then divided by BOE sold.

In addition, the Corporation does not record its proportionate share of revenues and expenditures as would be typical in oil and gas joint interest arrangements due to the nature of the equity method of accounting that the Corporation applies under IFRS 11 to its interest in the Ecuador IPC. Therefore, within this AIF, management has provided supplemental measures of adjusted revenues and expenditures, which are inclusive of the Ecuador IPC, to supplement the IFRS disclosures of the Corporation’s operations. Such supplemental measures should not be considered as an alternative to, or more meaningful than, the measures as determined in accordance with IFRS as an indicator of the Corporation’s performance, and such measures may not be comparable to that reported by other companies.

For more information with respect to financial measures which have not been defined by GAAP, including reconciliations to the closest comparable GAAP measure, see the “Non-IFRS Measures” section of the Corporation’s management discussion and analysis accompanying its most recent audited annual financial statements which are available on SEDAR.

FORWARD LOOKING STATEMENTS

Certain information regarding the Corporation set forth in this Annual Information Form, including management's assessment of the Corporation's future plans and operations, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. The use of any of the words "plan", "expect", "forecast", "project", "intend", "believe", "anticipate", "estimate" or other similar words, or statements that certain events or conditions "may" or "will" occur are intended to identify forward-looking statements. Such statements represent the Corporation's internal projections, estimates or beliefs concerning, among other things, future growth, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, plans for and results of drilling activity, environmental matters, business prospects and opportunities. These statements are only predictions and actual events or results may differ materially. Although management of the Corporation believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, operational, competitive, political and social uncertainties and contingencies. Many factors could cause the Corporation's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Corporation.

In particular, forward-looking statements included in this Annual Information Form include, but are not limited to, statements with respect to:

- the size of, and future net revenues from, oil and gas reserves;
- the performance characteristics of the Corporation's oil and gas properties;
- supply and demand for oil and natural gas;
- drilling plans, including the anticipated timing thereof;
- treatment under governmental regulatory regimes and tax laws;
- financial and business prospects and financial outlook;
- results of operations;
- production, future costs, reserves and production estimates;
- activities to be undertaken in various areas including the fulfillment of exploration commitments;
- timing of drilling, completion and tie in of wells;
- access to facilities and infrastructure;
- timing of development of undeveloped reserves;
- planned capital expenditures, the timing thereof and the method of funding;
- financial condition, access to capital and overall strategy;
- the quantity of the Corporation's reserves;
- the Corporation's expectations regarding its ability to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; and
- the anticipated plan to divest or spin-out the Corporation's legacy conventional oil assets.

Statements relating to "reserves" or "resources" are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described can be profitably produced in the future. The recovery and reserve estimates of the Corporation's reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements.

These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to, the impact of general economic and political conditions in Colombia; industry conditions, including changes in laws and regulations including adoption of new environmental laws and regulations, and changes in how they are interpreted and enforced, in Colombia; volatility in market prices for oil, NGL's and natural gas; imprecision in reserve and resource estimates; lack of availability of additional financing and farm-in or joint venture

partners; competition; the results of exploration and development drilling and related activities; lack of availability of qualified personnel; the Corporation's ability to recover reserves and resources; production rates and production decline rates; environmental risks; risks related to the ability of partners to fund capital work programs and other matters requiring partner approval; the production and growth potential of the Corporation's assets; obtaining required approvals of regulatory authorities, in Colombia; risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities; fluctuations in foreign exchange or interest rates; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and natural gas industry; risk that the Corporation will not be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; the risks discussed herein under "Risk Factors"; and other factors, many of which are beyond the control of the Corporation. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Corporation's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

Although the forward-looking statements contained in this Annual Information Form are based upon assumptions which management of the Corporation believes to be reasonable, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this Annual Information Form, the Corporation has made assumptions regarding, but not limited to: current commodity prices and royalty regimes; availability of skilled labour; timing and amount of capital expenditures; uninterrupted access to infrastructure; future exchange rates; the price of oil, NGL's and natural gas; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; effects of regulation by governmental agencies; recoverability of reserves; royalty rates; future operating costs; that the Corporation will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Corporation's conduct and results of operations will be consistent with its expectations; that the Corporation will have the ability to develop the Corporation's oil and gas properties in the manner currently contemplated; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; that the estimates of the Corporation's reserves volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects; that the Corporation will be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; and other matters.

Forward-looking statements and other information contained herein concerning the oil and natural gas industry in the countries in which the Corporation operates and the Corporation's general expectations concerning this industry are based on estimates prepared by management of the Corporation using data from publicly available industry sources as well as from resource reports, market research and industry analysis and on assumptions based on data and knowledge of this industry which the Corporation believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Corporation is not aware of any material misstatements regarding any industry data presented herein, the oil and natural gas industry involves numerous risks and uncertainties and is subject to change based on various factors.

The estimates of future production may be considered to be future-oriented financial information or a financial outlook for the purposes of applicable Canadian securities laws. Financial outlook and future-oriented financial information contained in this Annual Information Form about prospective financial performance, financial position or cash flows are based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available, and to become available in the future. In particular, this Annual Information Form contains projected operational information for 2018. These projections contain forward-looking statements and are based on a number of material assumptions and factors. Actual results may differ significantly from the projections presented herein. These projections may also be considered to contain future-oriented financial information or a financial outlook. The actual results of Canacol's operations for any period could vary from the amounts set

forth in these projections, and such variations may be material. See above for a discussion of the risks that could cause actual results to vary. The future-oriented financial information and financial outlooks contained in this Annual Information Form have been approved by management as of the date of this Annual Information Form. Readers are cautioned that any such financial outlook and future-oriented financial information contained herein should not be used for purposes other than those for which it is disclosed herein. Canacol and its management believe that the prospective financial information has been prepared on a reasonable basis, reflecting management's best estimates and judgments, and represent, to the best of management's knowledge and opinion, Canacol's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future results.

Management of the Corporation has included the above summary of assumptions and risks related to forward-looking information provided in this Annual Information Form in order to provide Shareholders with a more complete perspective on the Corporation's current and future operations and such information may not be appropriate for other purposes. The Corporation's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that the Corporation will derive therefrom. These forward-looking statements are made as of the date of this Annual Information Form and the Corporation disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

NAME AND INCORPORATION

The Corporation was incorporated pursuant to the provisions of the *British Columbia Company Act* on July 20, 1970 and was continued under the ABCA on November 24, 2004. On February 12, 2009, the Corporation changed its name to "Canacol Energy Ltd."

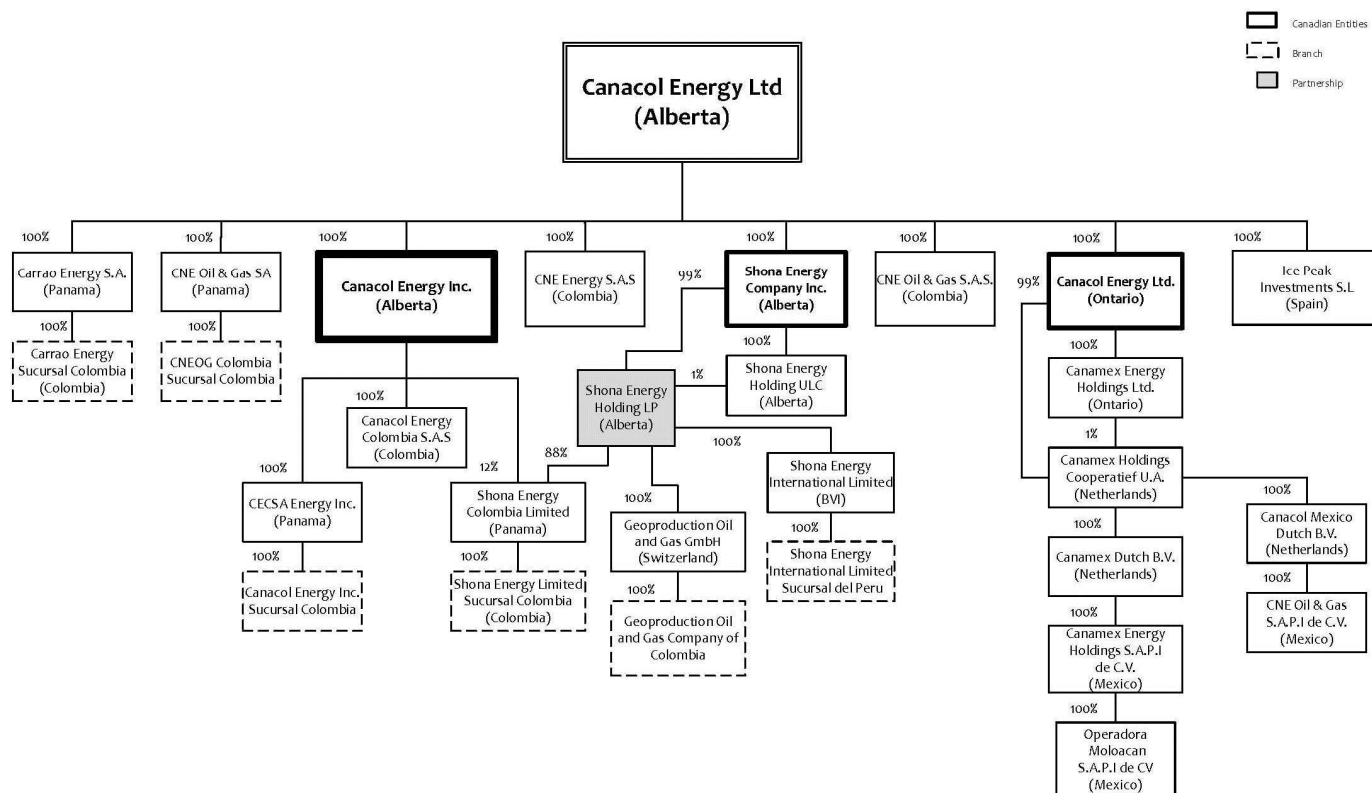
The Corporation's head office is located at Suite 2650, 585 - 8th Avenue S.W., Calgary, Alberta, T2P 1G1. The Corporation has a material branch office in Bogota, Colombia at Calle 113 No. 7-45 Torre B Oficina 1501. The registered office of the Corporation is located at 1000, 250 - 2nd Street S.W., Calgary, Alberta T2P 0C1.

The Corporation is a reporting issuer in each of the Provinces of Canada, other than Quebec. The Common Shares are listed and posted for trading on the TSX under the trading symbol "CNE", on the BVC, the principal stock exchange of Colombia, under the symbol "CNEC", and on the OTCQX International Premier under the symbol "CNNEF".

INTERCORPORATE RELATIONSHIPS

During the financial year ended December 31, 2017, the Corporation completed a normal course corporate restructuring pursuant to which, among other transactions, Geoproduction Oil and Gas Company, LLC migrated from Louisiana to Switzerland and the Corporation formed a new Alberta limited partnership, Shona Energy Holding Limited Partnership.

The following chart sets forth the Corporation’s relationship with each material subsidiary of the Corporation and their respective jurisdictions of incorporation as at the date hereof.



GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year History

Canacol is an international oil and gas company with operations focused onshore in Colombia. The Corporation is headquartered in Calgary, Alberta, Canada. The following describes the development of Canacol’s business and major transactions and events of the last three completed financial years, and activities that have or are expected to occur in the current financial year.

Period From July 1, 2014 to June 30, 2015

On October 21, 2014, the Corporation announced the settlement of 2,697,292 outstanding Phantom Warrants for \$3.5 million, paid in cash.

On October 29, 2014, the Corporation announced that it established a financing relationship with Apollo Investment Corporation to finance its investment in oil and gas properties in Colombia and Latin America. As a result, the Corporation entered into a note indenture agreement with respect to the 2014 Senior Notes, with \$50 million drawn and funded as of October 29, 2014.

On December 18, 2014, the Corporation announced the official acquisition of the 100% participating interest in the VIM 5 and VIM 19 E&P Contracts from OGX Petroleo E Gas S.A. pursuant to a farm-out agreement entered into on April 28, 2014, as amended on July 10, 2014. The ANH formally approved the transfer of title and operatorship of the E&P Contracts to Canacol on December 18, 2014. Both contracts are located adjacent to the Corporation's 100% operated Esperanza and VIM 21 gas contracts in the Lower Magdalena Basin of Colombia.

On January 16, 2015, the Corporation announced the appointment of Mr. Francisco Diaz to the Board of Directors.

On April 24, 2015, Canacol announced that it had entered into the 2015 Credit Facility. The 2015 Credit Facility was a \$200 million senior secured term loan with a syndicate of banks. Partial proceeds from the 2015 Credit Facility were used for the repayment of all principal and accrued interest outstanding under the 2013 Credit Facility and costs of the transaction. Remaining proceeds from the 2015 Credit Facility were made available for other general corporate purposes.

On May 22, 2015, the Corporation announced that George Gramatke, the Chief Financial Officer of the Corporation, took a leave of absence for personal reasons effective June 1, 2015. Jason Bednar, a director of the Corporation and the Chairman of the Audit Committee since inception, assumed the Chief Financial Officer responsibilities and Michael Hibberd replaced Mr. Bednar as Chair of the Audit Committee.

On June 30, 2015, the Corporation announced the redemption of its then outstanding 2010 Debentures. There were 2010 Debentures outstanding in the aggregate principal amount of C\$25,519,000, together with accrued and unpaid interest thereon in the amount of C\$1,020,760, resulting in the issuance of approximately 9,757,263 Common Shares at a price of C\$2.72 per Common Share.

Period From July 1, 2015 to December 31, 2015

On July 13, 2015, the Corporation announced that the Autoridad Nacional de Licencias Ambientales had approved the environmental permit enabling Promigas S.A. E.S.P. ("**Promigas**") to commence construction necessary to increase capacity of the existing Jobo to Cartagena natural gas pipeline.

On July 15, 2015, the Corporation announced a change in its fiscal year end from June 30 to December 31.

On September 3, 2015, Canacol announced that Cavengas Holdings S.R.L., a Barbados company ("**Cavengas**") had made a strategic equity investment of C\$78,975,000 in Canacol for consideration including the issuance of 17,590,000 subscription receipts of Canacol (a "**Subscription Receipt**") issued at C\$2.50 per Subscription Receipt and convertible into 17,590,000 Common Shares (such conversion being contingent upon the approval of the TSX), together with the issuance of 14,000,000 Common Shares at a price of C\$2.50 per Common Share, which represented a 5% premium to the September 2, 2015 closing price of C\$2.39. Under the terms of the investment agreement entered into as between Canacol and Cavengas, Cavengas has the right to appoint two nominees to the Board of Directors subject to maintaining certain ownership thresholds. The Corporation engaged Horizon Capital Management Inc. ("**Horizon**") as exclusive advisor for this transaction, and paid a fee of 3.5%, which was paid entirely in Common Shares, for their services.

On October 16, 2015, the Corporation announced that the release condition for conversion of the Subscription Receipts had been satisfied and the subsequent issuance of 17,590,000 Common Shares to Cavengas and the release of C\$43,975,000 to Canacol pursuant thereto. Further, the Corporation announced the appointment of Mr. Oswaldo Cisneros and Mr. Alberto Jose Sosa Schlageter, as Cavengas' nominees, to the Board of Directors.

On December 1, 2015 and further to the announcement of May 22, 2015, the Corporation announced that Jason Bednar, a director of the Corporation and then current interim Chief Financial Officer, had been appointed the permanent Chief Financial Officer.

Period From January 1, 2016 to December 31, 2016

On August 2, 2016 and August 5, 2016, the Corporation closed a private placement offering of 11,487,670 Common Shares at a price of C\$4.08 per Common Share for aggregate gross proceeds of C\$46,869,694 in two tranches, with certain new and existing long term strategic investors.

On November 10, 2016, the Corporation announced the execution of an agreement with Promigas to expand the existing gas distribution network currently used by the Corporation to accommodate an additional 100 MMscf/d of new gas transportation and sales.

Period From January 1, 2017 to December 31, 2017

On February 16, 2017, the Corporation announced that it had entered into the 2017 Credit Facility. See also “Description of Capital Structure – Long-Term Debt”.

On April 25, 2017, the Corporation announced that it has purchased a 50% operated working interest in the SSJN-7 E&P Contract from Pacific Exploration and Production in consideration for the assumption of contractual exploration obligations to the ANH.

On June 6, 2017, the Corporation announced that its Ecuador joint venture, operating as Pardaliservices, sold a portion of its Government of Ecuador bonds for proceeds of \$53 million (\$13.5 million net to Canacol).

On August 9, 2017, the Corporation announced that it had signed an agreement for the construction, operation and ownership of the 82 km long Sabanas gas flowline from its Jobo gas plant to the connection point with the Promigas gas pipeline at Bremen. Pursuant to the agreement, the \$41 million Sabanas gas flowline project was financed through a \$30.5 million investment by a group of private investors and a \$10.5 million contribution from Canacol, with each holding its interest in the Sabanas gas flowline in separate companies. Canacol’s financial contribution to the project was almost entirely satisfied by costs incurred at that date, and as such did not involve the issuance of new equity or affect its cash position. Horizon acted as an advisor for this transaction, and was paid a fee of 3.5% on the \$30.5 million of private funds raised. Two members of the Board of Directors participated in the private investor financing for an aggregate amount of \$9.0 million. Under the terms of the agreement with Horizon, Canacol has the option, valid until the commissioning of the pipeline, to divest up to an additional \$3 million of its share of the project.

On December 4, 2017, the Corporation announced that the 82 km long Sabanas gas flowline was connected and buried, and was in the final stage of pressure testing. The flowline commenced transportation of gas on December 5, 2017, on which date the flowline transported approximately 20 MMscf/d of gas from the Corporation’s Jobo gas processing facility to the Promigas gas pipeline at Bremen. The gas will be sold to consumers in the city of Cartagena, Colombia.

On December 19, 2017, the Corporation announced that it had entered into a binding agreement with TecpetrolLibertador B.V. and Sertecpet E&P S.L. in respect of the sale of its 25% interest in Servicios Libertador S.L., the holding company of Pardaliservices, which is the joint venture company that operates the Ecuador IPC., for an aggregate purchase price of \$36.4 million. The purchasers are existing partners in the joint venture.

Operational updates during the period ended December 31, 2017 include:

- On March 28, 2017, the Corporation announced that the Mono Capuchino 1ST exploration well located on the VMM 2 E&P Contract encountered approximately 103 ft of net oil pay within the Tertiary Basal Lisama sandstone reservoir and approximately 406 ft of net oil pay within the Cretaceous La Luna formation and tested at a final stabilized rate of 1,013 bbl/d of 18°API oil, 70 bbl of water per day, and 0.3 MMscf/d of gas using a jet pump with an injection pressure of 3,000 psi over a 34 hour test period.

- On May 3, 2017, the Corporation announced that the Canahuate 1 exploration well located on the Esperanza E&E Contract encountered 124 ft measured depth of net gas pay within the primary Cienaga de Oro reservoir target and tested at a final stabilized rate of 23 MMscf/d of dry gas within the first zone and at a final stabilized rate of 5.4 MMscf/d of dry gas within the second zone.
- On June 27, 2017, the Corporation announced that the Toronja 1 exploration well located on the VIM 21 E&P Contract encountered gas between 4,875 to 6,256 ft measured depth within the primary Porquero sandstone reservoir target and tested at a final stabilized rate of 24.4 MMscf/d of dry gas within the first zone and at a final stabilized rate of 21.9 MMscf/d within the second zone.
- On December 4, 2017, the Corporation announced that the Pandereta-1 exploration well located on the VIM 5 E&P Contract encountered 64 ft true vertical depth of net gas pay within the primary Cienaga de Oro reservoir target and tested at a final stabilized rate of 29 MMscf/d of dry gas.

Recent Developments

On March 7, 2018, the Corporation announced that it had completed the sale of its non-operated 25% interest in the Ecuador IPC in consideration for an aggregate purchase price of \$36.4 million, consisting of an initial payment of \$30.4 million and an additional payment of \$6.0 million in June 2019. Additionally, as part of the transaction, the Corporation received a reimbursement of \$5.58 million in respect of a cash call it paid to the joint venture in late 2017.

Operational updates subsequent to the period ended December 31, 2017 include:

- On January 15, 2018, the Corporation announced that the Pandereta 2 appraisal well located on the VIM 5 E&P Contract encountered 130 ft true vertical depth of net gas pay within the Cienaga de Oro reservoir and tested an absolute open flow rate of 140 MMscf/d from the upper part of the Cienaga de Oro sandstone reservoir.
- On February 22, 2018, the Corporation announced that the Pandereta 3 appraisal well located on the VIM 5 E&P Contract encountered 103 ft true vertical depth of net gas pay within the Cienaga de Oro reservoir and tested at an absolute open flow rate of 168 MMscf/d from the upper part of the Cienaga de Oro sandstone reservoir.

Significant Acquisitions and Dispositions

During the period ended December 31, 2017, the Corporation did not complete any significant acquisitions as defined in NI 51-102.

DESCRIPTION OF THE BUSINESS

General

Canacol is an international oil and gas company involved in the production, development, appraisal and exploration of hydrocarbons. The Corporation's key interests are in Colombia. The Corporation's asset portfolio encompasses production, development, appraisal and exploration properties. During the financial year ending December 31, 2018, the Corporation intends to divest or spin out its legacy conventional oil assets in order to focus on continuing to grow the Corporation's natural gas business.

Exploration and Development Strategy

The near-term business plan of the Corporation is to continue growing its production and reserves base through a combination of exploration, property development and acquisitions. To accomplish this, Canacol continues to pursue an integrated growth strategy including exploration and development drilling in its core

areas of Colombia, farm-in opportunities, farm-out opportunities, further land acquisitions and swaps of property interests.

Additionally, potential asset and/or corporate acquisitions will be considered to further supplement the growth strategy of the Corporation. It is anticipated that any future acquisitions would be financed through a combination of cash flow and additional equity and/or debt. The Corporation will seek out, analyze and complete asset and/or corporate acquisitions where value creation opportunities have been identified that have the potential to increase Shareholder value and returns, taking into account the Corporation's financial position, taxability and access to debt and equity financing.

Management of the Corporation has industry experience in several producing areas in addition to the Corporation's geographic areas of interest and has the capability to expand the scope of the Corporation's activities as opportunities arise.

The Corporation is largely opportunity driven and will focus its expenditures in areas that provide the greatest economic return to the Corporation, recognizing that all drilling involves substantial risk and that a high degree of competition exists for prospects. No assurance can be given that drilling will prove successful in establishing commercially recoverable reserves. See "Risk Factors".

Competitive Conditions

The oil and gas industry is highly competitive. The Corporation's position in the oil and gas industry, which includes the search for and development of new sources of supply, is particularly competitive. The Corporation's competitors include major, intermediate and junior oil and gas companies and other individual producers and operators, many of which have substantially greater financial and human resources and more developed and extensive infrastructure. The Corporation's larger competitors, by reason of their size and relative financial strength, can more easily access capital markets and may enjoy a competitive advantage in the recruitment of qualified personnel. They may be able to more easily absorb the burden of any changes in laws and regulations in the jurisdictions in which the Corporation does business, adversely affecting the Corporation's competitive position. The Corporation's competitors may be able to pay more for producing oil and gas properties and may be able to define, evaluate, bid for, and purchase a greater number of properties and prospects. Further, these companies may enjoy technological advantages and may be able to implement new technologies more rapidly. The Corporation's ability to acquire additional properties in the future will depend upon the Corporation's ability to conduct efficient operations, evaluate and select suitable properties, implement advanced technologies, and consummate transactions in a highly competitive environment. The oil and gas industry also competes with other industries in supplying energy, fuel and other needs of consumers.

Cyclical Nature of Business

The Corporation's business is generally not cyclical. The exploration and development of oil and natural gas reserves is dependent on access to areas where production is to be conducted. Seasonal weather variation, including rainy seasons, affects access in certain circumstances. See "Risk Factors".

Specialized Skill and Knowledge

Operations in the oil and natural gas industry mean that Canacol requires professionals with skills and knowledge in diverse fields of expertise. In the course of its exploration, development and production of hydrocarbons, the Corporation utilizes the expertise of geophysicists, geologists and petroleum engineers. The Corporation faces the challenge of attracting and retaining sufficient employees to meet its needs. See "Risk Factors".

Employees

As at December 31, 2017, the Corporation had approximately 270 full-time equivalent employees worldwide, of which 82 full-time employees are working in the exploration and production segment. In addition, the Corporation utilizes, as required from time to time, the services of professionals on a contract or consulting basis.

Foreign Operations

The Corporation's oil and gas operations and assets are located in foreign jurisdictions. As a result, the Corporation is subject to political, economic and other uncertainties, including but not limited to changes, sometimes frequent, in energy policies or the personnel administering them, nationalization, expropriation of property without fair compensation, cancellation or modification of contract rights, foreign exchange restrictions, currency fluctuations, royalty and tax increases, and other risks arising out of foreign governmental sovereignty over the areas in which the Corporation's operations are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities and insurrections. Changes in legislation may affect the Corporation's oil and natural gas exploration and production activities. The Corporation's international operations may also be adversely affected by laws and policies of Canada as they pertain to foreign trade, taxation and investment. See "Risk Factors".

Environmental Protection and Trends in Environmental Regulation

The Corporation and others in the oil and gas industry are subject to various levels of government regulation relating to the protection of the environment in the countries in which it operates. The Corporation believes that its operations comply in all material respects with applicable environmental laws.

Environmental legislation imposes, among other things, restrictions, liabilities and obligations in connection with the generation, handling, storage, transportation, treatment and disposal of hazardous substances and waste and in connection with spills, releases and emissions of various substances to the environment. As well, environmental laws regulate the qualities and compositions of the products sold and imported. Environmental legislation also requires that wells, facility sites and other properties associated with the Corporation's operations be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. In addition, certain types of operations, including exploration and development projects and significant changes to certain existing projects, may require the submission and approval of environmental impact assessments. Compliance with environmental legislation can require significant expenditures and failure to comply with environmental legislation may result in the imposition of fines and penalties and liability for clean-up costs and damages.

Historically, environmental protection requirements have not had a significant financial or operational effect on the Corporation's capital expenditures, earnings or competitive position. Environmental requirements have not had a significant effect on such matters in fiscal 2017; however, as the trend towards stricter standards in environmental legislation and regulation continue, the Corporation anticipates increased capital and operating expenditures as a result. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities, or otherwise adversely affect the Corporation's financial condition, capital expenditures, results of operations, competitive position or prospects. See "Risk Factors".

Environment, Health and Safety Policies

The Corporation's main environmental strategies include the preparation of comprehensive environmental impact assessments and assembling project-specific environmental management plans. Canacol encourages local community engagement in environmental planning in order to create a positive relationship between the oil and gas business and existing local industries. The Corporation's practice is to do all that it reasonably can to ensure that it remains in material compliance with environmental protection legislation. Canacol is committed

to meeting its responsibilities to protect the environment wherever it operates and will take such steps as required to ensure compliance with environmental legislation. Monitoring and reporting programs for environment, health and safety (“EH&S”) performance in day-to-day operations, as well as inspections and assessments, are designed to provide assurance that environmental and regulatory standards are met. The Corporation maintains an active comprehensive integrity monitoring and management program for its facilities, storage tanks and pipelines. Contingency plans are in place for a timely response to an environmental event and abandonment, remediation and reclamation programs are in place and utilized to restore the environment. The Corporation also performs a detailed due diligence review as part of its acquisition process to determine whether the assets to be acquired are in regulatory and environmental compliance and assess any liabilities with respect thereto. Management is responsible for reviewing the Corporation’s internal control and its EH&S strategies and policies, including the Corporation’s emergency response plan. Management reports to the Board of Directors through the Reserves Committee with respect to EH&S matters.

PRINCIPAL PROPERTIES AND OPERATIONS

The following is a description of the Corporation’s principal oil and gas properties and operations as at December 31, 2017.

Colombia

The following summary chart sets out general information regarding the Corporation’s Colombian oil and gas properties and operations as at December 31, 2017.

Asset	Oil/Gas	Type	Status	Gross Acres	Net Acres	Canacol Working Interest %	Partner(s)	Contract Type	
Lower Magdalena Basin									
1	Esperanza	Gas	Conventional	Production	33,203	33,203	100%		ANH
2	VIM 5	Gas	Conventional	Exploration	638,503	638,503	100%		ANH
3	VIM 19	Gas	Conventional	Exploration	62,075	62,075	100%		ANH
4	VIM 21	Gas	Conventional	Exploration	51,107	51,107	100%		ANH
5	SSJN-7	Gas	Conventional	Exploration	668,920	334,460	50%	ONGC Videsh Ltd. (50%)	ANH
Magdalena Basin									
6	VMM 2	Oil	Conventional	Exploration	75,610	30,244	40%	Vetra (60% operator)	ANH
7	VMM 2 Additional Contract	Oil	Unconventional	Exploration	73,056	9,775	13.4%	ConocoPhillips (80% operator) / Vetra (6.6%)	ANH
8	VMM 3	Oil	Unconventional	Exploration	83,311	16,662	20%	ConocoPhillips (80% operator)	ANH
9	COR-4	Oil	Unconventional	Exploration	47,394	47,394	100%		ANH
10	COR-11	Oil	Unconventional	Exploration	176,916	176,916	100%		ANH
11	COR-39	Oil	Unconventional	Exploration	95,111	95,111	100%		ANH
Llanos Basin									
12	LLA 23	Oil	Conventional	Production	115,102	115,102	100%		ANH
13	Rancho Hermoso	Oil	Conventional	Production	10,237	10,237	100%	Ecopetrol	Ecopetrol
Caguan-Putumayo Basin									
14	Capella field (Ombu)	Oil	Conventional	Production	56,482	5,648	10%	Emerald (90% operator)	ANH
15	Sangretoro	Oil	Conventional	Exploration	385,331	385,331	100%		ANH
16	Portofino	Oil	Conventional	Exploration	258,676	155,206	60%	Frontera Energy Corp. (40% operator)	ANH

Asset	Oil/Gas	Type	Status	Gross Acres	Net Acres	Canacol Working Interest %	Partner(s)	Contract Type
17 Coati	Oil	Conventional	Exploration	61,843	24,737	40%	Amerisur Exploración Colombia Ltda. (60% operator)	ANH
18 Los Picachos	Oil	Conventional	Exploration	52,772	19,789	37.5%	Hupecol (50% operator) Houston Americas (12.5%)	ANH
19 Macaya	Oil	Conventional	Exploration	195,255	73,220	37.5%	Hupecol (50% operator) Houston Americas (12.5%)	ANH
Total				3,252,386	2,326,941			

The following is a description of the Corporation's material Colombian oil and gas properties and operations as at December 31, 2017.

Lower Magdalena Basin

The Magdalena Basin located in north-central Colombia between the Central and Eastern Ranges of the Andes. The Lower Magdalena Valley Basin is a triangular transtensional basin, bounded to the west and north by the Romeral fault system and to the south and southeast by the metamorphic and igneous complex of the central Cordillera and the Serrania de San Lucas. To the east of the basin is the northern portion of the Bucaramanga-Santa Marta fault system. Traps in this basin are often associated with high side closures in contractional faults, flower structures related to transpression, and rollovers in the hanging wall of listric normal faults as well as stratigraphy. The shales of the upper Porquero Formation have been generally defined as the regional seal of the basin.

Esperanza E&E Contract

The Corporation obtained its working interest in the Esperanza E&E Contract through the Shona Acquisition. The Corporation, through the Colombian branches of its wholly-owned subsidiaries, Geoproduction Oil and Gas GmbH and Shona Energy Colombia Limited, owns a 100% working interest in the Esperanza block located in the Department of Cordoba in the Lower Magdalena Basin of Colombia.

The Esperanza block contains producing gas fields and one evaluation area (Cañahuatè) operated under a contract with the ANH and produces dry natural gas for sale to local customers under long-term contracts. The most significant field is Nelson where the majority of the gas reserves are located. The average daily production of the Esperanza block for the three months and year ended December 31, 2017 was 11,079 boe/d and 10,301 boe/d, respectively.

The Esperanza E&E Contract is currently in the second phase of an extended exploratory period, having been initially extended from September 4, 2015 to June 4, 2016 and then extended again to December 4, 2018. The work commitment associated with the initial extension was the drilling of one A3 exploration well and on December 5, 2016, the commitment to drill an additional exploratory well was added. To fulfill these new exploratory commitments, the Nispero 1 and Trombon 1 wells were drilled. On December 9, 2016, an additional term of 24 months was approved by the ANH until December 4, 2018 with a work commitment of an additional three A3 exploratory wells associated with the extension. The commitments for this extension will be fulfilled by the Cañahuatè and Canandonga wells and one pending well to be drilled for the current phase. See also "General Development of the Business – Three Year History – Period From January 1, 2017 to December 31, 2017" for recent operational information for the Esperanza E&E Contract.

VIM 5 E&P Contract

The Corporation obtained its working interest in the VIM 5 E&P Contract through the acquisition of this block from OGX Petroleo E Gas S.A. The Corporation, through its wholly owned subsidiary, CNE Oil & Gas S.A.S., owns a 100% working interest in the VIM 5 block located in the Departments of Sucre and Cordoba. The block is currently in phase 2 of the exploration period, which was extended until April 17, 2019. The pending minimum work commitment of the current phase is the acquisition of 155 km² of 3D seismic which is associated with the transfer of investment from the COR 11, COR 4 and Sangretoro E&P Contracts. See also “*General Development of the Business – Three Year History – Period From January 1, 2017 to December 31, 2017*” and “*General Development of the Business – Three Year History – Recent Developments*” for recent operational information for the VIM 5 E&P Contract.

VIM 19 E&P Contract

The Corporation holds a 100% working interest in the VIM 19 E&P Contract, which it acquired on December 16, 2014 from OGX PETROLEO E Gas S. A. The VIM 19 E&P Contract is located in the Departments of Sucre and Cordoba covering a total area of 62,073 acres and is adjacent due east of the SSJN-7 E&P Contract. The VIM 19 E&P Contract is currently in phase 1 of the six year exploration period. As at the date hereof, phase 1 is suspended with pending work commitments, which include 3D seismic acquisition and drilling of one A3 well.

The existing 2D seismic data base has been interpreted and, based on its technical evaluation, the Corporation has identified a number of leads. The main target formation is the proven gas play associated with the Ciénaga de Oro formation, which is the producing formation at both La Creciente and Ayombe-Guepaje fields, which are located in an adjacent block to VIM 19. The Corporation expects to complete the 3D seismic acquisition in 2019 and has currently defined a 3D seismic survey and identified pre-operative tasks.

VIM 21 E&P Contract

The Corporation holds a 100% working interest in the VIM 21 E&P Contract, which it acquired pursuant to the Shona Acquisition. The VIM 21 E&P Contract is located in the Departments of Sucre and Cordoba covering a total area of 51,107 acres and is adjacent to Esperanza E&E Contract and VIM 5 E&P Contract. The VIM 21 E&P Contract is currently in phase 1 of the exploration period which ends on June 12, 2018. The current work commitment includes the drilling of one A3 well which is scheduled to be drilled in April 2018 over a seismic prospect defined 100% with 3D seismic data. See also “*General Development of the Business – Three Year History – Period From January 1, 2017 to December 31, 2017*” for recent operational information for the VIM 21 E&P Contract.

SSJN-7 E&P Contract

On April 25, 2017, the Corporation announced that it has purchased a 50% operated interest in the SSJN-7 E&P Contract from Pacific Exploration and Production in consideration for the assumption of contractual exploration obligations to the ANH.

The SSJN-7 Contract is 669,000 gross acres in size, and is situated between the VIM 5 and VIM19 E&P Contracts along both of the proven and productive Ciénaga de Oro and Porquero gas play fairways, as evidenced by the position of large producing gas fields both to the north and to the south of the block. Historically, a number of exploration wells have been drilled, and two commercial discoveries in the Ciénaga de Oro were developed on the block, namely the Chinu (1956) and El Deseo (1989) fields. To date, management of the Corporation has identified a number of leads based on the limited 2D seismic coverage on the block. The block is currently in phase 1 of the exploration period, which was extended until December 11, 2018. The pending minimum work commitment of the current phase is the acquisition of 266 km² of 3D seismic and the drilling of one exploratory well.

Magdalena Basin

VMM 2 E&P Contract

Located in the Middle Magdalena Basin, the VMM 2 E&P Contract is one of three adjacent contracts that expose the Corporation to a potentially large, unconventional shale oil fairway in the thick Cretaceous La Luna and Rosablanca formations analogous to the Eagle Ford formation.

In April 2012, Carrao Energy Sucursal Colombia, a wholly owned subsidiary of the Corporation, entered into a farm-out agreement with ExxonMobil Colombia for the exploration of the non-operated VMM 2 E&P Contract. Pursuant to the agreement, ExxonMobil Colombia is earning 50% of the Corporation's 40% interest in the VMM 2 E&P Contract and elected to assume operatorship of the block.

During the year ended June 30, 2015, the Corporation and Vetra acquired ExxonMobil Colombia's interest in the VMM 2 E&P Contract and accordingly the Corporation had the following interest in the VMM 2 E&P Contract: 40% working interest in the shallow formation and 66.9% working interest in the deep formation. ANH approval was granted on December 1, 2015.

On December 17, 2016, the drilling of Mono Capuchino 1 well commenced, fulfilling the commitment to drill during phase 2. See also "General Development of the Business – Three Year History – Period From January 1, 2017 to December 31, 2017" for recent operational information for the VMM 2 E&P Contract.

During the financial year ended December 31, 2017, the Corporation and Vetra applied to the ANH to relinquish the exploration area of the VMM 2 E&P Contract and to retain the commercial area. The ANH approved the relinquishment of the exploration area and the execution of an additional contract (defined herein as the "VMM 2 Additional E&P Contract") for the exploration and production of hydrocarbons in unconventional deposits of the VMM-2 block. In addition, the ANH approved the transfer of investment corresponding to the sum of \$7.46 million for compliance with the additional exploratory program of phase 1 of the exploration period of the VMM 2 Additional E&P Contract. As at the date hereof, the minutes to formally relinquish the exploration area have not been signed.

VMM 2 Additional E&P Contract

The VMM 2 Additional E&P Contract relates to the development of non-conventional reservoirs in the same block as the VMM 2 E&P Contract. ConocoPhillips is the operator under the VMM 2 Additional E&P Contract holding a 80% working interest, Canacol, through its wholly-owned subsidiary Canacol Energy Colombia S.A.S., holds a 13.4% working interest and Vetra holds a 6.6% working interest.

The VMM 2 Additional E&P Contract is currently in phase 1 (duration 36 months), expiring July 13, 2020. On October 23, 2017, the ANH authorized the transfer of \$7.46 million of the investment under the VMM 2 E&P Contract to the VMM 2 Additional E&P Contract. On November 1, 2017, the ANH authorized the change of the minimum work commitments for phase 1.

VMM 3 E&P Contract

The VMM 3 E&P Contract was approved by the ANH on December 2, 2015 to develop non-conventional reservoirs in the VMM 3 block. ConocoPhillips is the operator under the VMM 3 E&P Contract (holding an 80% working interest) and Canacol, through its wholly-owned subsidiary, holds the other 20% working interest.

The VMM 3 E&P Contract is currently in phase 1 (duration 36 months), expiring June 2, 2019. The work commitments for phase 1 have been completed.

On December 5, 2016, the ANH authorized the transfer of \$2.2 million of the investment under the Santa Isabel E&P Contract to the VMM 3 E&P Contract. On November 30, 2016, the ANH authorized the restitution of 182

days to the term of the current phase. During the financial year ended December 31, 2017, the exploratory commitments for phase 1 were completed.

Llanos Basin

The Corporation's operations in the Llanos Basin are engaged in exploration, development and production of oil through its operated producing fields, the Labrador, Leono, Pantro and Tigro discoveries on the LLA 23 E&P Contract and Rancho Hermoso, each located in the Llanos Basin.

The Llanos Basin is situated on the east side of the Andes Mountains and covers an area of approximately 200,000 km². The basin is Colombia's most prolific hydrocarbon basin and contains the majority of Colombia's oil fields and proved oil reserves. The formation of the basin was initiated by Jurassic rifting and subsidence and ended with the late Miocene Andean Orogeny. The Andean Orogeny created the major north-south Andes Mountain Range extending from Colombia to the southern tip of South America. The rifting followed by the thrusting and uplift resulted in a structural style that is characterized by deep rooted high angle thrust and normal faults associated with low amplitude closures oriented NNE-SSW.

LLA 23 E&P Contract

The Corporation obtained its working interest in the LLA 23 E&P Contract through the Carrao Acquisition.

LLA 23, wherein the Corporation has an operated 100% working interest, is located immediately north of and adjacent to the Rancho Hermoso field. The LLA 23 E&P Contract with the ANH was originally awarded as part of the ANH's Mini-Ronda 2008 land auction, with an effective date of March 13, 2009.

The LLA 23 E&P Contract is presently in a combined phase 1 and 2 and in an extended exploratory period, having been extended from March 23, 2016 to December 23, 2016 and again to pursuant to a nine month extension received from the ANH. The work commitment associated with the extension and transfer of investment from the COR 11 E&P Contract was the acquisition, processing and interpretation of 138 km² of 3D seismic and the drilling of one A3 exploration well. A request for extension of the term was approved by the ANH and the combined phase 1 and 2 expiry date is now November 18, 2018.

Rancho Hermoso Field

Rancho Hermoso is a mature oil field governed by an Ecopetrol contract.

Crude oil production from Rancho Hermoso falls under either: i) "non-tariff", which represents crude oil produced under a production sharing contract with Ecopetrol; or ii) "tariff" production, which represents crude oil produced under a risk service contract with Ecopetrol whereby the Corporation receives a set tariff price of \$17.36 per gross barrel of oil produced. Tariff production is limited to one specific formation, the Mirador formation, while non-tariff production is derived from the remaining formations, including the Ubaque, Guadalupe, Barco Los Cuervos, Carbonera and Gacheta. For the year ended December 31, 2017, the Corporation's net share before royalties averaged 27.9%.

Under the Amendment No. 1 dated October 30, 2015, Ecopetrol assumed 40% of the gross operation expenditures. Amendment No. 1 fixes such expenditures at \$15 per gross bbl of production as long as the WTI crude oil price is \$70 per bbl or less.

Caguan–Putumayo Basin

Ombu E&P Contract – Capella Conventional Heavy Oil Discovery

The Caguan Basin is approximately 60,000 km² and lies between the prolific Putumayo and Llanos Basins. The primary reservoir target is the Upper Eocene aged Mirador formation. The Capella structure is a large,

elongated northeast-southwest fault-related anticline, with approximately 17,500 acres in closure (above the recognised Mirador). The field is located approximately 250 km away from the nearest offloading station at Neiva, where production from Capella is trucked.

Pursuant to the Ombu Farm-out Agreement, the Corporation earned a 10% working interest in the Ombu E&P Contract by paying 100% of all activities associated with the drilling, completion, and testing of the Capella No. 1 well.

The Capella No. 1 discovery well was drilled in July 2008 and was followed by a series of successful development wells. The Corporation has confirmed the productive capabilities of the Upper and Lower Mirador and Conglomerate, producing 8 to 11° API under cold flow from horizontal and vertical wells.

This block is governed by an ANH contract with an effective date of December 15, 2006. As the Ombu crude quality is less than 15° API, the standard ANH sliding scale royalty of 8% to 25% is reduced by a factor of 0.25. The standard high price participation payment above 5 MMbbl cumulative oil produced is not applicable because of the oil gravity and the contract has no X-factor. Produced oil from the Capella field is trucked to Rio Loro, Huila a distance of approximately 400 km. Produced water is trucked to San Vicente de Caguan for third party treatment and disposal, a distance of approximately 65 km.

As at December 31, 2017, all wells at the Capella field were shut-in. However, for a 33 day period starting on February 2, 2017 the Capella field was in production producing a total of 3,783 bbl (gross).

The Ombu E&P Contract is in the production period and expires on June 28, 2035.

Ecuador

Libertador & Atacapi Fields

The Libertador & Atacapi Fields are large mature oil fields that have been producing for over 30 years.

On February 1, 2012, the Corporation announced that Pardaliservices was awarded the Ecuador IPC. The Corporation had a non-operated 25% equity interest (27.9% capital participation interest) in the Ecuador IPC; however, on March 7, 2018, the Corporation announced that it completed the sale of its equity interest in Ecuador IPC to the other joint venture partners of Pardaliservices.

Drilling activity in Ecuador resumed in Q4 2017. Development well Secoya-50 was spud on November 14, 2017 and reached a total depth of 10,208 ft on November 28, 2017. As at December 31, 2017, this well was awaiting completion. Development well Atacapi-33 was spud on December 19, 2017 and as at December 31, 2017 was drilling at 9,247 ft.

Mexico

Moloacán Contract

The Moloacán Field is a large mature oil field that has been producing for over 60 years. Canamex Energy Holdings Ltd., a subsidiary of the Corporation, signed a license contract on May 10, 2016. The Corporation currently holds a 75% equity interest in the contract.

There was no drilling activity in Mexico in fiscal year 2017.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

Date of Statement

This Statement of Reserves Data and Other Oil and Gas Information is dated December 31, 2017 unless indicated otherwise.

Disclosure of Reserves Data

The reserves and deemed volumes data set forth herein is based upon evaluations completed by D&M, BGEC and Petrotech (collectively, the “Evaluators”). Each of the D&M Report, the BGEC Report and the Petrotech Reports (collectively, the “Reports”) are dated effective December 31, 2017 and were prepared as of February 26, 2018, March 6, 2018 and February 14, 2018, respectively. The reserves and deemed volumes data contained herein summarizes the oil, gas, natural liquids and heavy oil reserves of the Corporation and the net present values of future net revenue for these reserves using forecast prices and costs and, for the Ecuador property, tariff price. The reserves and deemed volumes data was prepared in compliance with the requirements of NI 51-101. Certain additional information not required by NI 51-101 has been included herein to provide readers with further information regarding the Corporation’s properties. The definitions of the various categories of reserves and deemed volumes and expenditures are those set out in NI 51-101.

The Corporation engaged the Evaluators to provide evaluations of proved, probable, and possible reserves and deemed volumes.

The Corporation’s working interest reserves for the Ecuador IPC reflects the deemed volume (the Corporation’s share of production above the base line). The calculation for the deemed volume is described in the D&M Report. The methodology determines deemed volume by dividing cash flow by the tariff price of \$38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions.

All of the Corporation’s reserves and deemed volumes are located in Colombia and Ecuador. In preparing the Reports, basic information was provided to the Evaluators by the Corporation, which included land data, well information, geological information, reservoir studies, estimates of on-stream dates, contract information, current hydrocarbon product prices, operating cost data, capital budget forecasts, financial data and future operating plans. Other engineering, geological or economic data required to conduct the evaluations and upon which the Reports are based, was obtained from public records, other operators and from the Evaluator’s non-confidential files. The extent and character of ownership and the accuracy of all factual data supplied for the Reports, from all sources, was accepted by the Evaluators as represented.

The tables and information contained herein, show the estimated share of the Corporation’s reserves and deemed volumes and the present value of estimated future net revenue for these reserves and deemed volumes, using forecast prices and costs as indicated. The discounted and undiscounted net present value of future net revenues attributable to reserves do not represent fair market value. The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation. Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

All evaluations and reviews of future net cash flow are stated prior to any provision for interest costs or general and administrative costs and after the deduction of estimated future capital expenditures for wells to which reserves have been assigned and future site restoration and reclamation costs for wells in Colombia and Ecuador to which reserves and deemed volumes have been assigned. It should not be assumed that the estimated future net cash flow shown below is representative of the fair market value of the Corporation’s properties. There is no assurance that such price and cost assumptions will be attained and variances could be material. The recovery and estimates of crude oil reserves and deemed volumes provided herein are

estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves and deemed volumes may be greater than or less than the estimates provided herein.

The tables summarize the data contained in the Reports and, as a result, may contain slightly different numbers than such report due to rounding. Also due to rounding, certain columns may not add exactly.

All references to \$ or US\$ in this Statement of Reserves Data and Other Oil and Gas Information are United States dollars. All references to C\$ are to Canadian dollars. Estimated future net revenue are presented in United States dollars effective December 31, 2017.

Forecast Prices Used in Estimates

The reserves data contained herein is based on oil price forecasts as of December 31, 2017 provided by the Corporation to D&M and on gas contract pricing secured by the Corporation through various gas sales contracts. D&M used the forecasted oil prices in their evaluation, adjusted for crude quality. Each Evaluator used the same forecasted gas prices and inflation rates in their evaluations.

Year	Escalated WTI \$/bbl
2017 (Actual Weighted Average)	51.38
2018	58.13
2019	59.80
2020	63.35
2021	67.75
2022	70.89
2023	73.36
2024	75.74
2025	77.88
2026	79.66
2027	81.26
2028	82.88
2029	84.52
2029+	Escalate oil prices at 2% per year thereafter

The following forecasted gas prices were used for the Esperanza, VIM 5 and VIM 21 assets. Inflation varies in each gas contract and ranges from 2 to 4% per annum.

Year	Volume Weighted Average Gas Price \$/MMBTU
2017 (Actual Weighted Average)	5.00
2018	4.79
2019	5.19
2020	5.33
2021	5.30
2022	5.46
2023	5.58
2024	6.17
2025	6.30
2026	6.42
2027	6.60
2028	7.17
2029+	Escalate gas prices at 2% per year thereafter

In the LLA 23 E&P Contract, the forecast price deck was adjusted for crude quality by -\$5.82 per barrel. In Capella, the forecast price deck was adjusted for crude quality by a factor of 0.5908 and, in the total proved plus probable plus possible reserves category, 0.6908 from 2020 onward. In the VMM2 E&P Contract, the forecast price deck was adjusted for crude quality by a factor of 0.8607 in the Mono Araña shallow formations

(Umir and Lisama) and 0.7850 in Mono Araña La Luna. In the Santa Isabel E&P Contract, the forecast price deck was adjusted for crude quality by -\$7.10 per barrel.

For the Ecuador IPC, the Corporation is entitled to a fixed price tariff of \$38.54 for each incremental barrel produced above base line production defined by PetroAmazonas.

Disclosure of Reserves Data

The following table provides a summary of the Corporation's reserves as of December 31, 2017 using forecast prices and costs.

RESERVES CATEGORY	RESERVES									
	Light & Medium Crude Oil		Heavy Crude Oil		Conventional Natural Gas		Natural Gas Liquids		Total BOE ⁽³⁾	
	Gross ⁽¹⁾ (Mbbbl)	Net ⁽²⁾ (Mbbbl)	Gross ⁽¹⁾ (Mbbbl)	Net ⁽²⁾ (Mbbbl)	Gross ⁽¹⁾ (MMcf)	Net ⁽²⁾ (MMcf)	Gross ⁽¹⁾ (Mbbbl)	Net ⁽²⁾ (Mbbbl)	Gross ⁽¹⁾ (Mboe)	Net ⁽²⁾ (Mboe)
Corporate Total (Colombia)										
Proved										
Developed Producing	936	838	85	77	221,514	190,972	-	-	39,883	34,419
Developed Non-Producing	823	725	292	273	55,380	44,230	-	-	10,831	8,758
Undeveloped	-	-	1,875	1,754	51,736	43,803	-	-	10,951	9,438
Total Proved	1,759	1,563	2,252	2,104	328,630	279,006	-	-	61,665	52,615
Probable	1,342	1,142	4,080	3,767	176,504	153,447	-	-	36,388	31,830
Total Proved Plus Probable	3,101	2,705	6,332	5,871	505,133	432,452	-	-	98,053	84,445
Possible	828	687	4,066	3,710	147,938	125,105	-	-	30,848	26,345
Total Proved Plus Probable Plus Possible	3,928	3,392	10,398	9,581	653,071	557,557	-	-	128,900	110,790

Notes:

- (1) "Gross Reserves" are the Corporation's working interest reserves before the deduction of royalties.
- (2) "Net Reserves" are the Corporation's working interest reserves after deductions of royalty obligations plus the Corporation's royalty interests.
- (3) BOE have been reported based on natural gas conversions of 5.7 Mcf/1 bbl as required by the Ministry of Mines and Energy in Colombia.
- (4) The numbers in this table may not add exactly due to rounding.

The following table provides a summary of Canacol's deemed volumes as of December 31, 2017 using forecast prices and costs. The Corporation has a non-operated 25% equity participation in the Ecuador IPC for which it receives a fixed price tariff for each incremental barrel produced. Deemed volumes are those volumes produced under a service agreement in which the Corporation does not have a direct interest, but represents reserves attributable to the Corporation as calculated using the cash flow divided by the fixed tariff price.

RESERVES CATEGORY	DEEMED VOLUMES									
	Light & Medium Crude Oil		Heavy Crude Oil		Conventional Natural Gas		Natural Gas Liquids		Total BOE ⁽⁴⁾	
	Gross ⁽¹⁾ (Mbbbl)	Net ⁽²⁾ (Mbbbl)	Gross ⁽¹⁾ (Mbbbl)	Net ⁽²⁾ (Mbbbl)	Gross ⁽¹⁾ (MMcf)	Net ⁽²⁾ (MMcf)	Gross ⁽¹⁾ (Mbbbl)	Net ⁽²⁾ (Mbbbl)	Gross ⁽¹⁾ (Mboe)	Net ⁽²⁾ (Mboe)
Corporate Total (Ecuador⁽³⁾)										
Proved										
Developed Producing	255	255	-	-	-	-	-	-	255	255
Developed Non-Producing	1,179	1,179	-	-	-	-	-	-	1,179	1,179
Undeveloped	2,079	2,079	-	-	-	-	-	-	2,079	2,079
Total Proved	3,514	3,514	-	-	-	-	-	-	3,514	3,514
Probable	953	953	-	-	-	-	-	-	953	953
Total Proved Plus Probable	4,467	4,467	-	-	-	-	-	-	4,467	4,467
Possible	947	947	-	-	-	-	-	-	947	947
Total Proved Plus Probable Plus Possible	5,414	5,414	-	-	-	-	-	-	5,414	5,414

Notes:

- (1) “Gross Deemed Volumes” are the Corporation’s working interest deemed volumes before the deduction of royalties.
- (2) “Net Deemed Volumes” are the Corporation’s working interest deemed volumes after deductions of royalty obligations plus the Corporation’s royalty interests.
- (3) The Corporation’s working interest reserves for the Ecuador IPC reflects the deemed volume (the Corporation’s share of production above the base line). The calculation for the deemed volume is described in the D&M Report. The methodology determines deemed volume by dividing cash flow by the tariff price of \$38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions.
- (4) BOE have been reported based on natural gas conversions of 5.7 Mcf/1 bbl as required by the Ministry of Mines and Energy in Colombia.
- (5) The numbers in this table may not add exactly due to rounding.

The following table provides a summary of Canacol’s reserves plus deemed volumes as of December 31, 2017 using forecast prices and costs.

RESERVES CATEGORY	RESERVES PLUS DEEMED VOLUMES									
	Light & Medium Crude Oil		Heavy Crude Oil		Conventional Natural Gas		Natural Gas Liquids		Total BOE ⁽⁴⁾	
	Gross ⁽¹⁾ (Mbbbl)	Net ⁽²⁾ (Mbbbl)	Gross ⁽¹⁾ (Mbbbl)	Net ⁽²⁾ (Mbbbl)	Gross ⁽¹⁾ (MMcuf)	Net ⁽²⁾ (MMcuf)	Gross ⁽¹⁾ (Mbbbl)	Net ⁽²⁾ (Mbbbl)	Gross ⁽¹⁾ (Mboe)	Net ⁽²⁾ (Mboe)
Colombia										
Proved										
Developed Producing	936	838	85	77	221,514	190,972	-	-	39,883	34,419
Developed Non-Producing	823	725	292	273	55,380	44,230	-	-	10,831	8,758
Undeveloped	-	-	1,875	1,754	51,736	43,803	-	-	10,951	9,438
Total Proved	1,759	1,563	2,252	2,104	328,630	279,006	-	-	61,665	52,615
Probable	1,342	1,142	4,080	3,767	176,504	153,447	-	-	36,388	31,830
Total Proved Plus Probable	3,101	2,705	6,332	5,871	505,133	432,452	-	-	98,053	84,445
Possible	828	687	4,066	3,710	147,938	125,105	-	-	30,848	26,345
Total Proved Plus Probable Plus Possible	3,928	3,392	10,398	9,581	653,071	557,557	-	-	128,900	110,790
Ecuador⁽³⁾										
Proved										
Developed Producing	255	255	-	-	-	-	-	-	255	255
Developed Non-Producing	1,179	1,179	-	-	-	-	-	-	1,179	1,179
Undeveloped	2,079	2,079	-	-	-	-	-	-	2,079	2,079
Total Proved	3,514	3,514	-	-	-	-	-	-	3,514	3,514
Probable	953	953	-	-	-	-	-	-	953	953
Total Proved Plus Probable	4,467	4,467	-	-	-	-	-	-	4,467	4,467
Possible	947	947	-	-	-	-	-	-	947	947
Total Proved Plus Probable Plus Possible	5,414	5,414	-	-	-	-	-	-	5,414	5,414
Corporate Total										
Proved										
Developed Producing	1,191	1,093	85	77	221,514	190,972	-	-	40,138	34,674
Developed Non-Producing	2,002	1,904	292	273	55,380	44,230	-	-	12,010	9,937
Undeveloped	2,079	2,079	1,875	1,754	51,736	43,803	-	-	13,030	11,518
Total Proved	5,272	5,076	2,252	2,104	328,630	279,006	-	-	65,179	56,129
Probable	2,295	2,095	4,080	3,767	176,504	153,447	-	-	37,341	32,783
Total Proved Plus Probable	7,568	7,172	6,332	5,871	505,133	432,452	-	-	102,519	88,911
Possible	1,774	1,634	4,066	3,710	147,938	125,105	-	-	31,795	27,292
Total Proved Plus Probable Plus Possible	9,342	8,805	10,398	9,581	653,071	557,557	-	-	134,314	116,203

Notes:

- (1) “Gross Reserves” are the Corporation’s working interest in reserves and deemed volumes before the deduction of royalties.
- (2) “Net Reserves” are the Corporation’s working interest reserves after deductions of royalty obligations plus the Corporation’s royalty interests.
- (3) The Corporation’s working interest reserves for the Ecuador IPC reflects the deemed volume (the Corporation’s share of production above the base line). The calculation for the deemed volume is described in the D&M Report. The methodology determines deemed volume by dividing cash flow by the tariff price of \$38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions.

- (4) BOE have been reported based on natural gas conversions of 5.7 Mcf/1 bbl as required by the Ministry of Mines and Energy in Colombia. The numbers in this table may not add exactly due to rounding.
- (5) The numbers in this table may not add exactly due to rounding.

The following table provides a summary of Canacol's net present value of future net revenues as of December 31, 2017 using forecast prices and costs.

RESERVES CATEGORY	Net Present Value (NPV) of Future Net Revenues (FNR) ⁽¹⁾⁽²⁾⁽³⁾										Before Deducting Future Income Tax Expense - Discounted at 10%/yr (\$/BOE) ⁽⁵⁾
	Before Deducting Future Income Tax Expense - Discounted at (%/yr)					After Deducting Future Income Tax Expense - Discounted at (%/yr)					
	0 (MM US\$)	5 (MM US\$)	10 (MM US\$)	15 (MM US\$)	20 (MM US\$)	0 (MM US\$)	5 (MM US\$)	10 (MM US\$)	15 (MM US\$)	20 (MM US\$)	
Colombia											
Proved											
Developed Producing	975.7	825.6	713.3	626.9	559.1	724.1	611.4	527.1	462.3	411.6	20.72
Developed Non-Producing	226.1	185.2	156.1	134.5	117.9	154.7	125.4	104.6	89.4	77.8	17.82
Undeveloped	192.2	158.3	132.5	112.5	96.6	126.9	103.7	86.0	72.3	61.5	14.04
Total Proved	1,394.0	1,169.1	1,001.9	873.9	773.7	1,005.8	840.4	717.7	624.0	550.8	19.04
Probable	911.6	660.0	496.5	385.9	308.3	631.9	450.9	334.2	255.8	201.3	15.60
Total Proved Plus Probable	2,305.6	1,829.2	1,498.4	1,259.8	1,082.0	1,637.7	1,291.4	1,051.9	879.8	752.2	17.74
Possible	871.3	574.0	404.8	299.5	229.7	599.6	388.9	270.1	196.8	148.5	15.37
Total Proved Plus Probable Plus Possible	3,176.9	2,403.1	1,903.2	1,559.3	1,311.7	2,237.3	1,680.2	1,322.0	1,076.6	900.7	17.18
Ecuador⁽⁴⁾											
Proved											
Developed Producing	9.8	9.6	9.4	9.3	9.1	7.7	7.5	7.4	7.3	7.2	37.00
Developed Non-Producing	41.8	34.2	28.6	24.3	21.0	33.5	27.2	22.6	19.1	16.4	24.25
Undeveloped	64.9	52.1	42.8	35.8	30.4	54.4	43.3	35.2	29.2	24.5	20.59
Total Proved	116.6	96.0	80.9	69.4	60.5	95.6	78.1	65.2	55.5	48.1	23.01
Probable	35.3	28.8	24.2	20.8	18.2	27.9	22.7	19.0	16.3	14.3	25.33
Total Proved Plus Probable	151.9	124.8	105.0	90.1	78.7	123.5	100.7	84.2	71.9	62.4	23.51
Possible	36.5	28.7	23.3	19.4	16.5	28.5	22.4	18.1	15.1	12.8	24.57
Total Proved Plus Probable Plus Possible	188.3	153.5	128.3	109.5	95.2	151.9	123.1	102.3	86.9	75.2	23.69
Corporate Total											
Proved											
Developed Producing	985.5	835.3	722.7	636.2	568.2	731.8	618.9	534.4	469.6	418.7	20.84
Developed Non-Producing	267.9	219.5	184.7	158.8	138.9	188.3	152.6	127.3	108.5	94.2	18.59
Undeveloped	257.1	210.4	175.3	148.3	127.1	181.3	146.9	121.2	101.5	86.0	15.22
Total Proved	1,510.5	1,265.1	1,082.7	943.3	834.2	1,101.3	918.5	782.9	679.6	598.9	19.29
Probable	946.9	688.8	520.7	406.7	326.5	659.8	473.6	353.2	272.1	215.6	15.88
Total Proved Plus Probable	2,457.4	1,954.0	1,603.4	1,350.0	1,160.7	1,761.2	1,392.1	1,136.1	951.7	814.5	18.03
Possible	907.8	602.7	428.1	318.9	246.1	628.0	411.3	288.2	211.9	161.3	15.68
Total Proved Plus Probable Plus Possible	3,365.2	2,556.6	2,031.5	1,668.8	1,406.9	2,389.2	1,803.4	1,424.3	1,163.6	975.9	17.48

Notes:

- (1) NPV of FNR includes all resource income: Sale of oil, gas, by-product reserves; Processing of third party Reserves; Other income.
- (2) Income taxes include all resource income, appropriate income tax calculations and prior tax pools.
- (3) The unit values are based on net reserve volumes before income tax (BFIT).
- (4) The Corporation's working interest reserves for the Ecuador IPC reflects the deemed volume (the Corporation's share of production above the base line). The calculation for the deemed volume is described in the D&M Report. The methodology determines deemed volume by dividing cash flow by the tariff price of \$38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions.
- (5) BOE have been reported based on natural gas conversion of 5.7Mcf/1 bbl as required by the Ministry of Mines and Energy in Colombia.
- (6) The numbers in this table may not add exactly due to rounding.

The following table sets forth Canacol's total future net revenues (undiscounted) as of December 31, 2017 using forecast prices and costs.

RESERVES CATEGORY	Revenue (MM US\$)	Royalties (MM US\$)	Operating Costs ⁽²⁾ (MM US\$)	Development Costs (MM US\$)	Abandonment & Reclamation Costs (MM US\$)	Future Net Revenues BT ⁽¹⁾ (MM US\$)	Future Income Tax Expenses (MM US\$)	Future Net Revenues AT ⁽¹⁾ (MM US\$)
Colombia								
Total Proved	1,983.8	290.6	179.4	108.2	11.6	1,394.0	388.2	1,005.8
Total Proved Plus Probable	3,339.2	461.1	360.5	194.1	17.8	2,305.6	667.9	1,637.7
Total Proved Plus Probable Plus Possible	4,622.1	648.7	527.1	248.6	20.9	3,176.9	939.6	2,237.3
Ecuador								
Total Proved	135.4	-	(2.4)	21.3	-	116.6	21.0	95.6
Total Proved Plus Probable	172.2	-	(2.6)	22.9	-	151.8	28.4	123.5
Total Proved Plus Probable Plus Possible	208.6	-	(2.6)	22.9	-	188.3	36.4	151.9
Corporate Total								
Total Proved	2,119.2	290.6	177.0	129.4	11.6	1,510.5	409.2	1,101.3
Total Proved Plus Probable	3,511.4	461.1	357.9	217.0	17.8	2,457.4	696.3	1,761.2
Total Proved Plus Probable Plus Possible	4,830.8	648.7	524.6	271.5	20.9	3,365.2	976.0	2,389.2

Notes:

- (1) BT= Before deducting future income tax expenses and AT= After deducting future income tax expenses.
- (2) Operating cost less processing and other income.
- (3) The numbers in this table may not add exactly due to rounding.

The following table sets forth Canacol's net present value of future net revenues by product type adjusted for deemed volumes as of December 31, 2017 using forecast prices and costs.

RESERVES CATEGORY	PRODUCT TYPE	Net Present Value of Future Net Revenues BFIT Discounted (10%/yr) ⁽¹⁾ (MM US\$)	Net Present Value of Future Net Revenues BFIT Discounted (10%/yr) ⁽¹⁾⁽²⁾ (\$/BOE)
Total Proved	Bitumen	-	-
	Coal Bed Methane	-	-
	Conventional Natural gas (including by-products but excluding solution gas and by-products from oil wells)	969.2	19.80
	Gas Hydrates	-	-
	Heavy Crude Oil (including solution gas and other by-products)	4.5	2.12
	Light Crude Oil & Medium Crude Oil (including solution gas and other by-products)	109.0	21.48
	Natural Gas Liquids	-	-
	Shale Gas	-	-
	Synthetic Crude Oil	-	-
	Synthetic Gas	-	-
	Tight Oil	-	-
	Total		1,082.7

RESERVES CATEGORY	PRODUCT TYPE	Net Present Value of Future Net Revenues BFIT Discounted (10%/yr) ⁽¹⁾ (MM US\$)	Net Present Value of Future Net Revenues BFIT Discounted (10%/yr) ⁽¹⁾⁽²⁾ (\$/BOE)
Total Proved Plus Probable	Bitumen	-	-
	Coal Bed Methane	-	-
	Conventional Natural gas (including by-products but excluding solution gas and by-products from oil wells)	1,418.8	18.70
	Gas Hydrates	-	-
	Heavy Crude Oil (including solution gas and other by-products)	27.4	4.67
	Light Crude Oil & Medium Crude Oil (including solution gas and other by-products)	157.2	21.93
	Natural Gas Liquids	-	-
	Shale Gas	-	-
	Synthetic Crude Oil	-	-
	Synthetic Gas	-	-
	Total	1,603.4	18.03
Total Proved Plus Probable Plus Possible	Bitumen	-	-
	Coal Bed Methane	-	-
	Conventional Natural gas (including by-products but excluding solution gas and by-products from oil wells)	1,733.7	17.72
	Gas Hydrates	-	-
	Heavy Crude Oil (including solution gas and other by-products)	100.9	10.54
	Light Crude Oil & Medium Crude Oil (including solution gas and other by-products)	196.9	22.36
	Natural Gas Liquids	-	-
	Shale Gas	-	-
	Synthetic Crude Oil	-	-
	Synthetic Gas	-	-
	Total	2,031.5	17.48

Notes:

- (1) The unit values are based on net reserve volumes before deducting future income tax expenses (BFIT).
- (2) The Corporation's working interest reserves for the Ecuador IPC reflects the deemed volume (the Corporation's share of production above the base line). The calculation for the deemed volume is described in the D&M Report. The methodology determines deemed volume by dividing cash flow by the tariff price of \$38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions.
- (3) BOE have been reported based on natural gas conversion of 5.7Mcf/1 bbl as required by the Ministry of Mines and Energy in Colombia.
- (4) The numbers in this table may not add exactly due to rounding.

Reconciliations of Changes in Reserves

The following tables set forth the reconciliation of Canacol's gross reserves plus deemed volumes by principal product type using forecast prices and cost estimates as of December 31, 2017.

Effective Date: December 31, 2017 Adjusted for Deemed Volumes						
TOTAL PROVED						
	Total Oil (Mbbbl)	Light & Medium Crude Oil (Mbbbl)	Heavy Crude Oil (Mbbbl)	Conventional Natural Gas (MMcf)	Natural Gas Liquids (Mbbbl)	Total (Mboe)
Colombia						
Opening Balance (December 31, 2016)	3,525	1,395	2,130	282,257	-	53,043
Extensions	234	234	-	-	-	234
Improved Recovery	-	-	-	-	-	-
Technical Revisions ⁽¹⁾	763	601	162	13,331	-	3,101
Discoveries	-	-	-	61,342	-	10,762
Acquisitions ⁽²⁾	-	-	-	-	-	-
Dispositions ⁽²⁾	-	-	-	-	-	-
Economic Factors ⁽³⁾	5	7	(2)	-	-	5
Production	(514)	(476)	(38)	(28,300)	-	(5,479)
Closing Balance (December 31, 2017)	4,011	1,759	2,252	328,630	-	61,665
Ecuador						
Opening Balance (December 31, 2016)⁽⁴⁾	3,692	3,692	-	-	-	3,692
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions ⁽¹⁾	338	338	-	-	-	338
Discoveries	-	-	-	-	-	-
Acquisitions ⁽²⁾	-	-	-	-	-	-
Dispositions ⁽²⁾	-	-	-	-	-	-
Economic Factors ⁽³⁾	-	-	-	-	-	-
Production	(516)	(516)	-	-	-	(516)
Closing Balance (December 31, 2017)⁽⁴⁾	3,514	3,514	-	-	-	3,514
Corporate Total						
Opening Balance (December 31, 2016)	7,217	5,087	2,130	282,257	-	56,735
Extensions	234	234	-	-	-	234
Improved Recovery	-	-	-	-	-	-
Technical Revisions ⁽¹⁾	1,100	938	162	13,331	-	3,439
Discoveries	-	-	-	61,342	-	10,762
Acquisitions ⁽²⁾	-	-	-	-	-	-
Dispositions ⁽²⁾	-	-	-	-	-	-
Economic Factors ⁽³⁾	5	7	(2)	-	-	5
Production	(1,030)	(992)	(38)	(28,300)	-	(5,995)
Closing Balance (December 31, 2017)	7,524	5,272	2,252	328,630	-	65,179

Notes:

- (1) Includes technical revisions due to reservoir performance, geological and engineering changes; economic revisions due to changes in economic limits; and working interest changes resulting from the timing of interest reversions.
- (2) Includes production attributable to any acquired interests from the acquisition date to effective date of the report and production realized from disposed interests from the opening balance date to the effective date of disposition.
- (3) Includes economic revisions related to price and royalty factor changes.
- (4) The Corporation's working interest reserves for the Ecuador IPC reflects the deemed volume (the Corporation's share of production above the base line). The calculation for the deemed volume is described in the D&M Report. The methodology determines deemed volume by dividing cash flow by the tariff price of \$38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions.
- (5) BOE have been reported based on natural gas conversion of 5.7Mcf/1 bbl as required by the Ministry of Mines and Energy in Colombia.
- (6) The numbers in this table may not exactly add due to rounding.

**Effective Date: December 31, 2017
Adjusted for Deemed Volumes**

TOTAL PROBABLE

	Total Oil (Mbbbl)	Light & Medium Crude Oil (Mbbbl)	Heavy Crude Oil (Mbbbl)	Conventional Natural Gas (MMcf)	Natural Gas Liquids (Mbbbl)	Total (Mboe)
Colombia						
Opening Balance (December 31, 2016)	4,240	1,370	2,870	128,747	-	26,829
Extensions	70	70	-	-	-	70
Improved Recovery	-	-	-	-	-	-
Technical Revisions ⁽¹⁾	1,138	(98)	1,236	4,670	-	1,957
Discoveries	-	-	-	43,647	-	7,657
Acquisitions ⁽²⁾	-	-	-	-	-	-
Dispositions ⁽²⁾	-	-	-	-	-	-
Economic Factors ⁽³⁾	(27)	(1)	(26)	(561)	-	(125)
Production	-	-	-	-	-	-
Closing Balance (December 31, 2017)	5,422	1,342	4,080	176,504	-	36,388
Ecuador						
Opening Balance (December 31, 2016)⁽⁴⁾	1,007	1,007	-	-	-	1,007
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions ⁽¹⁾	(54)	(54)	-	-	-	(54)
Discoveries	-	-	-	-	-	-
Acquisitions ⁽²⁾	-	-	-	-	-	-
Dispositions ⁽²⁾	-	-	-	-	-	-
Economic Factors ⁽³⁾	-	-	-	-	-	-
Production	-	-	-	-	-	-
Closing Balance (December 31, 2017)⁽⁴⁾	953	953	-	-	-	953
Corporate Total						
Opening Balance (December 31, 2016)	5,247	2,377	2,870	128,747	-	27,836
Extensions	70	70	-	-	-	70
Improved Recovery	-	-	-	-	-	-
Technical Revisions ⁽¹⁾	1,084	(152)	1,236	4,670	-	1,903
Discoveries	-	-	-	43,647	-	7,657
Acquisitions ⁽²⁾	-	-	-	-	-	-
Dispositions ⁽²⁾	-	-	-	-	-	-
Economic Factors ⁽³⁾	(27)	(1)	(26)	(561)	-	(125)
Production	-	-	-	-	-	-
Closing Balance (December 31, 2017)	6,375	2,295	4,080	176,504	-	37,341

Notes:

- (1) Includes technical revisions due to reservoir performance, geological and engineering changes; economic revisions due to changes in economic limits; and working interest changes resulting from the timing of interest reversions.
- (2) Includes production attributable to any acquired interests from the acquisition date to effective date of the report and production realized from disposed interests from the opening balance date to the effective date of disposition.
- (3) Includes economic revisions related to price and royalty factor changes.
- (4) The Corporation's working interest reserves for the Ecuador IPC reflects the deemed volume (the Corporation's share of production above the base line). The calculation for the deemed volume is described in the D&M Report. The methodology determines deemed volume by dividing cash flow by the tariff price of \$38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions.
- (5) BOE have been reported based on natural gas conversion of 5.7Mcf/1 bbl as required by the Ministry of Mines and Energy in Colombia.
- (6) The numbers in this table may not exactly add due to rounding.

Effective Date: December 31, 2017
Adjusted for Deemed Volumes

TOTAL PROVED + PROBABLE

	Total Oil (Mbbbl)	Light & Medium Crude Oil (Mbbbl)	Heavy Crude Oil (Mbbbl)	Conventional Natural Gas (MMcf)	Natural Gas Liquids (Mbbbl)	Total (Mboe)
Colombia						
Opening Balance (December 31, 2016)	7,765	2,765	5,000	411,004	-	79,870
Extensions	303	303	-	-	-	303
Improved Recovery	-	-	-	-	-	-
Technical Revisions ⁽¹⁾	1,900	503	1,398	18,001	-	5,059
Discoveries	-	-	-	104,989	-	18,419
Acquisitions ⁽²⁾	-	-	-	-	-	-
Dispositions ⁽²⁾	-	-	-	-	-	-
Economic Factors ⁽³⁾	(22)	6	(28)	(561)	-	(120)
Production	(514)	(476)	(38)	(28,300)	-	(5,479)
Closing Balance (December 31, 2017)	9,433	3,101	6,332	505,133	-	98,053
Ecuador						
Opening Balance (December 31, 2016)⁽⁴⁾	4,699	4,699	-	-	-	4,699
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions ⁽¹⁾	284	284	-	-	-	284
Discoveries	-	-	-	-	-	-
Acquisitions ⁽²⁾	-	-	-	-	-	-
Dispositions ⁽²⁾	-	-	-	-	-	-
Economic Factors ⁽³⁾	-	-	-	-	-	-
Production	(516)	(516)	-	-	-	(516)
Closing Balance (December 31, 2017)⁽⁴⁾	4,467	4,467	-	-	-	4,467
Corporate Total						
Opening Balance (December 31, 2016)	12,464	7,464	5,000	411,004	-	84,569
Extensions	303	303	-	-	-	303
Improved Recovery	-	-	-	-	-	-
Technical Revisions ⁽¹⁾	2,184	787	1,398	18,001	-	5,342
Discoveries	-	-	-	104,989	-	18,419
Acquisitions ⁽²⁾	-	-	-	-	-	-
Dispositions ⁽²⁾	-	-	-	-	-	-
Economic Factors ⁽³⁾	(22)	6	(28)	(561)	-	(120)
Production	(1,030)	(992)	(38)	(28,300)	-	(5,995)
Closing Balance (December 31, 2017)	13,900	7,568	6,332	505,133	-	102,519

Notes:

- (1) Includes technical revisions due to reservoir performance, geological and engineering changes; economic revisions due to changes in economic limits; and working interest changes resulting from the timing of interest reversions.
- (2) Includes production attributable to any acquired interests from the acquisition date to effective date of the report and production realized from disposed interests from the opening balance date to the effective date of disposition.
- (3) Includes economic revisions related to price and royalty factor changes.
- (4) The Corporation's working interest reserves for the Ecuador IPC reflects the deemed volume (the Corporation's share of production above the base line). The calculation for the deemed volume is described in the D&M Report. The methodology determines deemed volume by dividing cash flow by the tariff price of \$38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions.
- (5) BOE have been reported based on natural gas conversion of 5.7Mcf/1 bbl as required by the Ministry of Mines and Energy in Colombia.
- (6) The numbers in this table may not exactly add due to rounding.

Effective Date: December 31, 2017
Adjusted for Deemed Volumes

TOTAL PROVED + PROBABLE + POSSIBLE

	Total Oil (Mbbbl)	Light & Medium Crude Oil (Mbbbl)	Heavy Crude Oil (Mbbbl)	Conventional Natural Gas (MMcf)	Natural Gas Liquids (Mbbbl)	Total (Mboe)
Colombia						
Opening Balance (December 31, 2016)	12,068	3,676	8,392	503,162	-	100,343
Extensions	395	395	-	-	-	395
Improved Recovery	-	-	-	-	-	-
Technical Revisions ⁽¹⁾	2,424	329	2,095	16,190	-	5,265
Discoveries	-	-	-	162,203	-	28,457
Acquisitions ⁽²⁾	-	-	-	-	-	-
Dispositions ⁽²⁾	-	-	-	-	-	-
Economic Factors ⁽³⁾	(48)	3	(51)	(182)	-	(80)
Production	(514)	(476)	(38)	(28,300)	-	(5,479)
Closing Balance (December 31, 2017)	14,326	3,928	10,398	653,071	-	128,900
Ecuador						
Opening Balance (December 31, 2016)⁽⁴⁾	5,673	5,673	-	-	-	5,673
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions ⁽¹⁾	257	257	-	-	-	257
Discoveries	-	-	-	-	-	-
Acquisitions ⁽²⁾	-	-	-	-	-	-
Dispositions ⁽²⁾	-	-	-	-	-	-
Economic Factors ⁽³⁾	-	-	-	-	-	-
Production	(516)	(516)	-	-	-	(516)
Closing Balance (December 31, 2017)⁽⁴⁾	5,414	5,414	-	-	-	5,414
Corporate Total						
Opening Balance (December 31, 2016)	17,741	9,349	8,392	503,162	-	106,016
Extensions	395	395	-	-	-	395
Improved Recovery	-	-	-	-	-	-
Technical Revisions ⁽¹⁾	2,681	586	2,095	16,190	-	5,521
Discoveries	-	-	-	162,203	-	28,457
Acquisitions ⁽²⁾	-	-	-	-	-	-
Dispositions ⁽²⁾	-	-	-	-	-	-
Economic Factors ⁽³⁾	(48)	3	(51)	(182)	-	(80)
Production	(1,030)	(992)	(38)	(28,300)	-	(5,995)
Closing Balance (December 31, 2017)	19,740	9,342	10,398	653,071	-	134,314

Notes:

- (1) Includes technical revisions due to reservoir performance, geological and engineering changes; economic revisions due to changes in economic limits; and working interest changes resulting from the timing of interest reversions.
- (2) Includes production attributable to any acquired interests from the acquisition date to effective date of the report and production realized from disposed interests from the opening balance date to the effective date of disposition.
- (3) Includes economic revisions related to price and royalty factor changes.
- (4) The Corporation's working interest reserves for the Ecuador IPC reflects the deemed volume (the Corporation's share of production above the base line). The calculation for the deemed volume is described in the D&M Report. The methodology determines deemed volume by dividing cash flow by the tariff price of \$38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions.
- (5) BOE have been reported based on natural gas conversion of 5.7Mcf/1 bbl as required by the Ministry of Mines and Energy in Colombia.
- (6) The numbers in this table may not exactly add due to rounding.

Additional Information Relating to Reserves Data

Undeveloped Reserves

The Corporation attributes proved, probable, and possible undeveloped reserves and deemed volumes based on accepted engineering and geological practices as defined under NI 51-101. These practices include the determination of reserves based on the presence of commercial test rates from either production tests or drill stem tests, extensions of known accumulations based upon either geological or geophysical information and the optimization of existing fields.

Subject to the success of operations, within the next two years, the Corporation has set forth below its plans regarding the development of proved, probable and possible undeveloped reserves.

The Corporation's undeveloped reserves will be developed through further drilling and recompletions of existing wells within the following contracts and fields:

Colombia Oil

On December 21, 2017, the Corporation announced its plans to divest of its legacy conventional oil assets in 2018. As the conventional oil assets are being held for sale, the 2018 budget does not contemplate funding conventional oil projects in the current year other than any required maintenance capital.

Colombia Gas

Developing undeveloped reserves through continued drilling and workovers as follows:

- Esperanza E&E Contract:
 - Nelson (Nelson 7, 9, 10 are in the drilling inventory and scheduled for 2019);
 - Palmer (Palmer 2 is in the drilling inventory and scheduled for 2021. This well has been deferred to this later date due to other exploration success and competition for funding);
 - Canahuate (Canahuate 2, a location on the western fault block of Canahuate, is in the drilling inventory and contemplated for the current budget year); and
 - Canandonga (Canandonga 1 discovery well is awaiting testing and completion, and is contemplated for the current budget year).
- VIM5 E&P Contract:
 - Oboe (Oboe 2 is in the drilling inventory and scheduled for 2021. This well has been deferred to this later date due to other exploration success and competition for funding).

Ecuador

On March 7, 2018, the Corporation announced that it completed the sale of its equity interest in Ecuador IPC to the other joint venture partners of Pardaliservices.

The Corporation anticipates that the 2018/19 drilling and recompletions schedule will focus on these areas and on other opportunities arising from the Corporation's exploration programs; however, drilling plans are affected by economic considerations, including commodity prices. The Corporation is currently in the process of setting its fiscal 2018 drilling plan. Undeveloped reserves, like all projects, are subject to competition for capital and consequently may be delayed or accelerated from time to time. For more information, see "Risk Factors" herein.

The following table sets out the volume of the Corporation's proved undeveloped and probable undeveloped reserves plus deemed volumes over the most recent three financial years and the amount of reserves and deemed volumes first attributed in each of those years.

Reserves Category	Light & Medium Crude Oil Gross (Mbbbl)		Heavy Crude Oil Gross (Mbbbl)		Conventional Natural Gas Gross (MMcf)		NGLs Gross (MMcf)	
	First Attributed	Cumulative at year end	First Attributed	Cumulative at year end	First Attributed	Cumulative at year end	First Attributed	Cumulative at year end
Proved Undeveloped								
Prior to 2015	10,673	16,871	3,146	13,133	67,066	124,212	-	-
2015	-	4,122	-	4,242	182,381	272,602	-	-
2016	-	2,037	-	2,073	24,301	44,664	-	-
2017	-	2,079	141	1,875	3,966	51,170	-	-
Probable Undeveloped								
Prior to 2015	4,820	5,980	3,899	16,119	30,618	36,472	-	-
2015	-	710	-	6,268	136,758	217,709	-	-
2016	-	556	-	2,835	62,871	68,309	-	-
2017	-	575	678	3,844	11,706	109,900	-	-

Note:

- (1) The numbers in this table may not add exactly due to rounding.

Significant Factors or Uncertainties Affecting Reserves Data

General

The Corporation does not anticipate any significant economic factors or significant uncertainties will affect any particular components of the reserves data, including with respect to properties with no attributed reserves. However, there are numerous uncertainties inherent in estimating quantities of proved reserves, including many factors beyond the control of the Corporation. The reserve data included herein represents estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the associated future net cash flows are based upon a number of variable factors and assumptions, such as historical production from the properties, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary considerably from actual results. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and associated estimates of future net revenues expected, prepared by different engineers or by the same engineers at different times, may vary substantially. The actual production, revenues, taxes and development and operating expenditures of the Corporation with respect to these reserves will vary from such estimates, and such variances could be material.

Estimates with respect to proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history will result in variations, which may be substantial, in the estimated reserves.

Consistent with the securities disclosure legislation and policies of Canada, the Corporation has used forecast prices and costs in calculating reserve quantities included herein. Actual future net cash flows will also be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Abandonment and Reclamation Costs

The following table sets forth abandonment and reclamation costs deducted in the estimation of the Corporation's future net revenue using forecast prices and costs:

Abandonment and Reclamation Costs	
(MM U.S.\$)	
Corporate Total	
Total Proved Reserves	
Year	
2018	0.4
2019	1.7
2020	2.1
2021	0.9
2022	1.5
Remaining	5.0
Undiscounted	11.6
Discounted @ 10%	7.5
Total Proved plus Probable Reserves	
Year	
2018	0.4
2017	0.4
2020	2.4
2021	0.3
2022	1.4
Remaining	13.0
Undiscounted	17.8
Discounted @ 10%	9.0

Note:

(1) The numbers in this table may not add exactly due to rounding.

Future Development Costs

The following table outlines the forecast for future development costs associated with the Corporation's assets and properties for the reserves categories noted below, calculated on an undiscounted and a discounted (10%) basis.

	Future Development Costs	
	Forecast Prices & Costs	
	For Proved Reserves	For Proved +
	(MM US\$)	Probable Reserves
	(MM US\$)	(MM US\$)
Colombia		
Year		
2018	39.8	46.2
2019	17.4	31.2
2020	14.3	27.8
2021	21.9	32.5
2022	8.0	9.7
Remaining	6.7	46.7
Total	108.2	194.1
Undiscounted	108.2	194.1
Discounted @ 10%	88.0	145.7

	Future Development Costs Forecast Prices & Costs	
	For Proved Reserves (MM US\$)	For Proved + Probable Reserves (MM US\$)
Ecuador		
Year		
2018	0.4	2.0
2019	19.5	19.5
2020	0.8	0.8
2021	0.7	0.7
2022	-	-
Remaining	-	-
Total	21.3	22.9
Undiscounted	21.3	22.9
Discounted @ 10%	18.3	19.9
Corporate Total		
Year		
2018	40.2	48.2
2019	36.9	50.7
2020	15.0	28.6
2021	22.6	33.1
2022	8.0	9.7
Remaining	6.7	46.7
Total	129.4	217.0
Undiscounted	129.4	217.0
Discounted @ 10%	106.3	165.6

Notes:

- (1) Future Development Costs shown are associated with booked reserves in the Reports and do not necessarily represent the Corporation's full exploration and development budget.
- (2) The numbers in this table may not add exactly due to rounding.

Generally, the Corporation has three sources of funding to finance its capital expenditure programs: (i) cash on hand and internally generated cash flows from operations; (ii) debt financing, when appropriate; and (iii) new equity issues, if available on favourable terms. Management does not anticipate that the costs of funding referred to above will materially affect the Corporation's disclosed reserves and future net revenues or will make the development of any of the Corporation's properties uneconomic. The Corporation plans its capital program on a calendar year basis.

Other Oil and Gas Information

Oil and Gas Wells

The following table summarizes Canacol's interests, by region and on a consolidated basis, as at December 31, 2017, in oil and gas wells which are producing or which are considered capable of production. All wells considered capable of production have been standing for a period of less than one year, are within economic distance of transportation facilities and are classified as proved developed non-producing reserves in the Reports. All of the Corporation's properties are located onshore.

	Oil Wells				Gas Wells			
	Producing		Non-Producing		Producing		Non-Producing	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Colombia								
LLA 23	9.00	9.00	5.00	5.00	-	-	-	-
Rancho Hermoso	6.00	1.80	9.00	2.70	-	-	-	-
VIM 5	-	-	-	-	3.00	3.00	1.00	1.00
VIM 21	-	-	-	-	1.00	1.00	-	-
Esperanza	-	-	-	-	11.00	11.00	4.00	4.00
Santa Isabel	3.00	3.00	-	-	-	-	-	-
VMM2	3.00	1.47	2.00	0.80	-	-	-	-
Capella	-	-	44.00	4.40	-	-	-	-
Ecuador								
Libertador & Atacapi	69.00	17.25	29.00	7.25	-	-	-	-
Total	90.00	32.52	89.00	20.15	15.00	15.00	5.00	5.00

See “Description of the Business and Operations – Principal Properties and Operations” for a discussion of the Corporation’s properties.

Properties with no Attributed Reserves

As at December 31, 2017, the Corporation had approximately 2.3 million gross (1.5 million net) acres of unproved property. This acreage is situated in Colombia. No reserves have been assigned to this acreage.

Undeveloped acreage includes rights granted pursuant to exploration contracts or license contracts, which require certain work commitments. First term commitments for exploration licenses typically include evaluation of existing data and acquisition, processing and interpretation of additional seismic to be acquired by the Corporation. Subsequent terms typically involve drilling exploration wells. If, at the end of the exploration term, the Corporation elects not to proceed with additional work commitments, all or a portion of this acreage may be relinquished.

In the event of exploration success on certain acreage, pipeline and facility construction would be required in order to fully develop the field. However, commercialization of an exploration success can also be achieved by trucking oil to the nearest transportation hub or refinery.

As at December 31, 2017, the Corporation had no unproved property in which its rights to explore, develop and exploit will, absent further action, expire within one year.

See also “Significant Factors or Uncertainties Affecting Reserves Data” and “Risk Factors” herein.

Forward Contracts

The Ecuador IPC is a 15-year (expiring 2027) incremental production contract awarded to Pardaliservices by PetroAmazonas regarding the Libertador & Atacapi Fields located in northern Ecuador. The Corporation had a non-operated 25% equity interest (27.9% capital participation interest) in the Ecuador IPC and was entitled to a fixed price tariff of \$38.54 for each incremental barrel produced above base line production defined by PetroAmazonas. The Corporation’s working interest reserves for the Ecuador IPC reflects the deemed volume (the Corporation’s share of production above the base line). The calculation for the deemed volume is described in the D&M Report. Deemed volumes are determined by dividing cash flow by the tariff price of \$38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions.

On March 7, 2018, the Corporation announced that it completed the sale of its equity interest in Ecuador IPC to the other joint venture partners of Pardaliservices.

Tax Horizon

The Corporation was taxable in Colombia and Ecuador for the year ended December 31, 2017.

Costs Incurred

The following table summarizes capital expenditures related to the Corporation's activities for the year ended December 31, 2017, separated into its business units.

	Colombia (M\$)	Ecuador (M\$)	Other (M\$)	Total (M\$)
Development Costs	68,218	4,205	1,065	73,488
Exploration Costs	51,919	-	-	51,919
Net Property Acquisition Costs				
Proved Properties	-	-	-	-
Unproved Properties	-	-	-	-
Total Capital Expenditures	120,137	4,205	1,065	125,407

Exploration and Development Activities

The following table summarizes the gross and net exploratory and development wells in which the Corporation and its subsidiaries participated during the year ended December 31, 2017.

	Exploration Wells		Development Wells		Total	
	Gross	Net	Gross	Net	Gross	Net
Colombia⁽¹⁾⁽²⁾						
Oil wells	1.00	0.40	0.00	0.00	1.00	0.40
Gas wells	4.00	4.00	1.00	1.00	5.00	5.00
Service wells	-	-	-	-	-	-
Stratigraphic test wells	-	-	-	-	-	-
Dry holes	1.00	1.00	0.00	0.00	1.00	1.00
Total	6.00	5.40	1.00	1.00	7.00	6.40
Success Rate	83%	81%	100%	100%	86%	84%
Ecuador⁽³⁾						
Oil wells	0.00	0.00	1.00	0.25	1.00	0.25
Gas wells	-	-	-	-	-	-
Service wells	-	-	-	-	-	-
Stratigraphic test wells	-	-	-	-	-	-
Dry holes	-	-	-	-	-	-
Total	0.00	0.00	1.00	0.25	1.00	0.25
Success Rate	-	-	100%	100%	100%	100%

Notes:

- (1) The Colombia exploration oil wells are Mono Capuchino-1 and Pumara-1. The Colombia exploration dry hole is Pumara-1. The Colombia exploration gas wells are Canahuata-1, Toronja-1, Pandereta-1, and Canandonga-1.
- (2) The Colombia development gas wells are operated Pandereta-2.
- (3) The Ecuador development oil well is Secoya-50.

Colombia Oil

On December 21, 2017, the Corporation announced its plans to divest of its legacy conventional oil assets in 2018. As the conventional oil assets are being held for sale, the 2018 budget does not contemplate funding exploration or development activities for conventional oil projects in the current year other than any required maintenance capital.

Colombia Gas

For development activity related to the gas portfolio, the Corporation has identified potential development locations on its Esperanza and VIM 5 properties. A number of these locations are contingent on the

Corporation's ongoing appraisal drilling program on its most recent discoveries. Committing to additional development drilling will be tied to the requirement to build the Corporation's proved and probable reserve base to secure additional gas contracts. In the meantime, the Corporation will advance its technical understanding of reservoir performance by continued reservoir modeling of the main producing assets.

For exploration activity related to the gas portfolio, the Corporation has built a significant inventory of prospects and leads by interpretation of the 2D and 3D seismic across its acreage position. Committing to additional investment in seismic and exploratory drilling will be tied to the requirement to build the Corporation's proved and probable reserve base to secure additional gas contracts.

Ecuador

During the year ended December 31, 2017, the Corporation entered into a binding agreement to sell its equity interest in the Ecuador IPC to the other joint venture partners of Pardaliservices. On March 7, 2018, the Corporation announced that it completed the sale.

Production Estimates

The following table sets forth the volume of production estimated by the Corporation, by product type, for total proved, total probable and total proved plus probable reserves, for the year ending December 31, 2018 using forecast prices and costs and adjusted for deemed volumes.

Reserves Category	Forecast Prices & Costs		
	Total Proved Gross Daily Production ⁽²⁾	Total Probable Gross Daily Production ⁽²⁾	Total Proved + Probable Gross Daily Production ⁽²⁾
Colombia			
Light & Medium Crude Oil (bbl/d)	912	72	984
Heavy Crude Oil (bbl/d)	458	35	493
Conventional Natural Gas (Mcf/d)	125,398	12,286	137,684
Natural Gas Liquids (bbl/d)	-	-	-
Total⁽¹⁾ (boe/d)	23,371	2,262	25,633
Ecuador⁽⁴⁾			
Light & Medium Crude Oil (bbl/d)	1,033	509	1,542
Heavy Crude Oil (bbl/d)	-	-	-
Conventional Natural Gas (Mcf/d)	-	-	-
Natural Gas Liquids (bbl/d)	-	-	-
Total⁽¹⁾ (boe/d)	1,033	509	1,542
Corporate Total			
Light & Medium Crude Oil (bbl/d)	1,946	580	2,526
Heavy Crude Oil (bbl/d)	458	35	493
Conventional Natural Gas (Mcf/d)	125,398	12,286	137,684
Natural Gas Liquids (bbl/d)	-	-	-
Total⁽¹⁾ (boe/d)	24,404	2,771	27,174

Notes:

- (1) BOE have been reported based on natural gas conversions of 5.7 Mcf/1 bbl as required by the Ministry of Mines and Energy in Colombia.
- (2) Gross production is company interest before all royalty deductions.
- (3) The Corporation reports tariff production on a gross basis in its quarterly financial statements and management discussion and analysis. Consequently, production in the table above is not comparable with its historical financial reporting.
- (4) The Corporation's working interest reserves for the Ecuador IPC reflects the deemed volume (the Corporation's share of production above the base line). The calculation for the deemed volume is described in the D&M Report. The methodology determines deemed volume by dividing cash flow by the tariff price of \$38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions.
- (5) The numbers in these tables may not add exactly due to rounding.

The following table sets forth the volume of production estimated by the Corporation, by field, for the year ending December 31, 2018 using forecast prices and costs and adjusted for deemed volumes.

	Light & Medium Crude Oil (bbl/d)	Heavy Crude Oil (bbl/d)	Conventional Natural Gas (Mcf/d)	Natural Gas Liquids (bbl/d)
Colombia				
Ariana	-	-	1,104	-
Canandonga	-	-	-	-
Canahuate	-	-	4,849	-
Capella	-	153	-	-
Clarinete	-	-	33,664	-
LLA23	770	-	-	-
Mono Arana	-	305	-	-
Nelson	-	-	53,784	-
Nispero	-	-	5,901	-
Oboe	-	-	5,265	-
Palmer	-	-	4,532	-
Pandereta	-	-	2,471	-
Santa Isabel	143	-	-	-
Toronja	-	-	7,759	-
Trombon	-	-	6,068	-
Total	913	458	125,398	-
Ecuador Fields⁽³⁾	1,033	-	-	-
Corporate Total	1,946	458	125,398	-

Notes:

- (1) Daily production is taken from the Reports as of December 31, 2017.
- (2) The Corporation reports tariff production on a gross basis in its quarterly financial statements and management discussion and analysis. Consequently, production in the table above is not comparable with its historical financial reporting.
- (3) The Corporation's working interest reserves for the Ecuador IPC reflects the deemed volume (the Corporation's share of production above the base line). The calculation for the deemed volume is described in the D&M Report. The methodology determines deemed volume by dividing cash flow by the tariff price of \$38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions.
- (4) The numbers in these tables may not match the corporate totals due to rounding.

Production History

The following table sets forth the Corporation's share of average gross daily production volumes, by country, the prices received, royalties paid, production costs incurred and the resulting netback on a per unit volume basis, for each quarter of the year ended December 31, 2017.

OPERATING RESULTS	Three Months Ended March 31, 2017		Three Months Ended June 30, 2017		Three Months Ended September 30, 2017		Three Months Ended December 31, 2017	
	Colombia	Ecuador	Colombia	Ecuador	Colombia	Ecuador	Colombia	Ecuador
Average Gross Daily Production								
Light & Medium Crude Oil (bbl/d)	2,002	-	1,920	-	1,890	-	1,825	-
Heavy Crude Oil (bbl/d)	-	-	-	-	-	-	-	-
Conventional Natural Gas (boe/d)	13,487	-	13,675	-	13,324	-	14,569	-
Natural Gas Liquids (bbl/d)	-	-	-	-	-	-	-	-
Crude Oil – Tariff (boe/d)	-	1,503	-	1,567	-	1,373	-	1,183

OPERATING RESULTS	Three Months Ended March 31, 2017		Three Months Ended June 30, 2017		Three Months Ended September 30, 2017		Three Months Ended December 31, 2017	
	Colombia	Ecuador	Colombia	Ecuador	Colombia	Ecuador	Colombia	Ecuador
Average sale prices								
Light & Medium Crude Oil (\$/bbl)	44.48	-	41.23	-	43.33	-	51.62	-
Heavy Crude Oil (\$/bbl)	-	-	-	-	-	-	-	-
Conventional Natural Gas (\$/boe)	29.45	-	28.27	-	28.25	-	28.06	-
Natural Gas Liquids (\$/bbl)	-	-	-	-	-	-	-	-
Crude Oil – Tariff (\$/boe)	-	38.54	-	38.54	-	38.54	-	38.54
Operating netback (\$/boe)								
Commodity sales revenue	31.41	38.54	29.89	38.54	30.14	38.54	30.72	38.54
Royalties	3.60	-	3.68	-	3.09	-	3.39	-
Operating Expenses	4.11	-	4.32	-	4.00	-	5.15	-
Transportation Expenses	0.49	-	0.19	-	1.43	-	1.56	-
Netback⁽¹⁾	23.21	38.54	21.71	38.54	21.62	38.54	20.63	38.54

Note:

- (1) “Netback” per BOE is calculated as revenues, less royalties, transportation and processing charges, repair and operating expenses and then divided by BOE sold. Netbacks do not have a standard meaning prescribed by Canadian generally accepted accounting principles and therefore may not be comparable to similar measures used by other companies. Management feels this is a useful metric as it is a common metric used by other companies operating in the oil and gas industry in order to provide a comparison of relative overall performance between companies. Management uses the metric to assess the Corporation’s overall performance relative to that of its competitors and for internal planning purposes.

The following table sets forth the Corporation’s production volumes for the year ended December 31, 2017, by product type, for the fields comprising more than 10% of the Corporation’s total production.

	Light & Medium Crude Oil (bbl/d)	Heavy Crude Oil (bbl/d)	Conventional Natural Gas (boe/d)	Natural Gas Liquids (bbl/d)
Esperanza	-	-	10,299	-
VIM 5	-	-	3,412	-
Other	1,909	-	54	-
Total Non-Tariff production	1,909	-	13,765	-
Ecuador - Tariff Production	1,405	-	-	-
Total	3,315	-	13,765	-

Notes:

- (1) Daily production is taken from the Reports as of December 31, 2017.
- (2) The Corporation’s working interest reserves for the Ecuador IPC reflects the deemed volume (the Corporation’s share of production above the base line). The calculation for the deemed volume is described in the D&M Report. The methodology determines deemed volume by dividing cash flow by the tariff price of \$38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions.
- (3) The numbers in these tables may not match the corporate totals due to rounding.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

The Corporation is authorized to issue an unlimited number of Common Shares. As of March 26, 2018, 176,795,138 Common Shares were issued and outstanding (176,108,430 Common Shares as at December 31, 2017). The holders of the Common Shares are entitled to receive notice of and attend any meeting of the Shareholders and are entitled to one vote for each Common Share held (except at meetings where only the holders of another class of shares are entitled to vote). Subject to the rights attached to any other class of

shares, the holders of the Common Shares are entitled to receive dividends, if, as and when declared by the Board of Directors and are entitled to receive the remaining property upon liquidation of the Corporation.

On June 8, 2017, the Board of Directors approved the adoption of a new shareholder rights plan, which was approved by Shareholders on July 12, 2017 (the “**Rights Plan**”). Pursuant to the Rights Plan, one right is attached to each Common Share. Please see Schedule “B” to management proxy and information circular of the Corporation dated June 6, 2017 available on the Corporation’s SEDAR profile at www.sedar.com for a summary of the Rights Plan. A copy of the Rights Plan is also available on the Corporation’s SEDAR profile.

Preferred Shares

The Corporation is authorized to issue an unlimited number of preferred shares (“**Preferred Shares**”), issuable in series. As of March 26, 2018, no Preferred Shares were issued and outstanding. The Preferred Shares may be issued from time to time in one or more series, each series consisting of a number of Preferred Shares as determined by the Board of Directors, who may fix the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of Preferred Shares. The Preferred Shares of each series shall, with respect to dividends, liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its Shareholders for the purpose of winding up its affairs, shall be entitled to preference over the Common Shares and the shares of any other class ranking junior to the Preferred Shares. The Preferred Shares of any series may also be given such other preferences and priorities over the Common Shares and any other shares of the Corporation ranking junior to such series of Preferred Shares.

Restricted Share Units

As at December 31, 2017, the Corporation had 632,000 restricted share units outstanding. These restricted share units were granted pursuant to the restricted share unit plan of the Corporation to certain directors, officers and employees of the Corporation. A portion of the restricted share units vest as to one-half in 12 months and one-half in 24 months from the grant date and a portion vest as to one-half in six months and one-half in 12 months from the grant date. The restricted shares units will be settled for cash, Common Shares purchased on the open market or Common Shares from treasury, on the vesting dates, as determined by the Board of Directors.

Long-Term Debt

During the financial year ended December 31, 2017, the Corporation had the 2015 Credit Facility, a senior secured term loan with a syndicate of banks, with an outstanding principal amount of \$180 million and the 2014 Senior Notes with \$75 million drawn and funded. On February 14, 2017, the Corporation entered into the 2017 Credit Facility and used proceeds from the 2017 Credit Facility to repay all amounts outstanding under the 2015 Credit Facility and under the 2014 Senior Notes.

The 2017 Credit Facility is a senior secured term loan with a syndicate of banks. The 2017 Credit Facility is due March 20, 2022, with interest payable quarterly and principal repayable in 13 equal quarterly instalments starting March 20, 2019, following an initial grace period. The 2017 Credit Facility bears interest at LIBOR plus 5.5% and is secured by all of the material assets of the Corporation. The Corporation increased the borrowing base of the 2017 Credit Facility during the financial year ended December 31, 2017 from \$265 million to \$305 million, with no change to the term or the repayment schedule. The 2017 Credit Facility includes various non-financial covenants relating to future acquisitions, indebtedness, operations, investments, capital expenditures and other standard operating business covenants. The 2017 Credit Facility is also subject to various financial covenants, including a maximum consolidated leverage ratio of 3:1, a minimum consolidated EBITDAX to consolidated interest expense ratio of 3.5:1 and a minimum current ratio of 1:1. As at the date hereof, the Corporation was in compliance with such financial covenants. For more information on the calculation of the financial covenants see the Corporation’s management discussion and analysis accompanying its most recent

audited annual financial statements which are available on SEDAR at www.sedar.com. See also “Risk Factors – Debt Matters”.

DIVIDEND RECORD AND POLICY

Canacol has not paid any dividends on its outstanding Common Shares in the three most recently completed financial years. Any decision to pay dividends on the Common Shares in the future will be dependent upon the financial requirements of Canacol to finance future growth, the financial condition of Canacol, and other factors which the Board of Directors may consider appropriate in the circumstances.

Canacol has no legal restrictions that could prevent it from paying dividends or distributions, if any, subject to compliance with covenants contained in its credit facilities from time to time.

TRADING PRICE AND VOLUME

Common Shares

The Common Shares trade under the symbol “CNE” on the TSX. The following table sets out the price range (monthly high and low closing prices) of the Common Shares and consolidated volumes traded on the TSX for the periods indicated (as reported by the TSX).

Period	High (C\$)	Low (C\$)	Volume
2017			
January	4.61	3.68	4,972,105
February	4.07	3.66	5,498,836
March	4.10	3.62	7,496,456
April	4.09	3.78	4,118,717
May	4.19	3.91	5,815,211
June	4.32	3.94	6,442,834
July	4.58	4.29	5,522,748
August	4.59	3.89	4,948,466
September	4.29	3.85	3,802,802
October	4.27	3.95	2,546,701
November	4.38	4.07	4,009,354
December	4.57	4.08	3,143,843
2018			
January	4.76	4.23	3,876,729
February	4.40	4.13	2,473,153
March 1-26	4.53	4.17	1,458,885

PRIOR SALES

The following table summarizes the issuances of unlisted securities for the year ended December 31, 2017:

Date of Issuance	Securities	Number of Common Shares Issued/Issuable or Aggregate Amount	Price/Exercise Price per Security (C\$)
January 10, 2017	Options ⁽¹⁾	2,744,500	4.30
January 16, 2017	RSUs ⁽²⁾	1,183,000	4.30
March 31, 2017	Options ⁽¹⁾	41,000	3.86
August 14, 2017	Options ⁽¹⁾	2,311,900	4.26
August 14, 2017	RSUs ⁽²⁾	20,000	4.26
October 13, 2017	Options ⁽¹⁾	35,880	4.05

Notes:

- (1) Issued pursuant to the stock option plan of the Corporation. Options expire five years from date of issue.
(2) Issued pursuant to the restricted share unit plan of the Corporation.

ESCROWED SECURITIES

The Corporation has no escrowed securities.

DIRECTORS AND OFFICERS

The following table sets forth the names and municipalities of residence of the current directors and executive officers of the Corporation, their respective positions and offices with the Corporation and date first appointed or elected as a director and/or officer and their principal occupation(s) within the past five years.

Name and Municipality of Residence and Position with Canacol	Director/Officer Since	Principal Occupation During the Last Five Years
Charle Gamba ⁽³⁾ President, Chief Executive Officer and Director Bogotá, Colombia	October 30, 2008	Chief Executive Officer of Canacol. Current director of Horizon Petroleum plc, Miramar Hydrocarbons Ltd. and Ikkuma Resources Corp. Past Vice President of Exploration for Occidental Oil and Gas Company (“Occidental”) in Colombia. Chief Geologist with Occidental in Ecuador and Chief Geoscientist for Occidental in Qatar. Geologist with over 21 years of multidisciplinary experience in the oil and gas industry in Latin America, Middle East, North America, and South East Asia with Occidental Petroleum Corporation, Alberta Energy Company (EnCana), Canadian Occidental (Nexen), and Imperial Oil.
Michael Hibberd ⁽¹⁾⁽²⁾ Chairman and Director Calgary, Alberta, Canada	October 30, 2008	Chairman and Chief Executive Officer of MJH Services Inc., a corporate finance advisory business established in 1995. Chairman of Greenfields Petroleum Corporation and Vice-Chairman of Sunshine Oilsands Ltd. Current director of Montana Exploration Corp., PanOrient Energy Corp. and PetroFrontier Corp. Through MJH Services Inc., Mr. Hibberd has been involved in privatization and development projects in North America, Africa, the Middle East, Latin America and Asia. Prior to 1995, Mr. Hibberd spent 12 years in corporate finance with ScotiaMcLeod and was Senior Vice President, Corporate Finance and a Director.
Stuart Hensman ⁽¹⁾⁽²⁾ Director Toronto, Ontario, Canada	November 15, 2007	Chairman of the Board of Governors of CI Funds and a director of RIFCO Inc. Prior to 2003, Mr. Hensman was the Chairman and Chief Executive Officer of Scotia Capital (USA) Inc. Mr. Hensman was a Managing Director (Institutional Equities) at Scotia Capital Inc. (London) from 1987 to 1999. Prior to this, he held a number of analytical and portfolio management positions at Sun Life Assurance Co. of Canada from 1981 to 1986. Mr. Hensman holds a Bachelor of Arts degree from the University of Winnipeg and a Masters of Science from the Loughborough University.

Name and Municipality of Residence and Position with Canacol	Director/Officer Since	Principal Occupation During the Last Five Years
David Winter ⁽³⁾ Director Calgary, Alberta, Canada	February 6, 2009	Chief Executive Officer and Director of each of Miramar Hydrocarbons Ltd. and Horizon Petroleum plc. He was a co-founder of Canacol. Dr. Winter brings 32 years of international experience in a variety of technical, management and leadership roles working in Latin America, Middle East, Southeast Asia and the UK North Sea. His experience was gained working at British Petroleum, Sun Oil, Canadian Occidental (now Nexen), Alberta Energy Company (now EnCana), Calvalley Petroleum and Excelsior Energy Limited. Dr. Winter holds a Bachelor of Science degree, a Masters of Science degree and a Doctorate in Geology from London and Edinburgh Universities.
Gregory D. Elliott ⁽³⁾ Director Oakdale, Louisiana, USA	December 21, 2012	President and Founder of Workstrings International, a Superior Energy Services, Inc. (NYSE-SPN) company. Mr. Elliott started his career in 1981 at Chevron serving in various engineering positions both Domestic US and International through 1996. He served as a well test Engineer, frequently traveling to Africa, Europe and Southeast Asia before joining Chevron's International Drilling team in 1989 where he planned and drilled wells in Africa, Europe, Southeast Asia, Kazakhstan and South America. Mr. Elliott continues to manage and grow Workstrings International, currently the second largest oilfield rental tool company in the world. Mr. Elliott was a Charter member of Geoproduction Oil & Gas Company, founded in 2001. Mr. Elliott earned his degree in Petroleum Engineering in 1981 from Louisiana State University.
Francisco Diaz Salazar ⁽¹⁾ Director Bogotá, Colombia	January 16, 2015	Managing Partner at Evolvere Capital, a Private Equity firm that manages various portfolio companies in Colombia and Latin America. Mr. Diaz also serves on the board of several portfolio and publicly traded companies in Latin America. From 2004 to 2011, Mr. Diaz was President and CEO of Organización Corona, one of the largest private groups in Colombia. Prior to his association with Corona, he was with Monsanto Company in St. Louis, MO (1991 to 2003) where he held various executive positions among them President of the Global Food Ingredients Division, Corporate Vice President of Global Strategy in Chicago, IL and Vice President and General Manager for Latin America in Buenos Aires, Argentina. Mr. Diaz received a Bachelor of Science degree in Chemical Engineering from Northeastern University in Boston, MA and has a Master of Science in Business Management from Arthur D. Little School of Management in Cambridge, MA. He is also a graduate of the Advanced Executive Management Program from J. L. Kellogg Graduate School of Management of Northwestern University.
Alberto Jose Sosa Schlageter ⁽²⁾ Director Caracas, Venezuela	October 16, 2015	Chief Executive Officer of Corporación Digitel, a telecom company, and Chairman of Ceramica Carabobo, a manufacturing company operating in Venezuela. Mr. Sosa Schlageter also serves as a director of CAPCA, a sugary refinery and of Fabrica Nacional de Vidrios, a glass bottle manufacturer. Mr. Sosa Schlageter received a degree in Business Administration in 1983 from Ohio Wesleyan University in Ohio, USA and received an MBA from the University of Denver in Colorado, USA.

Name and Municipality of Residence and Position with Canacol	Director/Officer Since	Principal Occupation During the Last Five Years
Oswaldo Cisneros ⁽¹⁾ Director Caracas, Venezuela	October 16, 2015	Principal of Cavengas Holdings S.R.L. and President of Corporación Digítel, a telecom company, Maritime Contractors de Venezuela, an oil drilling services company, Fabrica Nacional de Vidrios, a glass bottle manufacturer, and Central Azucarero Portuguesa, a sugar mill factory. Previously, Mr. Cisneros served as the President of Pepsi Cola Venezuela and of Telcel Celular, C.A., a partner of Bellsouth International. He currently serves as a director of Harvest Natural Resources Inc., an NYSE-listed energy company engaged in the acquisition, development, production and disposition of oil and natural gas properties.
Jason Bednar Chief Financial Officer Calgary, Alberta, Canada	December 1, 2015	Mr. Bednar is a Chartered Accountant with more than 20 years of direct professional experience in the financial and regulatory management of oil and gas companies listed on the TSX, TSX Venture Exchange and American Stock Exchange. Mr. Bednar has been the Chief Financial Officer of several international oil and gas exploration companies, most notably the founding Chief Financial Officer of Pan Orient Energy Corp, a South East Asia exploration company, who during his tenure grew organically to operate 15,000 bbl/d and a market cap of \$700 million. He has previously sat on the board of directors of several internationally focused E&P companies, including being the past Chairman of Gallic Energy Ltd. Mr. Bednar began his career in the chartered accountancy firm of Brown Smith Owen in 1993 before moving into financial controller roles at oil production companies. Mr. Bednar holds a Bachelor of Commerce degree from the University of Saskatchewan.
Ravi Sharma Chief Operating Officer Bogotá, Colombia	October 1, 2015	Mr. Ravi Sharma has 30 years of oil and natural gas experience in the Americas, Middle East, Russia, Australasia, and Africa. He has held senior management roles at major E&P companies worldwide. He was Head of Production & Operations with Afren Plc., Global Petroleum Engineering Manager for BHP Billiton Petroleum and Worldwide Chief Reservoir Engineer for Occidental. Mr. Sharma holds a B.Sc. and M.Sc. in Mechanical Engineering from the University of Alberta.
Mark Teare Senior Vice President of Exploration Calgary, Alberta, Canada	January 12, 2009	Mr. Teare has 30 years of experience with a number of senior international Canadian energy companies in Brazil, Ecuador, Colombia, Argentina, Australia, and Canada. Over the nine-year period prior to joining Canacol, Mr. Teare held a series of senior management roles at EnCana Corporation including Country Lead for Brazil, and Vice President of Exploration and Joint Ventures in Ecuador. Mr. Teare also held a variety of lead technical roles at Alberta Energy Company in Australia, and Home Oil Company in Argentina and Canada. Mr. Teare holds a Master of Science degree in Geology from McGill University, and is based in the Corporation's head office in Calgary.

Name and Municipality of Residence and Position with Canacol	Director/Officer Since	Principal Occupation During the Last Five Years
Luis Baena Executive Vice President, Business Development Bogotá, Colombia	February 6, 2009	Founder and current Executive Vice President, Business Development of Canacol. Former President, Chief Executive Officer and Director of Superview S.A., a Colombian telecommunications company sold to Telmex. Former Colombian representative of BGP, a Chinese seismic company. Mr. Baena holds a Doctor of Medicine, Masters in International Affairs in Finance and Business from Columbia University of New York and Doctoral studies at Nova Southeastern University in International Business Administration.
Anthony Zaidi Vice President of Business Development, General Counsel and Corporate Secretary of the Corporation Bogotá, Colombia	November 29, 2011	Mr. Zaidi is a lawyer and businessman with significant experience in corporate finance and in the mining and energy sector in Colombia. Prior to joining Canacol, Mr. Zaidi was the President and General Counsel of Carrao Energy Ltd., a private oil and gas exploration company he co-founded and co-managed until its acquisition by the Corporation in 2011. Prior to Carrao, he had been an officer or director of several private and public companies, including Integral Oil Services, Pacific Rubiales Energy, Petromagdalena Energy, Medoro Resources and others, as well as a securities lawyer at Blake, Cassels & Graydon LLP. Mr. Zaidi holds a Juris Doctor degree from the University of Toronto as well as a Bachelor of Commerce (Finance) degree from McGill University.
Diego Carvajal Vice President of New Ventures Bogotá, Colombia	November 29, 2011	Mr. Carvajal is a Geologist with over 33 years of experience in E&P activities, mainly in Colombia but also internationally. Prior to joining Canacol, Mr. Carvajal was the Chief Executive Officer of Carrao Energy Ltd., a private oil and gas exploration company he co-founded and co-managed until its acquisition by the Corporation in 2011. He was the former Vice President, Exploration of Ecopetrol (Colombian State Oil Company) being responsible for all exploration activities in the country and overseas. Prior to that, Mr. Carvajal worked for TEXACO and BP, both in Colombia and abroad. Mr. Carvajal has been President of the Colombian Association of Petroleum Geologists and Geophysicists (affiliated to AAPG) and a Professor at the Graduate School of Geoscience of the National University of Colombia.
Kevin Flick Vice President of Capital Markets and Investor Relations Dallas, Texas, USA	June 1, 2010	Mr. Flick has 16 years of multidisciplinary experience within industry and principal investments. Before Canacol, he was VP of Business Development and Investor Relations for TransAtlantic Petroleum, a NYSE-listed company with operations in Turkey. Prior to the oil & gas industry, Mr. Flick was Business Development Officer and VP of Finance for a NASDAQ-listed, Internet company focused in Latin America. He also served as a board member and turnaround advisor to several private companies in the real estate and technology industries. Before moving into industry, Mr. Flick was a Financial Analyst with Hicks, Muse, Tate & Furst, a large, international private equity firm. He began his career as a Financial Analyst with Goldman Sachs and later as a Senior Financial Consultant with Ernst & Young Transaction Advisory Services. He holds a BBA in Finance.

Notes:

- (1) Denotes Audit Committee members.
- (2) Denotes Corporate Governance and Compensation Committee members.
- (3) Denotes Reserve Committee members.
- (4) Each director will hold office until the next annual general meeting of Shareholders or until his successor is elected or appointed.

As at March 26, 2018, the directors and officers of Canacol, as a group beneficially own, directly or indirectly, approximately 4,171,772 of the outstanding Common Shares (approximately 2.4%). Oswaldo Cisneros, a director of the Corporation, is the Principal of Cavengas Holdings S.R.L., which owns 32,613,072 Common Shares (18.5%) as at March 26, 2018.

Corporate Cease Trade Orders or Bankruptcies

Other than as set forth below, no director, officer or Shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, within 10 years before the date of this Annual Information Form, has been, a director or executive officer of any corporation that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order, or an order that denied the relevant corporation access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the corporation being the subject of a cease trade or similar order or an order that denied the relevant corporation access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (c) within a year of that person ceasing to act in such capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Michael Hibberd was an independent director of Challenger Energy Corp. (“**Challenger**”) from December 1, 2005 to September 16, 2009. Challenger obtained a creditor protection order, under the *Companies’ Creditors Arrangement Act* (Canada), from the Court of Queen’s Bench of Alberta, Judicial District of Calgary on February 27, 2009. On June 19, 2009, Challenger announced that it had entered into an arrangement agreement providing for the acquisition by Canadian Superior Energy Inc. (“**Canadian Superior**”) of Challenger (0.51 of a Canadian Superior common share for each Challenger common share).

Mr. Hibberd was formerly a director of Skope Energy Inc. (a TSX listed oil and gas company), which commenced proceedings in the Court of Queen’s Bench of Alberta under the *Companies’ Creditors Arrangement Act* (Canada) to implement a restructuring in November 2012, which was completed on February 19, 2013.

Stuart Hensman was formerly a director of Qwest Diversified Capital Corporation (“**Qwest**”) from June 18, 2013 to November 3, 2015. Qwest was placed in receivership by a secured creditor and MNP Ltd. of Calgary was appointed by the Court of Queen’s Bench of Alberta to act as receiver effective November 3, 2015.

Charle Gamba and Jason Bednar were formerly directors of Solimar Energy Limited (“**Solimar**”) from September 12, 2011 and October 10, 2011, respectively, to December 12, 2014, upon which date all of the directors and officers resigned. On December 3, 2015, December 8, 2015 and December 21, 2015, the common shares of Solimar were cease traded by the Alberta Securities Commission, the British Columbia Securities Commission and the Ontario Securities Commission, respectively, as a result of the failure by Solimar to file

various continuous disclosure documents, including interim financial statements and related management's discussion and analysis for the three-month period ended September 30, 2014, together with the related certification of filings thereto.

Personal Bankruptcies

No director, officer or Shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has within 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such person.

Penalties or Sanctions

No director, officer or Shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Certain directors and officers of the Corporation and its subsidiaries are associated with other reporting issuers or other corporations which may give rise to conflicts of interest. In accordance with corporate laws, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with the Corporation are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Corporation. Some of the directors of the Corporation have either other employment or other business or time restrictions placed on them and accordingly, these directors of the Corporation will only be able to devote part of their time to the affairs of the Corporation. In particular, certain of the directors and officers are involved in managerial and/or director positions with other oil and gas companies whose operations may, from time to time, provide financing to, or make equity investments in, competitors of the Corporation. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

AUDIT COMMITTEE INFORMATION

The Audit Committee is a committee of the Board of Directors to which the Board of Directors delegates its responsibility for oversight of the financial reporting process. The Audit Committee is also responsible for managing, on behalf of the Shareholders, the relationship between the Corporation and the external auditor.

Pursuant to NI 52-110, the Corporation is required to disclose certain information with respect to its Audit Committee, as summarized below.

Audit Committee Terms of Reference

The Corporation must, pursuant to NI 52-110, have a written charter which sets out the duties and responsibilities of its Audit Committee. The terms of reference of the Audit Committee are attached hereto as Schedule C.

Audit Committee Composition

The following are the members of the Audit Committee:

Michael Hibberd ⁽¹⁾	Independent ⁽²⁾	Financially Literate ⁽²⁾
Stuart Hensman	Independent ⁽²⁾	Financially Literate ⁽²⁾
Francisco Diaz	Independent ⁽²⁾	Financially Literate ⁽²⁾
Oswaldo Cisneros	Independent ⁽²⁾	Financially Literate ⁽²⁾

Notes:

- (1) Chairman of the Audit Committee.
 (2) As defined by NI 52-110.

Relevant Education and Experience

All of the members of the Audit Committee have been either directly involved in the preparation of the financial statements, filing of quarterly and annual financial statements, dealing with auditors, or as a member of the Audit Committee. All members have the ability to read, analyze and understand the complexities surrounding the issuance of financial statements.

Michael Hibberd, B.A., M.B.A. and LL.B

Mr. Hibberd is Chairman and Chief Executive Officer of MJH Services Inc., a corporate finance advisory business established in 1995; Chairman of Greenfields Petroleum Corporation; Vice-Chairman of Sunshine Oilsands Ltd.; Current director of Montana Exploration Corp., PanOrient Energy Corp. and PetroFrontier Corp.; former Chairman of Heritage Oil Plc and Heritage Oil Corporation; and former director of Avalite Inc., Challenger Energy Corp., Deer Creek Energy, Iteration Energy Ltd., Rally Energy Corp., Sagres Energy, Skope Energy Inc. and Zapata Energy Corporation. Mr. Hibberd spent 12 years in corporate finance with ScotiaMcLeod and was Senior Vice President, Corporate Finance and a Director.

Stuart Hensman, B.A. and M.Sc.

Mr. Hensman is Chairman of the Board of Governors of CI Funds and a director of RIFCO Inc. Prior to 2003, Mr. Hensman was the Chairman and Chief Executive Officer of Scotia Capital (USA) Inc. Mr. Hensman was a Managing Director (Institutional Equities) at Scotia Capital Inc. (London) from 1987 to 1999. Prior to this, he held a number of analytical and portfolio management positions at Sun Life Assurance Co. of Canada from 1981 to 1986.

Francisco Diaz, B.Sc., M.Sc.

Mr. Diaz is Managing Partner at Evolvere Capital, a Private Equity firm that manages various portfolio companies in Colombia and Latin America. Mr. Diaz also serves on the board of several portfolio and publicly traded companies in Latin America. From 2004 to 2011, Mr. Diaz was President and CEO of Organización Corona, one of the largest private groups in Colombia. Prior to his association with Corona, he was with Monsanto Company in St. Louis, MO (1991 to 2003) where he held various executive positions among them President of the Global Food Ingredients Division, Corporate Vice President of Global Strategy in Chicago, IL and Vice President and General Manager for Latin America in Buenos Aires, Argentina. Mr. Diaz received a

Bachelor of Science degree in Chemical Engineering from Northeastern University in Boston, MA and has a Master of Science in Business Management from Arthur D. Little School of Management in Cambridge, MA. He is also a graduate of the Advanced Executive Management Program from J. L. Kellogg Graduate School of Management of Northwestern University.

Oswaldo Cisneros

Mr. Cisneros is the President of Corporación Digitel, a telecom company, Maritime Contractors de Venezuela, an oil drilling services company, Fabrica Nacional de Vidrios, a glass bottle manufacturer, and Central Azucarero Portuguesa, a sugar mill factory. Previously, Mr. Cisneros served as the President of Pepsi Cola Venezuela and of Telcel Celular, C.A., a partner of Bellsouth International. He currently serves as a director of Harvest Natural Resources Inc., an NYSE-listed energy company engaged in the acquisition, development, production and disposition of oil and natural gas properties.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on:

- (a) the exemption in section 2.4 of NI 52-110 (De Minimis Non-audit Services);
- (b) the exemption in section 3.2 of NI 52-110 (Initial Public Offerings);
- (c) the exemption in section 3.4 of NI 52-110 (Events Outside Control of Members);
- (d) the exemption in section 3.5 of NI 52-110 (Death, Disability or Resignation of Audit Committee Members); or
- (e) an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

Reliance on the Exemption in Subsection 3.3(2) or Section 3.6

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on:

- (a) the exemption in subsection 3.3(2) of NI 52-110 (Controlled Companies); or
- (b) the exemption in section 3.6 of NI 52-110 (Temporary Exemption for Limited and Exceptional Circumstances).

Reliance on Section 3.8

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied section 3.8 of NI 52-110 (Acquisition of Financial Literacy).

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Pre-Approval Policies and Procedures

The Audit Committee had adopted specific policies and procedures for the engagement of non-audit services as described below under the heading “External Auditors” in the terms of reference of the Audit Committee as attached hereto as Schedule C.

External Auditor Service Fees

The aggregate fees billed by the Corporation’s external auditors in each of the last two fiscal years for audit and other fees are as follows:

Financial Year Ending	Audit Fees⁽¹⁾ (\$)	Audit Related Fees⁽²⁾ (\$)	Tax Fees⁽³⁾ (\$)	All Other Fees⁽⁴⁾ (\$)
December 31, 2017	567,399	Nil	662,482	Nil
December 31, 2016	406,412	6,058	300,871	Nil

Notes:

- (1) Audit fees include fees necessary to perform the annual audit and quarterly reviews of the Corporation’s consolidated financial statements. Audit fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) Audit-related fees include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) Tax fees include fees for all tax services other than those included in audit fees and audit-related fees. This category includes fees for tax compliance, tax planning and tax advice.
- (4) All other fees include fees for products and services provided by the Auditor, other than the services reported above.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no material legal proceedings to which the Corporation is a party or of which any of its property is the subject and there are no such proceedings known to the Corporation to be contemplated. In addition, there were no penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority during the year ended December 31, 2017, no other penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision, and no settlement agreements entered into by the Corporation with a court relating to securities legislation or with a securities regulatory authority during the year ended December 31, 2017.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set forth herein, or as previously disclosed, the Corporation is not aware of any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or executive officer or any Shareholder holding more than 10% of the Common Shares or any associate or affiliate of any of the foregoing in any transaction within the three most recently completed financial years or during the current financial year or any proposed or ongoing transaction of the Corporation which has or will materially affect the Corporation.

TRANSFER AGENT AND REGISTRARS

The transfer agent and registrar for the Common Shares is Computershare Trust Company of Canada at its principal offices in Calgary, Alberta and Toronto, Ontario.

MATERIAL CONTRACTS

There are no material contracts entered into by Canacol within the most recently completed financial year, or before the most recently completed financial year but which are still in effect, other than contracts entered into in the ordinary course of business.

INTEREST OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under NI 51-102 by the Corporation during, or related to, the Corporation's most recently completed financial year other than D&M, BGEC and Petrotech, the Corporation's independent engineering evaluators, as well as Deloitte LLP, the Corporation's auditors.

As at the date of hereof, the principal reserve evaluators of D&M, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares.

As at the date of hereof, the principal reserve evaluators of BGEC, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares.

As at the date of hereof, the principal reserve evaluators of Petrotech, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares.

Deloitte LLP, Chartered Professional Accountants, is the external auditor of Canacol and is independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Alberta, Canada.

RISK FACTORS

A potential investor should carefully consider the factors set forth below in deciding whether to invest in the securities of Canacol. An investment in securities of Canacol is suitable only to those investors who are willing to risk the loss of their entire investment. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of management of Canacol. An investment in the securities of Canacol is speculative and involves a high degree of risk due to the nature of Canacol's involvement in the business of exploration for petroleum and natural gas. The following are certain risk factors relating to the business of Canacol which prospective investors should carefully consider before deciding whether to purchase securities of Canacol. The following is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Information Form.

Risks Related to the Industry and the Business of Canacol

Political Risk

The Corporation's core projects are located in Colombia. As such, the Corporation is subject to certain risks, including currency fluctuations and possible political or economic instability. Further, the Corporation's exploration and production activities may be affected in varying degrees by political stability and government regulations relating to the industry.

A 50-year armed conflict between government forces and anti-government insurgent groups and illegal paramilitary groups, both thought to be funded by the drug trade, continues in Colombia. Insurgents continue to attack civilians and violent guerrilla activity continues in many parts of the country. The Caguan-Putumayo region has been prone to guerrilla activity in the past. Pipelines have also been targets, including the Trans-Andean export pipeline which transports oil from the Putumayo region. The Catatumbo Basin borders

Venezuela and has historically been an area of high security risk where there continues to be guerrilla activity. The Corporation has significant operations in the Caguan-Putumayo region.

On September 26, 2016, the Colombian government and the Revolutionary Armed Forces of Colombia (“FARC”) signed a peace agreement (the “Peace Agreement”) and, on November 30, 2016, the Peace Agreement was ratified by Colombia’s government. Pursuant to the Peace Agreement, the FARC agreed to demobilize its troops and urban militia members and to hand over its weapons to a United Nations mission within 180 days. Once demobilized and disarmed, the FARC can become a legal political party. Under the Peace Agreement, the FARC is guaranteed at least five seats in the Senate and another five seats in the House of Representatives in 2018 congressional elections. The Colombian government has also begun peace negotiations with the Ejército de Liberación Nacional (“ELN”). The peace negotiations are intended to bring further institutional strengthening and development, particularly to rural regions. The government’s biggest challenge is perceived to be to ensure that the negotiations lead to a long-lasting peace and that demobilised members of the FARC and ELN rejoin civilian life, rather than regrouping in criminal bands.

Continuing attempts to reduce or prevent guerrilla activity may not be successful and guerrilla activity may disrupt Canacol’s operations in the future. The Corporation may not be able to establish or maintain the safety of its operations and personnel in Colombia and this violence may affect its operations in the future. Continued or heightened security concerns in Colombia could also result in a significant loss to Canacol and/or costs exceeding current expectations. The perception that matters have not improved in Colombia may hinder the Corporation’s ability to access capital in a timely or cost effective manner. Any changes in regulations or shifts in political attitudes are beyond the control of the Corporation and may adversely affect its business. Exploration may be affected in varying degrees by government regulations with respect to restrictions on future exploitation and production, price controls, export controls, foreign exchange controls, income taxes, expropriation of property, environmental legislation and site safety.

The Corporation’s operations may also be adversely affected by laws and policies of Canada affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with the Corporation’s foreign operations, the Corporation may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions. The Corporation may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, the Corporation’s exploration, development and production activities in the foreign jurisdictions in which it operates could be substantially affected by factors beyond the Corporation’s control, any of which could have a material adverse effect on the Corporation.

United States Relations with Colombia

Colombia is among several nations whose progress in stemming the production and transit of illegal drugs is subject to annual certification by the President of the United States of America. Although Colombia has received a current certification, there can be no assurance that, in the future, Colombia will receive certification or a national interest waiver. The failure to receive certification or a national interest waiver may result in any of the following: all bilateral aid, except anti-narcotics and humanitarian aid, would be suspended; the Export-Import Bank of the United States and the Overseas Private Investment Corporation would not approve financing for new projects in Colombia; United States representatives at multilateral lending institutions would be required to vote against all loan requests from Colombia, although such votes would not constitute vetoes, and the President of the United States and Congress would retain the right to apply future trade sanctions.

Each of these consequences could result in adverse economic consequences in Colombia and could further heighten the political and economic risks associated with operations there. Any changes in the holders of significant government offices could have adverse consequences on the Corporation’s relationship with the ANH and the Colombian government’s ability to control guerrilla activities and could exacerbate the factors relating to the Corporation’s foreign operations. Any sanctions imposed on Colombia by the United States government could threaten the Corporation’s ability to obtain any necessary financing to develop its

Colombian properties. There can be no assurance that the United States will not impose sanctions on Colombia in the future, nor can the effect in Colombia that these sanctions might cause be predicted.

Canada Relations with Colombia

The Canada-Colombia Free Trade Agreement became effective on August 15, 2011. Through the agreement, Canada's producers and exporters benefit from reduced or eliminated tariffs on nearly all of Canada's exports to Colombia. The agreement also provides a more predictable, transparent and rules-based trading environment for Canadian investors and businesses.

Social Disruptions and Instability

The Corporation's material operations are in Colombia. Companies operating in the oil and gas industry in Colombia have experienced various degrees of interruptions to their operations as a result of social instability and labour disruptions.

The Corporation cannot provide assurances that this type of social instability or labour disruption will not be experienced in future. The potential impact of future social instability, labour disruptions and any lack of public order may have on the oil and gas industry in Colombia, and on the Corporation's operations in particular, is not known at this time. This uncertainty may affect operations in unpredictable ways, including disruptions of fuel supplies and markets, ability to move equipment such as drilling rigs from site to site, or disruption of infrastructure facilities, including pipelines, production facilities, public roads, and off-loading stations could be targets or experience collateral damage as a result of social instability, labour disputes or protests. The Corporation may suffer loss of production, or be required to incur significant costs in the future to safeguard the Corporation's assets against such activities, incur standby charges on stranded or idled equipment or to remediate potential damage to the Corporation's facilities. There can be no assurance that the Corporation will be successful in protecting itself against these risks and the related financial consequences. Further, these risks may not in any part be insurable in the event the Corporation does suffer damage.

Fluctuating Prices

Oil and gas prices will have a direct impact on the Corporation's earnings and are subject to volatile price fluctuations. The Corporation's revenues are expected to be in large part derived from the extraction and sale of oil and natural gas. The price of oil will be affected by numerous factors beyond the Corporation's control, including international economic and political trends, expectations of inflation, war, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. Any substantial decline in the prices of oil or natural gas could have a material adverse effect on the Corporation and the level of its oil and natural gas reserves.

Market events and conditions, including disruptions in the international credit markets and other financial systems and the American and European sovereign debt levels have caused significant volatility in commodity prices. Any decreases in oil and natural gas prices would typically result in a reduction of the Corporation's net production revenue and may change the economics of producing from some wells which could result in a reduction in the volume of the Corporation's reserves. Any substantial declines in the prices of crude oil or natural gas could also result in delay or cancellation of existing or future drilling, development or construction programs or the curtailment of production. All of these factors could result in a material decrease in the Corporation's net production revenue, cash flows and profitability causing a reduction in its oil and gas acquisition and development activities. In addition, bank borrowings available to the Corporation will in part be determined by the Corporation's borrowing base. A sustained material decline in prices from historical average prices could further reduce such borrowing base, therefore, reducing the bank credit available and could require that a portion of its bank debt, if any at that time, be repaid.

Oil and natural gas prices are expected to remain volatile for the near future because of market uncertainties over the supply and the demand of these commodities due to the current state of the world economies, sanctions imposed on certain oil producing nations by other countries and ongoing credit and liquidity concerns. Volatile oil and natural gas prices make it difficult to estimate the value of producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

From time to time the Corporation has and may in the future enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Corporation will not benefit from such increases. Further, to the extent that Canacol engages in risk management activities related to commodity prices, it will be subject to credit risks associated with counter parties with which it contracts. Further, there is no guarantee that certain governments will not renegotiate tariff prices on certain fixed priced contracts during low oil price environment.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of proved, probable and possible reserves and cash flows to be derived therefrom, including many factors beyond the control of Canacol. The reserve and cash flow information set forth in this Annual Information Form represent estimates only. The reserves and estimated future net cash flows from Canacol's properties have been independently evaluated by the Evaluators with an effective date of December 31, 2017. These evaluations include a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of oil and natural gas, operating costs, abandonment and salvage values, royalties and other government levies that may be imposed over the producing life of the reserves. These assumptions were based on price forecasts for each jurisdiction Canacol has reserves that are in use at the date the relevant evaluations were prepared and many of these assumptions are subject to change and are beyond the control of Canacol. Actual production and cash flows derived therefrom will vary from these evaluations, and such variations could be material. Due to the limited history of Canacol's producing wells, reserves have been estimated on a volumetric basis.

The present value of estimated future net cash flows referred to herein should not be construed as the current market value of estimated oil and natural gas reserves attributable to Canacol's properties. The estimated discounted future cash flows from reserves are based upon price and cost estimates which may vary from actual prices and costs and such variance could be material. Actual future net cash flows will also be affected by factors such as the amount and timing of actual production, supply and demand for oil and natural gas, curtailments or increases in consumption by purchasers and changes in governmental regulations or taxation.

Additional Financing

Depending on future exploration, development, acquisition and divestiture plans, Canacol may require additional financing. The ability of Canacol to arrange any such financing in the future will depend in part upon the prevailing capital market conditions, risk associated with the international operations, as well as the business performance of Canacol. Periodic fluctuations in energy prices may affect lending policies of Canacol's lenders for new borrowings, if available. This in turn could limit growth prospects in the short run or may even require Canacol to dedicate cash flow, dispose of properties or raise new equity to continue operations under circumstances of declining energy prices, disappointing drilling results, or economic or political dislocation in foreign countries. There can be no assurance that Canacol will be successful in its efforts to arrange additional financing on terms satisfactory to Canacol. This may be further complicated by the limited market liquidity for shares of smaller companies, restricting access to some institutional investors. If additional financing is raised by the issuance of shares from treasury of Canacol, control of Canacol may change and Shareholders may suffer additional dilution.

From time to time Canacol may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may temporarily increase Canacol's debt levels above industry standards.

Industry Risks

Competitive factors in the distribution and marketing of oil and gas include price methods and reliability of delivery. The oil and natural gas industry is intensely competitive and Canacol competes with other companies which possess greater technical and financial resources. Many of these competitors not only explore for and produce oil and natural gas, but also carry on refining operations and market petroleum and other products on an international basis. Generally, there is intense competition for the acquisition of resource properties considered to have commercial potential. Prices paid for both oil and natural gas produced are subject to market fluctuations and will directly affect the profitability of producing any oil or natural gas reserves which may be acquired or developed by Canacol. There is no assurance that Canacol will be able to successfully compete against such competitors.

The impact on the oil and natural gas industry from commodity price volatility is significant. During periods of high prices, producers generate sufficient cash flows to conduct active exploration programs without external capital. Increased commodity prices frequently translate into very busy periods for service suppliers triggering premium costs for their services. Purchasing land and properties similarly increase in price during these periods. During low commodity price periods, acquisition costs drop, as do internally generated funds to spend on exploration and development activities. With decreased demand, the prices charged by the various service suppliers may also decline.

Oil and natural gas exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration or development activities by Canacol will result in discoveries of oil or natural gas that are commercially or economically feasible. It is difficult to project the costs of implementing any exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

Canacol's operations are subject to all the risks normally associated with the exploration, development and operation of oil and natural gas properties and the drilling of oil and natural gas wells, including encountering unexpected formations or pressures, premature declines of reservoirs, potential environmental damage, blow-outs, cratering, fires and spills, all of which could result in personal injuries, loss of life and damage to property of Canacol and others. In accordance with customary industry practice Canacol does maintain insurance coverage, but is not fully insured against all risks, nor are all such risks insurable.

Oil and natural gas exploration and development activities are dependent on the availability of seismic, drilling and other specialized equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to Canacol and may delay exploration and development activities.

Exploration and Development

Canacol is engaged in oil and natural gas exploration, which is a high-risk venture with uncertain prospects for success and for which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that expenditures made on future exploration or development activities by Canacol will result in discoveries of oil or natural gas that are commercially or economically possible. It is difficult to project the costs of implementing any exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as overpressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof. Even if commercial

quantities of petroleum or natural gas are discovered, there is no assurance that production therefrom or development thereof will occur or be profitable. Natural resource prices fluctuate widely and are affected by numerous factors such as inflation, interest rates, demand, global or regional political and economic crisis and production costs in major producing regions. The aggregate affect of these factors, all of which are beyond Canacol's control, is impossible to predict. No assurance can be given that commercial accumulations of oil and natural gas will be discovered as a result of the efforts of Canacol and prospective investors must rely upon the ability, expertise, judgment, discretion, integrity, and good faith of the management of Canacol.

The future value of Canacol is dependent on the success or otherwise of Canacol's activities which are directed toward the further exploration, appraisal and development of its assets in Colombia. Canacol has a right to explore and appraise such assets but does not have a right to produce same until such time as the reserves are determined to be commercial. Exploration, appraisal and development of oil and gas reserves are speculative and involves a significant degree of risk. There is no guarantee that exploration or appraisal of the properties in which Canacol holds rights will lead to a commercial discovery or, if there is commercial discovery, that Canacol will be able to realize such reserves as intended. Few properties that are explored are ultimately developed into new reserves. If at any stage Canacol is precluded from pursuing its exploration or development programmes, or such programmes are otherwise not continued, Canacol's business, financial condition and/or results of operations and, accordingly, the trading price of the Common Shares, is likely to be materially adversely affected.

Advanced oil and natural gas related technologies such as three-dimensional seismography, reservoir simulation studies, geo-chemical surveys and horizontal drilling may be used by Canacol to improve its ability to find, develop and produce oil and natural gas.

Oil and natural gas exploration and development activities are dependent on the availability of skilled personnel, drilling and related equipment in the particular areas where such activities will be conducted. Demand for such personnel or equipment, or access restrictions may affect the availability of such equipment to Canacol and may delay exploration and development activities.

Operations

The marketability of oil and natural gas acquired or discovered will be affected by numerous factors beyond the control of Canacol. These factors include reservoir characteristics, market fluctuations, the proximity and capacity of oil and natural gas pipelines and processing equipment and government regulation. There is no assurance that a market will exist for oil or natural gas reserves discovered within Canacol's properties. Although recent studies suggest that ready and growing oil and gas markets exist in Colombia, access to such markets cannot be assured. There is no assurance that Canacol will be able to access the pipeline transportation system for the transportation to the marketplace of any oil or gas that may be produced from Canacol's properties due to capacity or other reasons.

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government which may be amended from time to time. Petroleum and natural gas operations are affected in varying degrees by government regulation such as restrictions on production, price controls, tax increases, expropriation of property, environmental and pollution controls or changes in conditions under which petroleum or natural gas may be marketed. Canacol's oil and natural gas operations may also be subject to compliance with federal, provincial and local laws and regulations controlling the discharge of materials into the environment or otherwise relating to the protection of the environment.

Continuing production from a property, and to some extent the marketing of production therefrom, are largely dependent upon the ability of the operator of the property. Canacol is currently non-operator of many of its properties and as such will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators. To the extent the operator fails to perform these functions properly, revenue may be reduced. Payments from production

generally flow through the operator and there is a risk of delay and additional expense in receiving such revenues if the operator becomes insolvent. Although satisfactory title reviews are conducted in accordance with industry standards, such reviews do not guarantee or certify that a defect in the chain of title may not arise to defeat the claim of Canacol to certain properties. In addition, the success of Canacol will be largely dependent upon the performance of its key officers.

Inability to Market Gas Production and Change in Gas Sale Prices

The marketability of gas production from Canacol's projects may be affected by numerous factors beyond Canacol's control, including, but not limited to, market fluctuations of prices, minimum volume commitments requirements, proximity and capacity of pipelines, increased competition, the availability of upgrading and processing facilities, equipment availability and Colombian Government regulations (including, without limitation, regulations relating to prices, taxes, royalties, allowable production, importing and exporting of oil, natural gas and environmental protection). Canacol currently sells the vast majority of the gas it produces pursuant to the Esperanza E&E Contract and the VIM 5 E&P Contract to 13 third parties pursuant to gas sale contracts. If these gas sale contracts were to be terminated for any reason, Canacol may be unable to enter into a relationship with other purchasers for such gas on a timely basis or on similar or acceptable terms. Canacol's results of operations and financial condition are dependent on its ability to market its production and on the prices received for its gas and any change to price or the Corporation's gas sale contracts may impact earnings.

Weakness in the Oil and Gas Industry

Recent market events and conditions, including global excess oil and natural gas supply, recent actions taken by the Organization of Petroleum Exporting Countries (OPEC), slowing growth in China and other emerging economies, market volatility and disruptions in Asia, and sovereign debt levels in various countries, have caused significant weakness and volatility in commodity prices. These events and conditions have caused a significant decrease in the valuation of oil and gas companies and a decrease in confidence in the oil and gas industry. Lower commodity prices may also affect the volume and value of the Corporation's reserves especially as certain reserves become uneconomic. In addition, lower commodity prices have restricted, and are anticipated to continue to restrict, the Corporation's cash flow resulting in a reduced capital expenditure budget. As a result, the Corporation may not be able to replace its production with additional reserves and both the Corporation's production and reserves could be reduced on a year over year basis. Any decrease in value of the Corporation's reserves may reduce the borrowing base under its credit facilities, which, depending on the level of the Corporation's indebtedness, could result in the Corporation having to repay a portion of its indebtedness. Given the current market conditions and the lack of confidence in the Canadian oil and gas industry, the Corporation may have difficulty raising additional funds or if it is able to do so, it may be on unfavourable and highly dilutive terms.

Disruptions in Production

Other factors affecting the production and sale of oil and natural gas that could result in decreases in profitability include: (i) expiration or termination of leases, permits or licences, or sales price redeterminations or suspension of deliveries; (ii) future litigation; (iii) the timing and amount of insurance recoveries; (iv) work stoppages or other labour difficulties; (v) worker vacation schedules and related maintenance activities; and (vi) changes in the market and general economic conditions. Weather conditions, equipment replacement or repair, fires, amounts of rock and other natural materials and other geological conditions can have a significant impact on operating results.

Minimum Work Commitments on Exploration Blocks

Canacol must fulfill certain minimum work commitments on certain projects in Colombia as outlined herein. There are no assurances that all of these commitments will be fulfilled within the time frames allowed. As such, Canacol may lose certain exploration rights on the blocks affected and may be subject to certain financial

penalties that would be levied by the applicable governmental authority. However, the Corporation has the right to request suspensions or extensions due to force majeure events.

Environmental Concerns

The Corporation is subject to environmental laws and regulations that affect aspects of the Corporation's past, present and future operations. Extensive national, provincial and local environmental laws and regulations in Colombia will and do affect nearly all of the operations of the Corporation. These laws and regulations set various standards regulating certain aspects of health and environmental quality, including air emissions, water quality, wastewater discharges and the generation, transport and disposal of waste and hazardous substances; provide for penalties and other liabilities for the violation of such standards; and establish in certain circumstances obligations to remediate current and former facilities and locations where operations are or were conducted. In addition, special provisions may be appropriate or required in environmentally sensitive areas of operation.

There is uncertainty around the impact of environmental laws and regulations, including those currently in force and proposed laws and regulations, and the Corporation cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered, interpreted from time to time, or enforced. It is not possible to predict the outcome and nature of certain of these requirements on the Corporation and its business at the current time; however, failure to comply with current and proposed regulations can have a material adverse impact on the Corporation's business and results of operations by substantially increasing its capital expenditures and compliance costs, its ability to meet its financial obligations, including debt payments. It may also lead to the modification or cancellation of operating licenses and permits, penalties and other corrective actions. Further, compliance with more stringent laws or regulations, or more vigorous enforcement policies of any regulatory authority, could in the future require material expenditures by the Corporation for the installation and operation of systems and equipment for remedial measures, any or all of which may have a material adverse effect on the Corporation.

Environmental regulation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The Corporation's activities have the potential to impair natural habitat, damage plant and wildlife, or cause contamination to land or water that may require remediation under applicable laws and regulations. These laws and regulations require the Corporation to obtain and comply with a variety of environmental registrations, licenses, permits and other approvals. Environmental regulations place restrictions and prohibitions on emissions of various substances produced concurrently with oil and natural gas and can impact on the selection of drilling sites and facility locations, potentially resulting in increased capital expenditures. Both public officials and private individuals may seek to enforce environmental laws and regulations against the Corporation.

Significant liability could be imposed on the Corporation for costs resulting from potential unknown and unforeseeable environmental impacts arising from the Corporation's operations, including damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of properties purchased by the Corporation or non-compliance with environmental laws or regulations. While these costs have not been material to the Corporation in the past, there is no guarantee that this will continue to be the case in the future.

Given the nature of the Corporation's business, there are inherent risks of oil spills occurring at the Corporation's drilling and operations sites. Large spills of oil and oil products can result in significant clean-up costs. Oil spills can occur from operational issues, such as operational failure, accidents and deterioration and malfunctioning of equipment. In certain countries where the Corporation operates, oil spills can also occur as a result of sabotage and damage to the pipelines. Further, the Corporation sells oil at various delivery stations and the oil is truck transported. There is an inherent risk of oil spills caused by road accidents which the Corporation may still be deemed to be responsible for as the owner of the crude oil. All of these may lead to significant potential environmental liabilities, such as clean-up and litigation costs, which may materially adversely affect the Corporation's financial condition, cash flows and results of operations. Depending on the

cause and severity of the oil spill, the Corporation's reputation may also be adversely affected, which could limit the Corporation's ability to obtain permits and affect its future operations.

To prevent and/or mitigate potential environmental liabilities from occurring, the Corporation has policies and procedures designed to prevent and contain oil spills. The Corporation works to minimize spills through a program of well-designed facilities that are safely operated, effective operations integrity management, continuous employee training, regular upgrades to facilities and equipment and implementation of a comprehensive inspection and surveillance system. Also, the Corporation's facilities and operations are subject to routine inspection by various Federal and Provincial authorities in Colombia to evaluate the Corporation's compliance with the various laws and regulations.

Gathering and Processing Facilities and Pipeline Systems

The Corporation delivers its products through gathering, processing and pipeline systems some of which it does not own. The amount of oil and natural gas that the Corporation can produce and sell is subject to the accessibility, availability, proximity and capacity of these gathering, processing and pipeline systems. The lack of availability of capacity in any of the gathering, processing and pipeline systems could result in the Corporation's inability to realize the full economic potential of its production or in a reduction of the price offered for the Corporation's production. The Corporation currently produces oil in a basin in Colombia that has seen an increase in crude oil production but a decrease in crude take away capacity as heavier density crude production increases outpace lighter density crude production. Although pipeline expansions in Colombia are ongoing, the lack of firm pipeline capacity continues to affect the oil and natural gas industry and limit the ability to produce and to market oil and natural gas production. Any significant change in market factors or other conditions affecting these infrastructure systems and facilities, as well as any delays in constructing new infrastructure systems and facilities could harm the Corporation's business and, in turn, the Corporation's financial condition, results of operations and cash flows. For example, the Corporation has entered into an agreement with Promigas to expand its existing gas distribution network as well as take or pay gas sales contracts with existing and new consumers to coincide with the additional pipeline capacity; however, in the event the Corporation is unable to meet its obligations under the agreement with Promigas due to a lack of sales or its obligations under the take or pay gas sales contracts due to a delay in the construction of the distribution network, the Corporation may be required to pay fees under these agreements, which will result in a decrease in profitability.

All of the Corporation's production is delivered for shipment on facilities owned by third parties and over which the Corporation does not have control. From time to time these facilities may discontinue or decrease operations either as a result of normal servicing requirements or as a result of unexpected events. A discontinuation or decrease of operations could materially adversely affect the Corporation's ability to process its production and to deliver the same for sale.

Operational Risks with Pipelines

Operational risks include: pipeline leaks; the breakdown or failure of equipment, pipelines and facilities, information systems or processes; the compromise of information and control systems; the performance of equipment at levels below those originally intended (whether due to misuse, unexpected degradation or design, construction or manufacturing defects); spills at truck terminals and hubs; spills associated with the loading and unloading of harmful substances onto rail cars and trucks; failure to maintain adequate supplies of spare parts; operator error; labour disputes; disputes with interconnected facilities and carriers; operational disruptions or apportionment on third party systems or refineries which may prevent the full utilization of the pipeline; and catastrophic events including but not limited to natural disasters, fires, floods, explosions, train derailments, earthquakes, acts of terrorists and saboteurs, and other similar events, many of which are beyond the control of the Corporation. Canacol may also be exposed from time to time, to additional operational risks not stated in the immediately preceding sentences. The occurrence or continuance of any of these events could increase the cost of operating the Corporation's pipelines or reduce revenue, thereby impacting earnings.

Conflicting Interests with Joint Venture Partners

Management of the Corporation may attempt to identify industry participants and negotiate transactions whereby other enterprises will join with the Corporation to conduct joint venture activity to explore for or develop the various projects. Current capital market conditions make this process more challenging and time consuming than under more buoyant economic circumstances, resulting in the Corporation possibly having to bring participants into its planned activities on less attractive terms than might otherwise have been negotiated. There can be no assurances as to the timing or completion of related terms of possible joint venture arrangements.

Joint venture arrangements must be negotiated with third parties who will generally have objectives and interests that may not coincide with Canacol's interests and may conflict its interests. Unless the parties are able to compromise these conflicting objectives and interests in a mutually acceptable manner, arrangements with these third parties will not be consummated.

In certain circumstances, the concurrence of joint venture partners may be required for various actions. Other parties influencing the timing of events may have priorities that differ from Canacol's, even if they generally share Canacol's objectives. Demands by or expectations of joint venture partners and others may affect Canacol's participation in such projects or its ability to obtain or maintain necessary licenses and other approvals or the timing of undertaking various activities or operations.

Third Party Credit Risks

The Corporation may be exposed to third party credit risk through its contractual arrangements with its current and future joint venture partners. In the event such entities fail to meet their contractual obligations, such failures could have a material adverse effect on the Corporation and its cash flow from operations. In addition, poor credit condition in the industry and of a potential joint venture partner may impact a potential joint venture partner's willingness to participate in a future Canacol capital program.

Natural Disasters and Weather-Related Risks

Canacol is subject to operating hazards normally associated with the exploration and production of oil and natural gas, including blow-outs, explosions, oil spills, cratering, pollution, earthquakes, hurricanes and fires. The occurrence of any such operating hazards could result in substantial losses to Canacol due to injury or loss of life and damage to or destruction of oil and natural gas wells, formations, production facilities or other properties.

The majority of oil in Colombia is delivered by a single pipeline to Ecopetrol and sales of oil could be disrupted by damage to this pipeline. Once delivered to Ecopetrol, oil production in Colombia is transported by an export pipeline which provides the only access to markets for oil. Without other transportation alternatives, sales of oil could be disrupted by landslides or other natural events which impact this pipeline.

Information Technology or Cybersecurity

Canacol depends on the reliability and security of its information technology systems to conduct certain exploration, development and production activities, process financial records and operating data, communication with its employees and business partners, and for many other activities related to its business. Canacol's information technology systems may fail or have other significant shortcomings due to operational system flaws or employee misuse, tampering or manipulation. In addition, Canacol may become the target of cyber-attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of proprietary and other information. Any of these occurrences could disrupt the business, result in potential liability or reputational damage or otherwise have an adverse effect on Canacol's financial results.

Foreign Subsidiaries

The Corporation will conduct all of its operations through foreign subsidiaries and foreign branches. Therefore, to the extent of these holdings, Canacol will be dependent on the cash flows of these subsidiaries to meet its obligations excluding any additional equity or debt Canacol may issue from time to time. The ability of its subsidiaries to make payments and transfer cash to Canacol may be constrained by, among other things: the level of taxation, particularly corporate profits and withholding taxes, in the jurisdiction in which it operates; and the introduction of foreign exchange and/or currency controls or repatriation restrictions, or the availability of hard currency to be repatriated.

Risks of Foreign Operations Generally

Canacol's oil and natural gas properties and operations are located in a foreign jurisdiction. As such, Canacol's operations may be adversely affected by changes in foreign government policies and legislation or social instability and other factors which are not within the control of Canacol, including, but not limited to, nationalization, expropriation of property without fair compensation, renegotiation or nullification of existing concessions and contracts, the imposition of specific drilling obligations and the development and abandonment of fields, changes in energy policies or the personnel administering them, changes in oil and natural gas pricing policies, the actions of national labour unions, currency fluctuations and devaluations, exchange controls, economic sanctions and royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which Canacol's operations are conducted, as well as risks of loss due to civil strife, acts of war, terrorism, guerrilla activities and insurrections. Canacol's operations may also be adversely affected by laws and policies of Colombia and Canada affecting foreign trade, taxation and investment. If Canacol's operations are disrupted and/or the economic integrity of its projects is threatened for unexpected reasons, its business may be harmed. Prolonged problems may threaten the commercial viability of its operations.

In addition, there can be no assurance that contracts, licenses, license applications or other legal arrangements will not be adversely affected by changes in governments in foreign jurisdictions, the actions of government authorities or others, or the effectiveness and enforcement of such arrangements.

In the event of a dispute arising in connection with Canacol's operations in Colombia, Canacol may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions. Canacol may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, Canacol's exploration, development and production activities in Colombia could be substantially affected by factors beyond the Corporation's control, any of which could have a material adverse effect on Canacol.

Acquiring interests and conducting exploration and development operations in foreign jurisdictions often require compliance with numerous and extensive procedures and formalities. These procedures and formalities may result in unexpected or lengthy delays in commencing important business activities. In some cases, failure to follow such formalities or obtain relevant evidence may call into question the validity of the entity or the actions taken. Management is unable to predict the effect of additional corporate and regulatory formalities which may be adopted in the future including whether any such laws or regulations would materially increase Canacol's cost of doing business or affect its operations in any area.

Canacol may in the future acquire oil and natural gas properties and operations outside of Colombia, which expansion may present challenges and risks that Canacol has not faced in the past, any of which could adversely affect the results of operations and/or financial condition of Canacol. The Corporation is an experienced operator in South America.

To help mitigate the risks associated with operating in foreign jurisdictions, Canacol seeks to operate in regions where the petroleum industry is a key component of the economy. Canacol believes that management's

experience operating both in Colombia and in other international jurisdictions helps reduce these risks. Some countries in which Canacol may operate may be considered politically and economically unstable. In Colombia, the government has a long history of democracy and an established legal framework that, in Canacol's opinion, minimizes political risks.

Security

Colombia has a publicized history of security problems associated with certain narco-terrorist groups. Canacol and its personnel are subject to these risks, but through effective security and social programs, Canacol believes these risks can be effectively managed. It is difficult to obtain insurance coverage to protect against terrorist incidents and as a result Canacol's insurance program excludes certain coverage. Consequently, incidents like this in the future could have a material adverse impact on Canacol's operations. In addition to the potential effect of direct terrorist activities against Canacol's facilities, increased kidnapping and terrorist activity in Colombia generally may disrupt supply chains and discourage qualified individuals from being involved with Canacol's operations.

Legal Systems

Canacol is subject to the legal systems and regulatory requirements of a number of jurisdictions with a variety of requirements and implications for its Shareholders. International exploration and development activities may require protracted negotiations with host governments, national oil companies and third parties. Foreign government regulations may favour or require the awarding of drilling contracts to local contracts or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. If a dispute arises with foreign operations, Canacol may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons, especially foreign oil ministries and national oil companies, to the jurisdiction of Canada.

Colombia is a civil law jurisdiction, which may result in risks such as: (i) effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation or in an ownership dispute, being more difficult to obtain; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or (v) relative inexperience of the judiciary and courts in such matters. The commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain in the jurisdictions where the Corporation operates, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness of and enforcement of such arrangements cannot be assured.

Pending Regulations Related to Emissions

Governments around the world have become increasingly focused on regulating greenhouse gas ("GHG") emissions and addressing the impacts of climate change in some manner. Colombia has enacted legislation related to GHG emissions and has also passed legislation requiring the country to generate 77% of its energy from renewable resources and reduce deforestation in the Amazon to zero by 2020. In addition, Colombia has established the National Energy Efficiency Program, which calls for electric utilities, oil and gas companies, and other energy service companies to develop Energy Efficiency Plans to meet goals set forth by the Ministry and the Mining and Energy Planning Unit.

GHG emissions legislation is emerging and is subject to change. For example, on an international level, almost 200 nations agreed in December 2015, to an international climate change agreement in Paris, France (the "**Paris Agreement**"), that calls for countries to set their own GHG emission targets and be transparent about the

measures each country will use to achieve its GHG emission targets. Colombia signed the Paris Agreement. Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address GHG emissions would impact the Corporation's business, any such future laws and regulations that limit emissions of GHGs could adversely affect demand for the oil and natural gas produced by the Corporation.

Current GHG emissions legislation has not resulted in material compliance costs, however, it is not possible at this time to predict whether proposed legislation or regulations will be adopted, and any such future laws and regulations could result in additional compliance costs or additional operating restrictions. If the Corporation is unable to recover a significant level of its costs related to complying with climate change regulatory requirements imposed on the Corporation, it could have a material adverse impact on the Corporation's business, financial condition and results of operations. In addition, significant restrictions on GHG emissions could result in decreased demand for the oil produced by the Corporation, with a resulting decrease in the value of the Corporation's reserves. Further, to the extent financial markets view climate change and GHG emissions as a financial risk, this could negatively impact the Corporation's cost of or access to capital. Finally, some scientists have concluded that increasing concentrations of GHGs in the Earth's atmosphere may produce climate changes that could have significant physical effects, such as increased frequency and severity of storms, droughts, and floods and other extreme climatic events; if such effects were to occur, they could have an adverse effect on the operations of the Corporation.

Changes in Legislation

The oil and natural gas industry in Colombia is subject to extensive controls and regulations imposed by various levels of government. All current legislation is a matter of public record and the Corporation will be unable to predict what additional legislation or amendments may be enacted. Amendments to current laws, regulations and permits governing operations and activities of oil and natural gas companies, including environmental laws and regulations which are evolving in Colombia, or more stringent implementation thereof, could have a material adverse impact on the Corporation and cause increases in expenditures and costs, affect the Corporation's ability to expand or transfer existing operations or require the Corporation to abandon or delay the development of new oil and natural gas properties.

Also, Canadian federal and provincial tax laws and government incentive programs relating to the oil and gas industry have a material effect on the advisability of investing in the Common Shares. The return on an investment in securities of Canacol is subject to changes in such laws and incentive programs and there can be no assurance that such laws or programs will not be changed in a manner which adversely affects Canacol or the holding or disposing of Common Shares.

Conflicts of Interest

There are potential conflicts of interest to which some of the directors and officers of Canacol will be subject in connection with the operations of Canacol. Some of the directors and officers are engaged and will continue to be engaged in the search for oil and natural gas interests on their own behalf and on behalf of other corporations, and situations may arise where the directors and officers will be in direct competition with Canacol. Conflicts of interest, if any, which arise will be subject to and be governed by procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to or is a director or an officer of or has a material interest in any person who is a party to a material contract or proposed material contract with Canacol, to disclose his interest and to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

Governmental Regulation

The oil and gas business is subject to regulation and intervention by governments in such matters as the awarding of exploration and production interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and abandonment of fields (including restrictions on production) and possible expropriation or cancellation of contract rights, as well as with respect to prices,

taxes, export quotas, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and gas industry could reduce demand for oil and natural gas, increase Canacol's costs and have a material adverse effect on Canacol.

Availability of Drilling Equipment and Access Restrictions

Oil exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to Canacol and may delay exploration and development activities. There can be no assurance that sufficient drilling and completion equipment, services and supplies will be available when needed. Shortages could delay Canacol's proposed exploration, development, and sales activities and could have a material adverse effect on Canacol's financial condition. If the demand for, and wage rates of, qualified rig crews rise in the drilling industry then the oil industry may experience shortages of qualified personnel to operate drilling rigs. This could delay Canacol's drilling operations and adversely affect Canacol's financial condition and results of operations. To the extent Canacol is not the operator of its oil properties, Canacol will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators.

No Assurance of Title

Title to or rights in oil and gas is often not susceptible of determination without incurring substantial expense. Title to oil and gas properties may involve certain inherent risks due to problems arising from the ambiguous conveyancing history characteristic of many such properties. Although title reviews will be done according to industry standards prior to the purchase of most oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the claim of Canacol which could result in a reduction of the revenue received by Canacol. In civil law jurisdictions like Colombia, legal title is not perfected until such time as the appropriate governmental authorities and the Executive Branch approve the assignment of a participating interest, record the title holder in the applicable registry and issue a decree. This process can take time, even several years. As a result, it is common business practice for commercial parties to proceed with the completion of a purchase and sale transaction, notwithstanding the fact that governmental approval may take years to properly reflect these business dealings. In these cases, title review due diligence involves ensuring that the current title holder has started the different authorization procedures, and also involves an update as to the status of the required authorizations.

Cost of New Technologies

The oil industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before Canacol does. There can be no assurance that Canacol will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by Canacol or implemented in the future may become obsolete. In such case, Canacol's business, financial condition and results of operations could be materially adversely affected. If Canacol is unable to utilize the most advanced commercially available technology, Canacol's business, financial condition and results of operations could be materially adversely affected.

Alternatives to/Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices will reduce the demand for crude oil and other liquid hydrocarbons. Canacol cannot predict the impact of changing demand

for oil and natural gas products and any major changes would have a material adverse effect on Canacol's business, financial condition, results of operations and cash flow.

Legal Proceedings

Canacol is involved in litigation from time to time in the ordinary course of business. Other than as set out herein, Canacol is not a party to any material legal proceedings; however, other legal proceedings could be filed against Canacol in the future. No assumption can be given as to the final outcome of any legal proceedings or that the ultimate resolutions will not have a material adverse effect on Canacol.

Penalties

The Corporation's exploration, development, production and marketing operations are regulated extensively under foreign, federal, state and local laws and regulations. Under these laws and regulations, the Corporation could be held liable for personal injuries, property damage, site clean-up and restoration obligations or costs and other damages and liabilities. The Corporation may also be required to take corrective actions, such as installing additional safety or environmental equipment, which could require it to make significant capital expenditures. Failure to comply with these laws and regulations may also result in the suspension or termination of the Corporation's operations and subject it to administrative, civil and criminal penalties, including the assessment of natural resource damages. The Corporation could be required to indemnify its employees in connection with any expenses or liabilities that they may incur individually in connection with regulatory action against them. As a result of these laws and regulations, the Corporation's future business prospects could deteriorate and our profitability could be impaired by costs of compliance, remedy or indemnification of our employees.

Breach of Confidentiality

While discussing potential business relationships with third parties, the Corporation may disclose confidential information on operating results or proprietary intellectual property. Although confidentiality agreements are signed by third parties prior to the disclosure of any confidential information, a breach could put the Corporation at competitive risk and may cause significant damage to its business. The harm to the Corporation's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Corporation will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Income Taxes

The Corporation and its subsidiaries file all required income tax returns and the Corporation believes that it is in material compliance with the applicable tax laws of Canada, Colombia, Peru, Panama, Brazil, United States, Spain, Ecuador, Barbados, British Virgin Islands, Switzerland, Netherlands and Mexico; however, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Corporation, whether by re-characterization of exploration and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable.

Income tax laws relating to the oil and gas industry, such as the treatment of resource taxation or dividends, may in the future be changed or interpreted in a manner that adversely affects the Corporation. Furthermore, tax authorities having jurisdiction over the Corporation may disagree with how the Corporation calculates the Corporation's income for tax purposes or could change administrative practices to the Corporation's detriment.

Expansion into New Activities

The operations and expertise of the Corporation's management are currently focused primarily on oil and gas production, exploration and development in Colombia. In the future the Corporation may acquire or move into new industry related activities or new geographical areas, may acquire different energy related assets, and as a result may face unexpected risks or alternatively, significantly increase the Corporation's exposure to one or more existing risk factors, which may in turn result in the Corporation's future operational and financial conditions being adversely affected.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Corporation considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner, and the Corporation's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation. The integration of acquired businesses may require substantial management effort, time and resources diverting management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided by third parties and assets required to provide such services. In this regard, non-core assets may be periodically disposed of so the Corporation can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Corporation may realize less on disposition than their carrying value on the financial statements of the Corporation.

Dependence on Key Personnel

The success of Canacol is dependent on the services of a number of members of senior management. The experience of these individuals will be a factor contributing to Canacol's continued success and growth and there is a risk that the death or departure of one or more of these individuals could have a material adverse effect on Canacol. The ability of Canacol to conduct its operations is also highly dependent on the availability of skilled workers.

Reliance on Strategic Relationships

Canacol's existing business relies on strategic relationships in the form of joint ventures with local government bodies, other oil and gas companies and other overseas companies. Specific to strategic relationships with other oil and gas companies, Canacol is somewhat reliant on, amongst others, ConocoPhillips Colombia, the operator under the VMM-2 E&P Contract and VMM-3 E&P Contract, Emerald, the operator under the Ombu E&P Contract (Capella conventional heavy oil discovery), and Tecpetrol International S.A., the operator under the Ecuador IPC. There can be no assurance that ConocoPhillips Colombia, Emerald, Tecpetrol International S.A., or the other companies Canacol has a strategic relationship with, will be able to continue, or will continue, to fund their share of expenditures. In addition, there can be no assurances that all of these strategic relationships will continue to be maintained; however, at present management is not aware of any issues regarding its strategic relationships.

Uninsurable Risks

In the course of exploration, development and production of oil and gas properties, certain risks, and in particular, blow-outs, pollution, craterings, fires and oil spills and premature decline of reservoirs and invasion of water into producing formations may occur all of which could result in personal injuries, loss of life and damage to property of Canacol and others. Hazards such as unusual or unexpected geological formations, pressures or other conditions may be encountered in drilling and operating wells as Canacol will initially have interests in a limited number of properties, such risk is more significant than if spread over a number of properties. It is not always possible to fully insure against such risks and Canacol may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they

could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of Canacol.

Although Canacol intends to obtain insurance to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances, be insurable or, in certain circumstances, Canacol may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to Canacol. The occurrence of a significant event that Canacol is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on Canacol's financial position, results of operations or prospects. There can be no assurance that insurance will be available in the future.

Reserve Replacement

Canacol's oil and natural gas reserves and production, and therefore its cash flows and earnings derived therefrom are highly dependent upon Canacol developing and increasing its current reserve base and discovering or acquiring additional reserves. Without the addition of reserves through exploration, acquisition or development activities, Canacol's reserves and production will decline over time as reserves are depleted. To the extent that cash flow or net revenue from operations is insufficient and external sources of capital become limited or unavailable, Canacol's ability to make the necessary capital investments to maintain and expand its oil and natural gas reserves will be impaired. There can be no assurance that Canacol will be able to find and develop or acquire additional reserves to replace production at commercially feasible costs.

Competition in Obtaining Rights to Explore and Develop Oil and Gas Reserves

The oil and gas industry is highly competitive. Other oil and gas companies will compete with us by bidding for exploration and production licenses and other properties and services we will need to operate our business in the countries in which we expect to operate. Additionally, other companies engaged in our line of business may compete with us from time to time in obtaining capital from investors. Competitors include larger companies, which, in particular, may have access to greater resources than us, may be more successful in the recruitment and retention of qualified employees and may conduct their own refining and petroleum marketing operations, which may give them a competitive advantage. In addition, actual or potential competitors may be strengthened through the acquisition of additional assets and interests. In the event that we do not succeed in negotiating additional property acquisitions, our future prospects will likely be substantially limited, and our financial condition and results of operations may deteriorate.

Currency Risks

Portions of the Corporation's expenditures are denominated in Colombian pesos and Canadian dollars. To the extent revenues and expenditures are not denominated in or strongly linked to the United States dollar, the Corporation is exposed to exchange rate risk. Canacol is not currently using exchange rate derivatives to manage exchange rate risks.

Foreign Location of Assets

Other than cash on deposit, almost all of Canacol's assets are located in countries other than Canada (whose laws may differ materially from those in Canada), which may impede or adversely affect the ability of Canacol and its directors and management to manage its operations and protect its assets. A portion of the cash on deposit is located in countries other than Canada.

Permits and Licenses

The operations of Canacol may require licenses and permits for various governmental authorities. There can be no assurance that Canacol will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and operations of its projects.

Repatriation of Earnings

Currently there are no significant restrictions on the repatriation from Colombia and Ecuador of earnings to foreign entities. However, there can be no assurance that restrictions on repatriation of earnings will not be imposed in the future.

Dividends

The future payment of dividends on the Common Shares will be dependent upon the financial requirements of Canacol to finance future growth, the financial condition and other factors which the Board of Directors may consider appropriate in the circumstances. Canacol intends to reinvest its earnings in growth of Canacol for the foreseeable future.

Corruption

The Corporation's operations are governed by the laws of many jurisdictions, which generally prohibit bribery and other forms of corruption. The Corporation has policies in place to prevent any form of corruption or bribery, which includes requiring that all employees participate in an ethics awareness seminar, enforcement of policies against giving or accepting money or gifts in certain circumstances and an annual certification from each employee confirming that each employee has received and understood the Corporation's anticorruption policies. It is possible that the Corporation, or some of its subsidiaries, employees or contractors, could be charged with bribery or corruption as a result of the unauthorized actions of its employees or contractors. If the Corporation is found guilty of such a violation, which could include a failure to take effective steps to prevent or address corruption by its employees or contractors, the Corporation could be subject to onerous penalties and reputational damage. A mere investigation itself could lead to significant corporate disruption, high legal costs and forced settlements (such as the imposition of an internal monitor). In addition, bribery allegations or bribery or corruption convictions could impair the Corporation's ability to work with governments or nongovernmental organizations. Such convictions or allegations could result in the formal exclusion of the Corporation from a country or area, national or international lawsuits, government sanctions or fines, project suspension or delays, reduced market capitalization and increased investor concern.

Debt Matters

The Corporation relies on debt financing for some of its business activities, including capital and operating expenditures. There are no assurances that the Corporation will be able to refinance any or all of its borrowings at their maturity. In addition, there are no assurances that the Corporation will be able to comply at all times with the covenants applicable under its current borrowings; nor are there assurances that the Corporation will be able to secure new financing that may be necessary to finance its operations and capital growth program. Any failure of the Corporation to secure refinancing, to obtain new financing or to comply with applicable covenants under its borrowings could have a material adverse effect on the Corporation's financial results. Further, any inability of the Corporation to obtain new financing may limit its ability to support future growth.

The Corporation believes that the existing credit facilities will be sufficient for its immediate requirements and has no reason to believe that it will not be able to renew its existing credit facilities or refinance on commercially reasonable terms. However, continued uncertainty in the global economic situation means the Corporation, along with other oil and gas companies, may have restricted access to capital and increased borrowing costs. The Corporation's ability to raise debt is dependent upon, among other factors, the overall

state of the capital markets and investor appetite for investments in the energy industry generally and in the Corporation's securities in particular. The ability to make scheduled payments on or to refinance debt obligations depends on the financial condition and operating performance of the Corporation, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond its control. As a result, the Corporation may be unable to maintain a level of cash flow from operations sufficient to permit it to pay the principal, premium, if any, and interest on its indebtedness. These conditions could have an adverse effect on the industry in which the Corporation operates and its business, including future operating and financial results. There can be no assurance that the Corporation's cash flow will be adequate for future financial obligations or that additional funds will be able to be obtained.

Operational Constraints Due to Debt

The Corporation has a significant amount of indebtedness, particularly with respect to the 2017 Credit Facility, and this level of indebtedness could materially and adversely affect it in a number of ways. For example, it could:

1. make it more difficult for the Corporation to conduct its operations;
2. increase the Corporation's vulnerability to general adverse economic and industry conditions;
3. require the Corporation to dedicate a portion of its future cash flow from operations to service payments on its indebtedness, thereby reducing the availability of the Corporation's future cash flow from operations to fund working capital, capital expenditures and other general corporate purposes;
4. limit the Corporation's flexibility in planning for, or reacting to, changes in its business and the industry in which it operates;
5. place the Corporation at a competitive disadvantage compared to its competitors that have less debt; and
6. limit the Corporation's ability to borrow additional funds on commercially reasonable terms, if at all, to meet its operating expenses and for other purposes.

Forward-Looking Statements May Prove Inaccurate

Shareholders and investor are cautioned not to place undue reliance on forward-looking statements and other future looking financial information. By their nature, forward-looking statements and information involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Risks Related to the Common Shares

The market price of the Common Shares may be highly volatile and could be subject to wide fluctuations in response to a number of factors that are beyond the Corporation's control, including but not limited to:

- dilution caused by the issuance of additional Common Shares and other forms of equity securities;
- announcements of new acquisitions, reserve discoveries or other business initiatives by the Corporation's competitors;
- fluctuations in revenue from the Corporation's oil and natural gas business;
- changes in the market price for oil and natural gas commodities and/or in the capital markets generally;
- changes in the demand for oil and natural gas, including changes resulting from the introduction or

- expansion of alternative fuels;
- changes in the social, political and/or legal climate in the regions in which the Corporation will operate;
- changes in the valuation of similarly situated companies, both in the Corporation's industry and in other industries;
- changes in analysts' estimates affecting the Corporation, its competitors and/or industry;
- changes in the accounting methods used in or otherwise affecting the Corporation's industry;
- changes in independent reserve estimates related to the Corporation's oil and gas properties;
- announcements of technological innovations or new products available to the oil and natural gas industry;
- announcements by relevant governments pertaining to incentives for alternative energy development programs;
- fluctuations in interest rates, exchange rates and the availability of capital in the capital markets; and
- significant sales of Common Shares, including sales by future investors in future offerings of the Corporation.

In addition, the market price of the Common Shares could be subject to wide fluctuations in response to various factors, which could include the following, among others:

- quarterly variations in the Corporation's revenues and operating expenses;
- additions and departures of key personnel; and
- updated reserve estimates by independent parties.

These and other factors are largely beyond the Corporation's control, and the impact of these risks, singularly or in the aggregate, may result in material adverse changes to the market price of the Common Shares and/or the Corporation's results of operations and financial condition.

ADDITIONAL FINANCIAL AND OTHER INFORMATION

Additional information relating to the Corporation may be found on SEDAR at www.SEDAR.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Canacol's securities and securities authorized for issuance under equity compensation plans, where applicable, will be contained in Canacol's information circular for the next annual meeting of Shareholders that involves the election of directors and additional information as provided in Canacol's comparative financial statements for its most recently completed financial year. Canacol will provide this information to any person, upon request made to the Chief Financial Officer of Canacol at Suite 2650, 585 - 8th Avenue S.W., Calgary, Alberta, T2P 1G1. The documents will also be located on SEDAR at www.sedar.com.

Additional financial information is provided in the Corporation's comparative financial statements and management's discussion and analysis for the period ended December 31, 2017, which are also available on SEDAR.

SCHEDULE A

**REPORT ON RESERVES DATA BY
INDEPENDENT QUALIFIED RESERVES EVALUATOR
(FORM 51-101F2)**

DEGOLYER AND MACNAUGHTON
5001 SPRING VALLEY ROAD
SUITE 800 EAST
DALLAS, TEXAS 75244

CANADIAN NATIONAL INSTRUMENT 51-101
FORM 51-101F2
REPORT ON RESERVES DATA
BY
INDEPENDENT QUALIFIED RESERVES
EVALUATOR

To the board of directors of Canacol Energy Ltd. (the “Company”):

1. We have evaluated the Company’s reserves data as at December 31, 2017. The reserves data are estimates of the proved reserves and probable reserves and related future net revenue as at December 31, 2017, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company’s management. Our responsibility is to express an opinion on the reserves data based on our evaluation.
3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the “COGE Handbook”) maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).
4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
5. The following table sets forth the net present value of future net revenue (before deduction of income taxes) in thousands of United States dollars (M U.S.\$) attributed to proved-plus-probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the year ended December 31, 2017, and

identifies the respective portions thereof that we have evaluated and reported to Company's management:

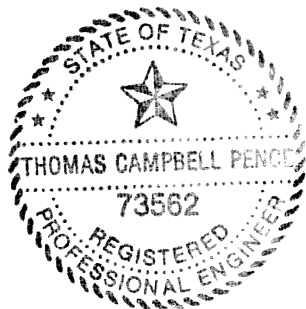
Independent Qualified Reserves Evaluator	Description and Effective Date of Evaluation	Location of Reserves	Net Present Value of Future Net Revenue (before Canadian, Colombian, and Ecuadorian Income Taxes, Discounted at 10 Percent)			
			Audited (M U.S.\$)	Evaluated (M U.S.\$)	Reviewed (M U.S.\$)	Total (M U.S.\$)
DeGolyer and MacNaughton	Report as of December 31, 2017 on Reserves and Revenue of Certain Properties in Colombia and Ecuador with interests owned by Canacol Energy Ltd. Executive Summary NI 51-101 dated February 26, 2018	Colombia and Ecuador	Not Applicable	1,109,175	Not Applicable	1,109,175

6. In our opinion, the reserves and revenue evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
7. We have no responsibility to update our report referred to in paragraph 5 for events and circumstances occurring after the report preparation date.
8. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

DeGolyer and MacNaughton, Dallas, Texas U.S.A., dated February 26, 2018.

Submitted,



DeGOLYER and MacNAUGHTON
Texas Registered Engineering Firm F-716

Thomas C. Pence, P.E.
Senior Vice President
DeGolyer and MacNaughton



**NATIONAL INSTRUMENT FORM 51-101F2
REPORT on RESERVES DATA**

To the board of directors of Canacol Energy Ltd. (the "Company"):

1. We have evaluated the Company's reserves data as at December 31, 2017. The reserves data are estimates of proved reserves, probable reserves and possible reserves and related future net revenue as December 31, 2017, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.
3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).
4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
5. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the December 31, 2017, and identifies the respective portions thereof that we have evaluated and reported on to the Company's management:

Independent Qualified Reserves Evaluator	Description & Preparation Date of Evaluation Report	Location of Reserves	Net Present Value of Future Net Revenue (before income tax, 10% discount rate)			
			Audited (M U.S.\$)	Evaluated (M U.S.\$)	Reviewed (M U.S.\$)	Total (M U.S.\$)
Boury Global Energy Consultants Ltd.	Consolidated Property Reports as of December 31, 2017 owned by Canacol Energy Ltd. dated March 6, 2018	Colombia	-	339,816	-	339,816

BOURY GLOBAL ENERGY CONSULTANT LTD.

6. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
7. We have no responsibility to update our reports referred to in paragraph 5 for events and circumstances occurring after their respective preparation dates.
8. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.


Executed as to our report referred to above:

Boury Global Energy Consultant Ltd., Calgary, Alberta, dated March 6, 2018.

BOURY GLOBAL ENERGY CONSULTANTS LTD.



Nahla Boury, P.Eng. ICD.D

PERMIT TO PRACTICE BOURY GLOBAL ENERGY CONSULTANTS LTD.	
Signature	
Date	March 6, 2018
PERMIT NUMBER: P 14020	
The Association of Professional Engineers, Geologists and Geophysicists of Alberta	

Form 51-101 F2 – Report on Reserves Data by Independent Qualified Reserves Evaluator

To the board of directors of Canacol Energy Ltd. (the "Company"):

1. We have evaluated the Company's reserves data as at December 31, 2017. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2017, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.
3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "COGE Handbook") maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).
4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to the proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company for the year ended December 31, 2017, and identifies the respective portions thereof that we have evaluated and reported on to the Company's board of directors:

Independent Qualified Reserves Evaluator	Description and Preparation Date of Evaluation Report	Location of Reserves	Net Present Value of Future Net Revenue (before income taxes @ NPV 10%) Evaluated Total
Petrotech Engineering Ltd.	Evaluation of the Interests of Canacol Energy Ltd. in Palmer and Ariana Fields within Esperanza Block in the Lower Magdalena Valley Basin of Colombia, Effective December 31, 2017 and Prepared on February 14, 2018	Onshore Colombia	\$88,302,000 US for Onshore Colombia
Total			\$88,302,000 US

This amount must be the amount disclosed by the reporting issuer in its statement of reserves data filed under item 1 of section 2.1 of NI 51-101, as its future net revenue (before deducting future income tax expenses) attributed to the proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent (required by section 2 of Item 2.1 of Form 51-101F1).

6. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.

7. We have no responsibility to update our reports referred to in paragraph 5 for events and circumstances occurring after the effective date of our reports.

8. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

A handwritten signature in blue ink, appearing to read "John Yu". The signature is fluid and cursive, with the first name "John" being more prominent than the last name "Yu".

John Yu, P. Eng., President of Petrotech Engineering Ltd., in Burnaby, B. C., Canada
Execution Date: February 14, 2018.

Form 51-101 F2 – Report on Reserves Data by Independent Qualified Reserves Evaluator

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Independent Qualified Reserves Evaluator	Description and Preparation Date of Evaluation Report	Location of Reserves	Net Present Value of Future Net Revenue (before income taxes @ NPV 10%) Evaluated Total
Petrotech Engineering Ltd.	Evaluation of the Interests of Canacol Energy Ltd. in the Oboe Field in the VIM 5 Block, Lower Magdalena Valley Basin of Colombia Effective December 31, 2017 dated February 14, 2017	Onshore Colombia	\$66,101,000 US for Onshore Colombia
Total			\$66,101,000 US

This amount must be the amount disclosed by the reporting issuer in its statement of reserves data filed under item 1 of section 2.1 of NI 51-101, as its future net revenue (before deducting future income tax expenses) attributed to the proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent (required by section 2 of Item 2.1 of Form 51-101F1).

6. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.

7. We have no responsibility to update our reports referred to in paragraph 5 for events and circumstances occurring after the effective date of our reports.

8. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

A handwritten signature in blue ink, appearing to read "John Yu". The signature is fluid and cursive, with the first name "John" being more prominent than the last name "Yu".

John Yu, P. Eng., President of Petrotech Engineering Ltd., in Burnaby, B. C., Canada
Execution Date: February 14, 2017.

SCHEDULE B

**REPORT OF MANAGEMENT AND DIRECTORS
ON OIL AND GAS DISCLOSURE
(FORM 51-101F3)**

**REPORT OF MANAGEMENT AND DIRECTORS
ON OIL AND GAS DISCLOSURE
(FORM 51-101F3)**

Management of Canacol Energy Ltd. (the “**Corporation**”) are responsible for the preparation and disclosure of information with respect to the Corporation’s oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data.

Independent qualified reserves evaluators have evaluated the Corporation’s reserves data. The report of the independent qualified reserves evaluators will be filed with securities regulatory authorities concurrently with this report.

The Reserves Committee of the board of directors of the Corporation has

- (a) reviewed the Corporation’s procedures for providing information to the independent qualified reserves evaluators;
- (b) met with the independent qualified reserves evaluators to determine whether any restrictions affected the ability of the independent qualified reserves evaluators to report without reservation; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluators.

The Reserves Committee of the board of directors has reviewed the Corporation’s procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has, on the recommendation of the Reserves Committee, approved:

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
- (b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluators on the reserves data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

(signed) "Charle Gamba"

**Charle Gamba, Chief Executive Officer,
President and Director**

(signed) "Ravi Sharma"

Ravi Sharma, Chief Operating Officer

(signed) "Michael Hibberd"

Michael Hibberd, Chairman and Director

(signed) "David Winter"

David Winter, Director

Dated: March 26, 2018

SCHEDULE C

CANACOL ENERGY LTD.

AUDIT COMMITTEE'S TERMS OF REFERENCE

I. Constitution and Purpose

The Audit Committee (the "Committee") shall be established by resolution of the Board of Directors (the "Board") of Canacol Energy Ltd. ("Canacol" or the "Corporation") for the purpose of assisting the Board in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by Canacol to regulatory authorities and shareholders, Canacol's systems of internal controls regarding finance and accounting, and Canacol's auditing, accounting and financial reporting processes. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, Canacol's policies, procedures and practices at all levels. The Committee's primary roles and responsibilities are to:

- Serve as an independent and objective party to monitor the integrity and quality of Canacol's financial reporting and internal control system and review Canacol's financial reports.
- Review and appraise the qualifications, independence, engagement, compensation and performance of Canacol's external auditors.
- Provide an open avenue of communication among Canacol's auditors, financial and senior management and the Board.

II. Composition

The Committee shall be composed of at least three individuals appointed by the Board from amongst its members, all of which members will be independent within the meaning of National Instrument 52-110 - Audit Committees ("NI 52-110") unless the Board determines to rely on an exemption in NI 52-110. "Independent" generally means free from any business or other direct or indirect material relationship with the Corporation that could, in the view of the Board, reasonably interfere with the exercise of the member's independent judgment.

All of the members must be financially literate within the meaning of NI 52-110 unless the Board has determined to rely on an exemption in NI 52-110. Being "financially literate" means members have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements.

Each member of the Committee shall serve at the pleasure of the Board until the member resigns, is removed or ceases to be a member of the Board. The Board shall fill vacancies in the Committee by appointment from among the members of the Board. If a vacancy exists on the Committee, the remaining members shall exercise all its powers so long as a quorum remains in office. The Board shall appoint a chair for the Committee from its members (the "Chair"). If the Chair of the Committee is not present at any meeting of the Committee, one of the other members of the Committee who is present at the meeting shall be chosen by the Committee to preside at the meeting.

No Director who serves as board member of any other company shall be eligible to serve as a member of the Committee unless the Board has determined that such simultaneous service would not impair the ability of such member to effectively serve on the Committee. Determinations as to whether a particular Director satisfies the requirements for membership on the Committee shall be made by the Corporate Governance and Compensation Committee.

No member of the Committee shall receive from the Corporation or any of its affiliates any compensation other than the fees to which he or she is entitled as a Director of the Corporation or a member of a committee of the Board. Such fees may be paid in cash and/or shares, options or other in-kind consideration ordinarily available to Directors.

III. Meetings

The Committee shall meet at least four times per year and/or as deemed appropriate by the Committee Chair. The Chair of the Committee, any member of the Committee, the external auditors of the Corporation, the Chairman of the Board, the Chief Executive Officer (“CEO”) or the Chief Financial Officer (“CFO”) may call a meeting of the Committee by notifying the Corporation’s corporate secretary, who will notify the members of the Committee. A majority of members of the Committee shall constitute a quorum.

As part of its job to foster open communication, the Committee shall meet at least annually with management and the external auditors in separate sessions. The CEO and CFO and a representative of the Corporation’s external auditors may, if invited by the Chair of the Committee, attend and speak at meetings of the Committee. The Committee may also invite any other officer or employee of the Corporation, legal counsel, the Corporation’s financial advisors and any other persons to attend meetings and give presentations with respect to their area of responsibility, as considered necessary by the Committee.

The minutes of the Committee meetings shall accurately record the decisions reached and shall be distributed to the Committee members with copies to the Board, the CFO or such other officer acting in that capacity, and the external auditors. Supporting schedules and information reviewed by the Committee shall be available for examination by any Director.

The Chair of the Committee shall be available at the annual general meeting of the Corporation to respond to any shareholder questions on the activities and responsibilities of the Committee.

IV. Authority

The Committee is authorised by the Board to:

- a) Investigate any matter within its Terms of Reference
- b) Have direct communication with the Corporation’s external auditors
- c) Seek any information it requires from any employee of the Corporation
- d) Retain, at its discretion, outside legal, accounting or other advisors, at the expense of the Corporation, to obtain advice and assistance in respect of any matters relating to its duties, responsibilities and powers as provided for or imposed by these Terms of Reference or otherwise by law or the by-laws of the Corporation

V. Roles and Responsibilities

The Committee shall have the roles and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board and that the Board is authorized to delegate by applicable laws and regulations. To fulfill its responsibilities, the Committee shall:

a) Accounting and Financial Reporting Matters

1. In consultation with the external auditors, review with management the integrity of Canacol's financial reporting processes, both internal and external.
2. Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.
3. At each meeting, consult with the external auditors, without the presence of management, about the quality of Canacol's accounting principles, internal controls and the completeness and accuracy of Canacol's financial statements.
4. Review the Corporation's interim and annual financial statements and management's discussion & analysis of operations (the "MD&A"), Annual Information Forms and earnings press releases prior to their public disclosure and Board approval, where required, and ensure that adequate procedures are in place for the review of the Canacol's public disclosure of financial information extracted or derived from the Corporation's financial statements for inclusion in documents such as the Management Information Circular and prospectuses.
5. Following such review with management and the external auditors, recommend to the Board whether to approve the annual or interim financial statements and MD&A and any other filings with the securities commissions.
6. Monitor in discussion with the external auditors the integrity of the financial statements of the Corporation before submission to the Board, focusing particularly on:
 - (a) Significant accounting policies and practices under International Financial Reporting Standards ("IFRS") as applicable to Canacol and any changes in such accounting policies and practices as required by the standard setters or as suggested by the external auditors and management
 - (b) Major judgment areas including significant accruals, key assumptions and estimates, and the view of the external auditors as to appropriateness of such judgments
 - (c) Significant adjustments resulting from the audit
 - (d) The going concern assumption
 - (e) Compliance with accounting standards including the effects on the financial statements of alternative methods within generally accepted accounting principles
 - (f) Compliance with stock exchange and legal requirements
 - (g) Accounting treatment and disclosure of large transactions as well as unusual or non-recurring transactions
 - (h) Significant off-balance sheet and contingent assets and liabilities and the related disclosures
 - (i) Disclosure requirements for commitments
 - (j) Compliance with covenants under loan agreements
 - (k) Significant interim review audit findings during the year, including the status of previous audit recommendations
 - (l) All related party transactions with the required disclosures in the financial statements.

- (m) Timeliness of statutory payments
- 7. On at least an annual basis, review with the Corporation's legal counsel and management, all legal and regulatory matters and litigation, claims or contingencies, including tax assessments, license or concession defaults or notifications, health and safety violations or environmental issues, that could have a material effect upon the financial position of the Corporation, and the manner in which these matters may be, or have been, disclosed in the financial statements.

b) External Auditors

1. Consider and make recommendations to the Board for it to put to the shareholders for their approval in a general or special meeting in relation to the appointment, re-appointment and removal of Canacol's external auditors and to approve the compensation and terms of engagement of the external auditors for the annual audit, interim reviews and any other audit-related and non-audit-related services.
2. When there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change.
3. Require the external auditors to report directly to the Committee.
4. Discuss with the external auditors, before an audit commences, the nature and scope of the audit, and other relevant matters.
5. Review and monitor the performance of the external auditors and the effectiveness of the audit process taking into consideration relevant professional and regulatory requirements.
6. Obtain annually a formal written statement of external auditors setting forth all relationships between the external auditors and Canacol and confirming their independence from Canacol.
7. Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.
8. Review and approve Canacol's hiring policies regarding partners, employees and former partners and employees of the present and former auditors of the Corporation.
9. Discuss problems and reservations arising from an audit, and any matters the external auditors may wish to discuss (in the absence of management where necessary).
10. Upon completion of the audit, review the external auditors' report on the financial statements and any recommendation letters issued to management with management's responses including the management representation letter.
11. Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by Canacol's external auditors and consider the impact on the independence of the auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:
 - (i) The aggregate amount of all such non-audit services provided to Canacol constitutes not more than five percent of the total amount of revenues paid by Canacol to its external auditors during the fiscal year in which the non-audit services are provided

- (ii) Such services were not recognized by Canacol at the time of the engagement to be non-audit services
- (iii) Such services are promptly brought to the attention of the Committee by Canacol and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of Canacol Directors to whom authority to grant such approvals has been delegated by the Committee

Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval, such authority may be delegated by the Committee to one or more independent members of the Committee.

- 12. Consider the major findings of the external auditors and management's responses, including the resolution of disagreements between management and the external auditors regarding financial reporting.
 - 13. Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
 - 14. At each meeting, consult with the external auditors, without the presence of management, about the quality, not just the acceptability, of the accounting principles applied in the Corporation's financial reporting, effectiveness of internal controls and the completeness and accuracy of the Corporation's financial reports.
- c) Disclosure Controls & Procedures ("DC&P") and Internal Controls over Financial Reporting ("ICFR")**
- 1. Monitor and review Canacol's disclosure policy on an annual basis.
 - 2. In conjunction with each fiscal year end, review management's assessment of the design and effectiveness of Canacol's DC&P including any control deficiencies identified and the related remediation plans for any significant or material deficiencies.
 - 3. In conjunction with each fiscal year end, review management's assessment of the design and effectiveness of Canacol's ICFR including any control deficiencies identified and the related remediation plans for any significant or material deficiencies.
 - 4. Review and discuss any fraud or alleged fraud involving management or other employees who have a role in Canacol's ICFR and the related corrective and disciplinary actions to be taken.
 - 5. Discuss with management any significant changes in the ICFR that are disclosed or considered for disclosure in the MD&A on a quarterly basis.
 - 6. Review and discuss with the CEO and the CFO the procedures undertaken in connection with the CEO and CFO certifications for the annual and interim filings with the securities commissions.
 - 7. Review the adequacy of internal controls and procedures related to any corporate transactions in which directors or officers of Canacol have a personal interest, including the expense accounts of senior officers of Canacol and officers' use of corporate assets.

d) Risk management

1. Review the Corporation's risk management policies and processes established to effectively identify, assess and treat the Corporation's principal risks of the business and to receive an annual report thereon.
2. Review the financial exposures undertaken by the Corporation together with any mitigating strategies including physical and financial positions in commodities markets, derivative strategies, capital commitments, sovereign and foreign exchange exposures, and interest rate fluctuations.
3. Review on an annual basis the adequacy and effectiveness of the Corporation's insurance policies including coverage for property damage, business interruption, liabilities, and directors and officers.
4. Review the Corporation's major financings and its future financing plans and strategies considering current and future business needs and the condition of capital markets.
5. Review and approve the discussion and disclosure of risks in public documents.

e) Procedures for the Receipt and Treatment of Complaints regarding Accounting, Internal Accounting Controls, or Auditing Matters

1. Establish procedures for:
 - (a) The receipt, retention and treatment of complaints received by Canacol regarding accounting, internal accounting controls, or auditing matters
 - (b) The confidential, anonymous submission by employees of Canacol of concerns regarding questionable accounting or auditing matters
 - (c) The investigation of such matters with appropriate follow-up actions

VI. Committee Effectiveness Procedures

The Committee shall review its Terms of Reference on an annual basis, or more often as required, to ensure that they remain adequate and relevant, and incorporate any material changes in statutory and regulatory requirements and the Corporation's business environment. The Committee shall make recommendations to the Corporate Governance and Compensation Committee as to proposed changes, if any.

The procedures outlined in these Terms of Reference are meant to serve as guidelines, and the Committee may adopt such different or additional procedures as it deems necessary from time to time.

In setting the agenda for a meeting, the Chair of the Committee shall encourage the Committee members, management, the Corporation's external auditors, and other members of the Board to provide input in order to address emerging issues.

Prior to the beginning of a fiscal year, the Committee shall submit an annual planner for the meetings to be held during the upcoming fiscal year, for review and approval by the Board to ensure compliance with the requirements of the Committee's Terms of Reference.

Any written material provided to the Committee shall be appropriately balanced (i.e. relevant and concise) and shall be distributed in advance of the respective meeting with sufficient time to allow Committee members to review and understand the information.

The Committee shall conduct an annual self-assessment of its performance and these Terms of Reference and shall make recommendations to the Corporate Governance and Compensation Committee with respect thereto.

Members of the Committee shall be provided with appropriate and timely training to enhance their understanding of auditing, accounting, regulatory and industry issues applicable to the Canacol.

New Committee members shall be provided with an orientation program to educate them on the Corporation's business, their responsibilities and the Corporation's financial reporting and accounting practices.