CANACOL ENERGY LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE MONTHS ENDED MARCH 31, 2017

FINANCIAL & OPERATING HIGHLIGHTS

(in United States dollars (tabular amounts in thousands) except as otherwise noted)

Financial	Three months ended March 31,		
	2017	2016	Change
Total petroleum and natural gas revenues, net of royalties	41,583	22,700	83%
Adjusted petroleum and natural gas revenues, net of royalties[2]	46,975	29,000	62%
Cash provided by operating activities	17,539	7,249	142%
Per share – basic ($)	0.10	0.05	100%
Per share – diluted ($)	0.10	0.05	100%
Adjusted funds from operations [1] [2]	20,947	13,451	56%
Per share – basic ($)	0.12	0.08	50%
Per share – diluted ($)	0.12	0.08	50%
Net (loss) income and comprehensive (loss) income	(7,942)	461	n/a
Per share – basic ($)	(0.05)	-	n/a
Per share – diluted ($)	(0.05)	-	n/a
Capital expenditures, net, including acquisitions	24,000	15,548	54%
Adjusted capital expenditures, net, including acquisitions[1][2]	24,818	15,949	56%
	March 31, 2017	December 31, 2016	Change
Cash	44,778	66,283	(32%)
Restricted cash	62,518	62,073	1%
Working capital surplus	52,678	64,899	(19%)
Bank debt	254,485	250,638	2%
Total assets	786,164	787,508	-
Common shares, end of period (000's)	174,422	174,359	-

Operating	Three months ended March 31,		
	2017	2016	Change
Petroleum and natural gas production, before royalties (boepd)			
Petroleum [3]	3,505	4,526	(23%)
Natural gas	13,487	6,407	111%
Total [2]	16,992	10,933	55%
Petroleum and natural gas sales, before royalties (boepd)			
Petroleum [3]	3,517	4,578	(23%)
Natural gas	13,409	6,329	112%
Total [2]	16,926	10,907	55%
Realized contractual sales, before royalties (boepd)			
Natural gas	14,526	6,642	119%
Colombia oil	2,014	2,856	(29%)
Ecuador tariff oil [2]	1,503	1,722	(13%)
Total [2]	18,043	11,220	61%
Operating netbacks ($/boe) [1]			
Esperanza (natural gas)	25.74	27.53	(7%)
VIM-5 (natural gas)	19.70	21.75	(9%)
LLA-23 (oil)	21.25	8.78	142%
Ecuador (tariff oil) [2]	38.54	38.54	-
Total [2]	24.56	23.90	3%

(1) Non-IFRS measure – see "Non-IFRS Measures" section within MD&A.
(2) Inclusive of amounts related to the Ecuador IPC – see "Non-IFRS Measures" section within MD&A.
(3) Includes tariff oil production and sales related to the Ecuador IPC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Canacol Energy Ltd. and its subsidiaries ("Canacol" or the "Corporation") are primarily engaged in petroleum and natural gas exploration and development activities in Colombia and Ecuador. The Corporation's head office is located at 4500, 525 - 8th Avenue SW, Calgary, Alberta, T2P 1G1, Canada. The Corporation's shares are traded on the Toronto Stock Exchange (the "TSX") under the symbol CNE, the OTCQX in the United States of America under the symbol CNNEF, the Bolsa de Valores de Colombia under the symbol CNEC and the Bolsa Mexicana de Valores under the symbol CNEN.

Advisories

The following management's discussion and analysis ("MD&A") is dated May 9, 2017 and is the Corporation's explanation of its financial performance for the period covered by the financial statements along with an analysis of the Corporation's financial position. Comments relate to and should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Corporation for the three months ended March 31, 2017 and 2016 (the "financial statements"), and the audited consolidated financial statements and management's discussion and analysis for the year ended December 31, 2016. The financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", and all amounts herein are expressed in United States dollars, unless otherwise noted, and all tabular amounts are expressed in thousands of United States dollars, except per share amounts or as otherwise noted. Additional information for the Corporation, including the Annual Information Form, may be found on SEDAR at www.sedar.com.

Forward-Looking Statements *– Certain information set forth in this document contains forward-looking statements. All statements other than historical fact contained herein are forward-looking statements, including, without limitation, statements regarding the future financial position, business strategy, production rates, and plans and objectives of or involving the Corporation. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Corporation's control, including the impact of general economic conditions, industry conditions, governmental regulation, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and the ability to access sufficient capital from internal and external sources. In particular with respect to forward-looking comments in this MD&A, readers are cautioned that there can be no assurance that the Corporation will complete its planned capital projects on schedule or that petroleum and natural gas production will result from such capital projects, that additional natural gas sales contracts will be secured, that the Ecuadorian government will not renegotiate tariff prices on certain fixed priced contracts during low oil price environment, or that hydrocarbon-based royalties assessed will remain consistent or that royalties will continue to be applied on a sliding-scale basis as production increases on any one block. 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 the Corporation will derive therefrom.*

In addition to historical information, this MD&A contains forward-looking statements that are generally identifiable as any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events of performance (often, but not always, through the use of words or phrases such as "will likely result," "expected," "is anticipated," "believes," "estimated," "intends," "plans," "projection" and "outlook"). These statements are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in such forward-looking statements. Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. Such factors include, but are not limited to: general economic, market and business conditions; fluctuations in oil and gas prices; the results of exploration and development drilling and related activities; fluctuations in foreign currency exchange rates; the uncertainty of reserve estimates; changes in environmental and other regulations; and risks associated with oil and gas operations, many of which are beyond the control of the Corporation. Accordingly, there is no representation by the Corporation that actual results achieved during the forecast period will be the same in whole or in part as those forecasted. Except to the extent required by law, the Corporation assumes no obligation to publicly update or revise any forward-looking statements made in this MD&A or otherwise, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements, whether written or oral, attributable to the Corporation or persons acting on the Corporation's behalf, are qualified in their entirety by these cautionary statements.

Readers are further cautioned not to place undue reliance on any forward-looking information or statements.

Non-IFRS Measures *– Due to the nature of the equity method of accounting the Corporation applies under IFRS 11 to its interest in the incremental production contract for the Libertador and Atacapi fields in Ecuador ("Ecuador IPC"), the Corporation does not record its proportionate share of revenues and expenditures as would be typical in oil and gas joint interest arrangements. Therefore, within this MD&A, 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.*

One of the benchmarks the Corporation uses to evaluate its performance is adjusted funds from operations. Adjusted funds from operations is a measure not defined in IFRS. It represents cash provided by operating activities before changes in non-cash working capital and decommissioning obligation expenditures, and includes the Corporation's proportionate interest of those items that would otherwise have contributed to funds from operations from the Ecuador IPC had it been accounted for under the proportionate consolidation method of accounting. The Corporation considers adjusted funds from operations a key measure as it demonstrates the ability of the business to generate the cash flow necessary to fund future growth through capital investment and to repay debt. Adjusted funds from operations should not be considered as an alternative to, or more meaningful than, cash provided by operating activities as determined in accordance with IFRS as an indicator of the Corporation's performance. The Corporation's determination of adjusted funds from operations may not be comparable to that reported by other companies. The Corporation also presents adjusted funds from operations per share, whereby per share amounts are calculated using weighted-average shares outstanding consistent with the calculation of net (loss) income and comprehensive (loss) income per share. The following table reconciles the Corporation's cash provided by operating activities to adjusted funds from operations:

	Three months ended March 31,	
	2017	2016
Cash provided by operating activities	**$ 17,539**	$ 7,249
Changes in non-cash working capital	**(1,629)**	122
Ecuador IPC revenue, net of current income taxes	**5,037**	6,080
Adjusted funds from operations	**$ 20,947**	$ 13,451

In addition to the above, management uses working capital and operating netback measures. Working capital is calculated as current assets less current liabilities, excluding any non-cash items, and is used to evaluate the Corporation's financial leverage. Operating netback is a benchmark common in the oil and gas industry and is calculated as total petroleum and natural gas sales, less royalties, less production and transportation expenses, calculated on a per barrel of oil equivalent ("boe") basis of sales volumes using a conversion. Operating netback is an important measure in evaluating operational performance as it demonstrates field level profitability relative to current commodity prices.

Working capital and operating netback as presented do not have any standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures for other entities.

The term "boe" is used in this MD&A. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of cubic feet of natural gas to barrels of oil equivalent is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In this MD&A, we have expressed boe using the Colombian conversion standard of 5.7 Mcf: 1 bbl required by the Ministry of Mines and Energy of Colombia.

RESULTS OF OPERATIONS

For the three months ended March 31, 2017, the Corporation's production primarily consisted of natural gas from its Nelson and Palmer fields in the Esperanza block and Clarinete and Oboe fields in the VIM-5 block, both located in the Lower Magdalena Basin in Colombia, crude oil from its Leono, Labrador, Pantro, Tigro and Maltes fields in the LLA-23 block in the Llanos Basin in Colombia, tariff oil from the Ecuador IPC, and, to a lesser extent, crude oil from its Rancho Hermoso, VMM-2 and Santa Isabel properties in Colombia.

The Nelson and Palmer fields at the Esperanza block and the Clarinete and Oboe fields at the VIM-5 block, located in the Lower Magdalena Basin in Colombia, produce dry natural gas for sale to local customers under long-term take-or-pay as well as short-term spot market contracts. On March 24, 2017, the Canahuate-1 exploration well was spud. The Canahuate-1 well is located three kilometers ("kms") north of the Corporation's Jobo gas processing facility and is targeting gas-bearing sandstones within the Cienaga de Oro reservoir ("CDO"). The Canahuate-1 exploration well reached a total depth of 8,263 feet measured depth ("ft. md"). The well encountered 124 ft. md (86 feet true vertical depth) of net gas pay with average porosity of 18% within the primary CDO reservoir target. Two different zones were completed and flow tested at a combined rate of 28 million standard cubic feet per day ("MMscfpd") of dry gas. Work is underway to tie the Canahuate-1 well into the Corporation's gas processing facility at Jobo. Over the past three years, seven of the eight exploration wells drilled by the Corporation on its gas blocks, including the Esperanza E&P contract, have resulted in commercial gas discoveries.

On March 31, 2017, The Corporation spud the Pumara-1 exploration well. The Pumara-1 exploration well is located three kms north of the Labrador field and is targeting light oil bearing reservoirs within the proven producing C7, Mirador, Gacheta, and Ubaque reservoirs. Over the past four years, five of the six exploration wells drilled by the Corporation on the LLA-23 contract have resulted in commercial producing light oil discoveries. The Pumara-1 exploration well is currently being tested with results anticipated within the next ten days, and if successful will be placed on permanent production via the Corporation's oil processing facilities located at Pointer.

The Corporation, through a consortium, participates in an incremental production contract for the Libertador and Atacapi fields in Ecuador whereby the Corporation is entitled to a tariff price of $38.54/bbl for each incremental barrel of oil produced over a pre-determined production base curve. Such incremental production volumes are reported as production in this MD&A. As further described above, as required under IFRS 11, the Ecuador IPC is being accounted for under the equity method of accounting versus the proportionate consolidation method of accounting. For purposes of this MD&A, management has provided supplemental measures for adjusted revenues and expenditures, which are inclusive of the Ecuador IPC, to supplement the IFRS disclosures of the Corporation's operations.

For the three months ended March 31, 2017, the Corporation also had crude oil production from its LLA-23, Rancho Hermoso, VMM-2 and Santa Isabel properties in Colombia. The Corporation's Rancho Hermoso, VMM-2 and Santa Isabel properties individually contributed only a minor amount to total production in the three months ended March 31, 2017 and, therefore, they were aggregated into a single group ("Other") for analysis purposes in this MD&A. These properties are susceptible to negative cash flows in a low oil price environment and the Corporation plans to shut-in any wells under its control that are uneconomic. As of the date of this MD&A, all wells at the Capella field in Colombia and the Moloacan field in Mexico have been shut-in.

The Mono Capuchino-1ST exploration well was spud on December 17, 2016, reaching a total depth of 10,023 ft. md before experiencing mechanical difficulties that required the well to be sidetracked. The Mono Capuchino-1ST well reached a total depth of 10,245 ft. md within the La Luna formation on February 22, 2017. The well encountered approximately 103 feet of net oil pay within the Tertiary Basal Lisama sandstone reservoir, and approximately 406 feet of net oil pay within the Cretaceous La Luna formation, which consists of shale and limestones and open fractures visible on image logs. Approximately 769 feet of open hole section within the La Luna was tested and recovered uncommercial heavy oil. The Mono Capuchino-1ST well will be tied into the permanent production facilities located at Mono Arana and brought on full time production from the Tertiary Basal Lisama sandstone reservoir, which tested at 1,013 barrels of oil per day ("bopd") (gross), in the second quarter of 2017.

In addition to its producing fields, the Corporation has interests in a number of exploration blocks in Colombia.

AVERAGE DAILY PETROLEUM AND NATURAL GAS PRODUCTION AND SALES VOLUMES

Production and sales volumes in this MD&A are reported before royalties.

	Three months ended March 31,		
	2017	2016	Change
Production (boepd)			
Esperanza (gas)	**9,884**	5,935	67%
VIM-5 (gas)	**3,603**	472	663%
LLA-23 (oil)	**1,345**	2,107	(36%)
Ecuador (tariff oil)	**1,503**	1,722	(13%)
Other (oil)	**657**	697	(6%)
Total production	**16,992**	10,933	55%
Inventory movements and other	**(66)**	(26)	154%
Total sales	**16,926**	10,907	55%
Sales (boepd)			
Esperanza (gas)	**9,813**	5,934	65%
VIM-5 (gas)	**3,596**	395	810%
LLA-23 (oil)	**1,346**	2,131	(37%)
Ecuador (tariff oil)	**1,503**	1,722	(13%)
Other (oil)	**668**	725	(8%)
Total sales	**16,926**	10,907	55%
Realized Contractual Sales (boepd)			
Esperanza (gas)	**9,813**	5,934	65%
VIM-5 (gas)	**3,596**	395	810%
Take-or-pay volumes	**1,117**	313	257%
Total natural gas	**14,526**	6,642	119%
Total Colombia oil	**2,014**	2,856	(29%)
Ecuador tariff oil	**1,503**	1,722	(13%)
Total realized contractual sales	**18,043**	11,220	61%

The overall increase in production volumes in the three months ended March 31, 2017, compared to the same period in 2016, is primarily due to an increase in gas production in Esperanza and VIM-5, as a result of the additional sales related to the Promigas pipeline expansion, offset by production declines from LLA-23 and Ecuador. Realized contractual gas sales during the first quarter of 2017 averaged approximately 83 mmscfpd, approximately 5% lower than anticipated as a result of seasonal conditions along Colombia's Caribbean coast that impacted the demand relating to one of the Corporation's small interruptible contracts.

PETROLEUM AND NATURAL GAS REVENUES

	Three months ended March, 31		
	2017	2016	Change
Esperanza	**$ 26,500**	$ 16,920	57%
VIM-5	**9,041**	1,118	709%
LLA-23	**5,370**	4,390	22%
Other	**2,692**	1,563	72%
Petroleum and natural gas revenues, before royalties	**43,603**	23,991	82%
Royalties	**(4,999)**	(2,229)	124%
Petroleum and natural gas revenues, after royalties	**38,604**	21,762	77%
Take-or-pay natural gas income	**2,979**	938	218%
Total petroleum and natural gas revenues, after royalties, as reported	**41,583**	22,700	83%
Ecuador tariff and other revenues (1)	**5,392**	6,300	(14%)
Adjusted petroleum and natural gas revenues, after royalties (1)	**$ 46,975**	$ 29,000	62%

(1) Non-IFRS measure – inclusive of amounts related to the Ecuador IPC – see "Non-IFRS Measures" section above.

The increase in adjusted petroleum and natural gas revenues after royalties in the three months ended March 31, 2017, compared to the same period in 2016, is primarily the result of an increase in natural gas sales related to the Promigas pipeline expansion and higher realized average prices during the quarter as a result of an increase in benchmark crude oil prices, offset by lower crude oil sales volume.

The Corporation has three types of natural gas sales:

1) *Natural Gas sales* - represents natural gas production less a typically small amount of gas volume that is consumed at the field level;

2) *Take-or-pay income* - represents the portion of natural gas sales nominations by the Corporation's off-takers that do not get delivered, typically due to the off-taker's inability to accept such gas and for which the off-takers have no recourse or legal right to delivery at a later date. As such, they are recorded as revenue in the period;

3) *Undelivered gas nominations* - represents the portion of undelivered natural gas sales nominations for which the off-takers do have a legal right to take delivery at a later date, for a fixed period of time ("make-up rights"). These nominations are paid for at the time, alongside gas sales and take-or-pay income, and as such are included in deferred income for the period. The Corporation recognizes revenues associated with such make-up rights ("settlements") at the earlier of: a) when the make-up volume is delivered; b) the make-up right expires; or c) when it is determined that the likelihood that the off-taker will utilize the make-up right is remote.

During the three months ended March 31, 2017, the Corporation realized $3.0 million of take-or-pay income (as described in (2) above), respectively, which is equivalent to 1,117 boepd of gas sales, respectively, without actual delivery of the natural gas.

As at March 31, 2017, the Corporation has received proceeds for crude oil and natural gas to be delivered at a later date (as described in (3) above). As at March 31, 2017, Undelivered Nominations resulted in a deferred income balance of $2.8 million ($2.5 million related to gas; $0.3 million related to crude oil) and has been classified as a current liability as it is expected to be settled within the next twelve months.

AVERAGE BENCHMARK AND REALIZED SALES PRICES

	Three months ended March 31,		
	2017	2016	Change
Brent ($/bbl)	**$ 53.88**	$ 33.84	59%
West Texas Intermediate ($/bbl)	**$ 52.73**	$ 33.35	58%
Natural gas ($/boe)	**$ 29.45**	$ 31.32	(6%)
Crude oil ($/boe)	**$ 44.48**	$ 22.90	94%
Ecuador tariff ($/boe)	**$ 38.54**	$ 38.54	-
Esperanza ($/boe)	**$ 30.01**	$ 31.33	(4%)
VIM-5 ($/boe)	**27.94**	31.10	(10%)
LLA-23 ($/bbl)	**44.33**	22.64	96%
Ecuador ($/bbl)	**38.54**	38.54	-
Other ($/bbl)	**44.78**	23.68	89%
Average realized sales price ($/boe) (1)	**$ 32.04**	$ 30.25	6%

(1) Non-IFRS measure – inclusive of amounts related to the Ecuador IPC – see "Non-IFRS Measures" section above.

The increase in average realized crude oil sales prices in the three months ended March 31, 2017 compared to the same period in 2016 is mainly due to increased benchmark crude oil prices.

The decrease in average realized natural gas sales prices in the three months ended March 31, 2017 compared to the same period in 2016 is due to: a) the decrease in the Guajira price in December 2016, from $6.17/MMbtu to $4.63/MMbtu, and b) the Corporation's sale of natural gas on the spot market at prices lower than the Guajira price, due to seasonal conditions along Colombia's Caribbean coast negatively impacting the price relating to a small interruptible contract. The Guajira price is the local natural gas reference price in Colombia and is set to be redetermined on an annual basis.

The tariff price for Ecuador tariff oil production is fixed at $38.54/bbl. During periods of low oil prices in 2015 and 2016, the Ecuador IPC did not receive the full $38.54/bbl in cash. The uncollected amounts recorded as receivables by the Ecuador IPC as at December 31, 2016 have since been received in the form of government of Ecuador interest bearing bonds.

ROYALTIES

	Three months ended March 31,	
	2017	2016
Esperanza	**$ 2,330**	$ 1,426
VIM-5	**1,854**	224
LLA-23	**596**	469
Rancho Hermoso and other	**219**	110
Total royalties	**$ 4,999**	$ 2,229

In Colombia, light crude oil and natural gas royalties are generally at a rate of 8% and 6.4%, respectively, until net field production reaches 5,000 boepd, at which time the royalty rates increase on a sliding scale to 20% up to field production of 125,000 boepd. The Corporation's LLA-23 and VMM-2 blocks are subject to an additional x-factor royalty of 3% (effectively 2.76%). Crude oil royalties in LLA-23 and VMM-2 are calculated from crude oil revenue net of transportation expenses. Crude oil royalties in Labrador and Rancho Hermoso are taken in kind. There are no royalties on tariff production in Ecuador. The Corporation's Esperanza natural gas production is subject to an additional overriding royalty of 2% and the Corporation's VIM-5 natural gas production is subject to an additional x-factor royalty of 13% and an overriding royalty of 3% to 4%.

PRODUCTION AND TRANSPORTATION EXPENSES

Total production and transportation expenses were as follows:

	Three months ended March 31,		
	2017	2016	Change
Production expenses	**$ 5,707**	$ 3,426	67%
Transportation expenses	**683**	656	4%
Total production and transportation expenses	**6,390**	4,082	57%
$/boe	**$ 4.20**	$ 4.11	2%

An analysis of production expenses is provided below:

	Three months ended March 31,		
	2017	2016	Change
Esperanza	**$ 1,443**	$ 635	127%
VIM-5	**811**	112	624%
LLA-23	**1,727**	1,809	(5%)
Other	**1,726**	870	98%
Total production expenses	**$ 5,707**	$ 3,426	67%
$/boe			
Esperanza	**$ 1.63**	$ 1.18	38%
VIM-5	**2.51**	3.12	(20%)
Total natural gas	**1.87**	1.30	44%
LLA-23	**14.26**	9.33	53%
Total	**$ 3.75**	$ 3.45	9%

Total natural gas production expenses per boe increased 44% to $1.87/boe ($0.33/Mcf) for the three months ended March 31, 2017 compared to $1.30/boe ($0.23/Mcf) in 2016. The increase is attributable to the operating lease cost of the Promisol Jobo gas processing facility (Jobo 2) at a contracted rate of approximately $0.10/Mcf at the Corporation's current production level.

Production expenses at LLA-23 decreased 5% in the three months ended March 31, 2017 compared to the same period in 2016. The decrease is primarily due to lower production. Despite a 5% decrease in LLA-23 production expenses year over year, the production expenses on a per barrel basis have increased 53% to $14.26/bbl for the three months ended March 31, 2017 compared to $9.33/boe for the same period in 2016 due to fixed costs over lower production.

The Corporation does not pay production expenses in Ecuador, and as such, its tariff price of $38.54 equals netback.

An analysis of transportation expenses is provided below:

	Three months ended March 31,		
	2017	2016	Change
LLA-23	**$ 473**	$ 409	16%
Other	**210**	247	(15%)
Total transportation expenses	**$ 683**	$ 656	4%
$/boe			
LLA-23	**$ 3.90**	$ 2.11	85%
Total	**$ 0.45**	$ 0.66	(32%)

Transportation expenses at LLA-23 increased 16% in the three months ended March 31, 2017 compared to the same period in 2016, despite a 36% decrease in production. The increase is due to less sales at the well head, thereby increasing transportation expenses while also increases average realized sales prices as a result.

OPERATING NETBACKS

	Three months ended March 31,		
$/boe	**2017**	2016	Change
Corporate			
Petroleum and natural gas revenues	**$ 32.04**	$ 30.25	6%
Royalties	**(3.28)**	(2.24)	46%
Production and transportation expenses	**(4.20)**	(4.11)	2%
Operating netback (1)	**$ 24.56**	$ 23.90	3%

(1) Non-IFRS measure – inclusive of amounts related to the Ecuador IPC – see "Non-IFRS Measures" section above.

Operating netbacks by major production categories were as follows:

Natural gas

	Three months ended March 31,		
$/boe	**2017**	2016	Change
Esperanza			
Natural gas revenues	**$ 30.01**	$ 31.33	(4%)
Royalties	**(2.64)**	(2.62)	1%
Production expenses	**(1.63)**	(1.18)	38%
Operating netback	**$ 25.74**	$ 27.53	(7%)
VIM-5			
Natural gas revenues	**$ 27.94**	$ 31.10	(10%)
Royalties	**(5.73)**	(6.23)	(8%)
Production expenses	**(2.51)**	(3.12)	(20%)
Operating netback	**$ 19.70**	$ 21.75	(9%)
Total Natural Gas			
Natural gas revenues	**$ 29.45**	$ 31.32	(6%)
Royalties	**(3.47)**	(2.86)	21%
Production expenses	**(1.87)**	(1.30)	44%
Operating netback	**$ 24.11**	$ 27.16	(11%)

Crude Oil

	Three months ended March 31,		
$/boe	**2017**	2016	Change
LLA-23			
Crude oil revenues	**$ 44.33**	$ 22.64	96%
Royalties	**(4.92)**	(2.42)	103%
Production and transportation expenses	**(18.16)**	(11.44)	59%
Operating netback	**$ 21.25**	$ 8.78	142%
Ecuador			
Tariff revenues (1)	**$ 38.54**	$ 38.54	-
Operating netback	**$ 38.54**	$ 38.54	-

(1) Non-IFRS measure – inclusive of amounts related to the Ecuador IPC – see "Non-IFRS Measures" section above.

GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended March 31,		
	2017	2016	Change
Gross costs	**$ 7,453**	$ 4,544	64%
Less: capitalized amounts	**(933)**	(782)	19%
General and administrative expenses	**$ 6,520**	$ 3,762	73%
$/boe	**$ 4.28**	$ 3.79	13%

Gross general and administrative expenses ("G&A") increased by 64% in the three months ended March 31, 2017, compared to same period in 2016, primarily due to increased staffing costs supporting incremental activities, G&A related to Mexico, corporate restructuring and special reserve evaluations during the quarter.

NET FINANCE EXPENSE

	Three months ended March 31,		
	2017	2016	Change
Net financing expense paid	**$ 5,515**	$ 4,112	34%
Non-cash financing costs	**5,262**	1,211	335%
Net finance expense	**$ 10,777**	$ 5,323	102%

Non-cash financing costs increased 335% to $5.3 million for the three months ended March 31, 2017 compared to $1.2 million for the same period in 2016 due to the unamortized transaction costs related to the BNP Senior Secured Term Loan and Senior Notes totaling $4.4 million being fully expensed at the time of settlement. Going forward, net finance expense is expected to be approximately $6 million per quarter.

STOCK-BASED COMPENSATION AND RESTRICTED SHARE UNITS

	Three months ended March 31,		
	2017	2016	Change
Stock-based compensation expense	**$ 3,310**	$ 1,027	222%
Restricted share unit expense	**3,846**	3,021	27%
Stock-based compensation and restricted share unit expense	**$ 7,156**	$ 4,048	77%

Stock-based compensation and restricted share unit expense increased 77% in the three months ended March 31, 2017, compared the same period in 2016, primarily due to a stock option grant of $3.3 million (2016 - $1 million) and a restricted share units grant of $3.8 million (2016 - $3 million) during the quarter. Stock-based compensation and restricted share units expense is a non-cash expense recognized based on the fair value of units granted.

DEPLETION AND DEPRECIATION EXPENSE

	Three months ended March 31,		
	2017	2016	Change
Depletion and depreciation expense	**$ 9,797**	$ 5,834	67%
$/boe	**$ 6.41**	$ 5.88	9%

Depletion and depreciation expense increased 67% in the three months ended March 31, 2017 compared to the same period in 2016 primarily as a result of higher natural gas production and higher depletable base.

INCOME TAX EXPENSE

		Three months ended March 31, 2017		2016
Current income tax expense	$	9,355	$	6,582
Deferred income tax recovery		(5,578)		(7,327)
Income tax expense (recovery)	$	3,777	$	(745)

The Corporation's pre-tax income is subject to the Colombian statutory income tax rate of 40%.

CASH AND FUNDS FROM OPERATIONS AND NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME

		Three months ended March 31, 2017		2016	Change
Cash provided by operating activities	$	17,539	$	7,249	142%
Per share – basic	$	0.10	$	0.05	100%
Per share – diluted	$	0.10	$	0.05	100%
Adjusted funds from operations (1)	$	20,947	$	13,451	56%
Per share – basic	$	0.12	$	0.08	50%
Per share – diluted	$	0.12	$	0.08	50%
Net income (loss) and comprehensive income (loss)	$	(7,942)	$	461	n/a
Per share – basic	$	(0.05)	$	-	n/a
Per share – diluted	$	(0.05)	$	-	n/a

(1) Non-IFRS measure – inclusive of amounts related to the Ecuador IPC – see "Non-IFRS Measures" section above.

Net loss of $7.9 million for the three months ended March 31, 2017 is mainly driven by non-cash expenses related to depletion and depreciation ($9.8 million), stock-based compensation ($3.3 million), unrealized loss on financial instruments ($2.3 million) and unrealized loss on foreign exchange ($1.7 million), offset by non-cash deferred tax recovery of $5.6 million.

CAPITAL EXPENDITURES

		Three months ended March 31, 2017		2016
Drilling and completions	$	10,885	$	7,697
Facilities, work overs and infrastructure		878		3,857
Land, seismic, communities and other		10,428		2,638
Non-cash costs and adjustments(2)		1,809		(2,309)
Property acquisition		-		3,665
Net capital expenditures		24,000		15,548
Ecuador		818		401
Adjusted net capital expenditures (1)	$	24,818	$	15,949
Net capital expenditures recorded as:				
Expenditures on exploration and evaluation assets	$	15,104	$	8,328
Expenditures on property, plant and equipment		8,896		3,555
Property acquisition		-		3,665
Net capital expenditures	$	24,000	$	15,548

(1) Non-IFRS measure – inclusive of amounts related to the Ecuador IPC – see "Non-IFRS Measures" section above.
(2) Other non-cash costs include capitalized costs related to decommissioning liabilities.

Capital expenditures in the three months ended March 31, 2017 primarily related to:

- Drilling, completion and testing of Mono Capuchino-1ST;
- Drilling of Canahuate-1;
- Workover of Pico Plata-1 in VMM-3;
- Pumara-1 civil works in LLA-23;
- Facilities costs at Esperanza and VIM-5;
- Facilities costs related to the Ecuador IPC (accounted for under the equity method of accounting); and
- Other capitalized costs (capitalized G&A of $0.9 million and increase of non-cash decommissioning costs of $1.8 million)

LIQUIDITY AND CAPITAL RESOURCES

Capital Management

The Corporation's policy is to maintain a strong capital base in order to provide flexibility in the future development of the business and maintain investor, creditor and market confidence. The Corporation manages its capital structure and makes adjustments in response to changes in economic conditions and the risk characteristics of the underlying assets. The Corporation considers its capital structure to include share capital, bank debt and working capital, defined as current assets less current liabilities, excluding non-cash items. In order to maintain or adjust the capital structure, from time to time the Corporation may issue common shares or other securities, sell assets or adjust its capital spending to manage current and projected debt levels.

The Corporation monitors leverage and adjusts its capital structure based on its net debt level. Net debt is defined as the principal amount of its outstanding bank debt, less working capital, as defined above. In order to facilitate the management of its net debt, the Corporation prepares annual budgets, which are updated as necessary depending on varying factors including current and forecast crude oil prices, changes in capital structure, execution of the Corporation's business plan and general industry conditions. The annual budget is approved by the Board of Directors and updates are prepared and reviewed as required.

During the three months ended March 31, 2017, the Corporation executed a new credit agreement to refinance its BNP Senior Secured Term Loan and Senior Notes, totaling $255 million, into the 2017 Senior Secured Term Loan of $265 million, with the following benefits: a) a lower the average interest rate, and b) extend the first amortization payment of the new term loan into 2019.

		March 31, 2017
Bank debt – principal	$	265,000
Working capital surplus		(52,678)
Net debt	$	212,322

On February 14, 2017, the Corporation entered into a credit agreement for $265 million senior secured term loan with a syndicate of banks led by Credit Suisse (the "2017 Senior Secured Term Loan"). The 2017 Senior Secured Term Loan will mature on March 20, 2022, with interest payable quarterly and principal repayable in 13 equal quarterly installments starting March 20, 2019, following more than two years of initial grace period. The 2017 Senior Secured Term Loan carries interest at LIBOR plus 5.5% and is secured by all of the material assets of the Corporation. Proceeds from the 2017 Senior Secured Term Loan were used for the repayment of the principal in the amount of $255 million including $180 million of the BNP Senior Secured Term Loan and $75 million of Senior Notes, plus accrued interest and costs of the transaction. The carrying value of the BNP Senior Secured Term Loan and Senior notes included $4.4 million of transaction costs netted against the principal amounts, which were fully expensed at the time of settlement. The carrying value of the 2017 Senior Secured Term Loan included $10.5 million of transaction costs netted against the principal amounts as at March 31, 2017. The 2017 Senior Secured Term Loan agreement also allows an additional $40 million of greenshoe funds available to be drawn at any time within 12 months post-funding at the sole discretion of the Corporation, subject to certain conditions. On April 28, 2017, $20 million of the $40 million greenshoe funds was drawn.

The 2017 Senior Secured Term Loan includes various non-financial covenants and financial covenants, including a maximum consolidated leverage ratio ("Consolidated Leverage Ratio") of 3.00:1.00, a minimum consolidated interest coverage ratio ("Consolidated Interest Coverage Ratio") of 3.50:1.00, a minimum consolidated current assets to consolidated current liabilities ratio ("Consolidated Current Assets to Consolidated Current Liabilities Ratio") of 1.00:1.00, a minimum PV10 ratio of 1.30:1.00, and a minimum debt service coverage ratio of 1.50:1.00.

The Consolidated Leverage Ratio is calculated on a quarterly basis as consolidated total debt ("Consolidated Total Debt") divided by consolidated EBITDAX ("Consolidated EBITDAX"). Consolidated Total Debt includes the principal amount of all indebtedness, which currently includes bank debt and finance lease obligation; additionally, restricted cash maintained in the debt service reserve account related to the 2017 Senior Secured Term Loan is deductible against Consolidated Total Debt. Consolidated EBITDAX is calculated on a rolling 12-month basis and is defined as consolidated net income adjusted for interest, income taxes, depreciation, depletion, amortization, exploration expenses, equity income (loss) and other similar non-recurring or non-cash charges. Consolidated EBITDAX is further adjusted for the Corporation's share of revenues from the Ecuador IPC, to the extent that they are collected in cash. The purpose of including this last amount is to capture the funds from operations of the Corporation's joint venture in Ecuador into the calculation as it is accounted for on an equity consolidation basis in the Corporation's financial statements.

The Consolidated Interest Coverage Ratio is calculated on a quarterly basis as Consolidated EBITDAX divided by consolidated interest expense ("Consolidated Interest Expense"). Consolidated EBITDAX is calculated on a rolling 12-month basis as described in the above paragraph. Consolidated Interest Expense is calculated on a rolling 12-month basis and excludes non-cash interest charges.

The Consolidated Current Assets to Consolidated Current Liabilities Ratio is calculated on a quarterly basis as consolidated current assets divided by consolidated current liabilities, excluding the current portion of any long-term indebtedness and any non-cash current assets and non-cash current liabilities.

The PV10 ratio is calculated semi-annually as the present value of after-tax future net revenues discounted at 10% calculated from the Corporation's reserves reports divided by the outstanding principal balance of the 2017 Senior Secured Term Loan.

The debt service coverage ratio is calculated on a quarterly basis as the ratio of a) the aggregate amount of cash received in the Corporation's collection accounts during the quarter to b) the upcoming debt service amount.

Consolidated Total Debt and Consolidated EBITDAX are calculated as follows:

Consolidated Total Debt		**March 31, 2017**
Bank debt (current and long-term) – principal	$	265,000
Finance lease obligation		31,777
Debt service reserve account balance		(4,501)
Consolidated Total Debt	$	292,276

Consolidated EBITDAX	**Q2 2016**	**Q3 2016**	**Q4 2016**	**Q1 2017**	**Rolling**
Consolidated net income (loss)	11,245	(8,399)	20,339	(7,942)	15,243
(+) Interest expense	4,765	4,935	5,274	6,405	21,379
(+/-) Income taxes (recovery)	7,662	7,603	(48,603)	3,777	(29,561)
(+) Wealth taxes	285	-	-	450	735
(+) Depletion and depreciation	3,671	10,814	6,193	9,797	30,475
(+) Exploration expenses	99	14,583	2,808	23	17,513
(-) Equity (loss) profit	(718)	(387)	1,779	(286)	388
(+/-) Other non-cash expenses	2,402	5,968	42,433	16,628	67,431
(+) Contribution of Ecuador IPC	6,464	6,459	5,976	5,392	24,291
Consolidated EBITDAX	35,875	41,576	36,199	34,244	147,894
(-) Non-cash portion of Ecuador IPC	(4,114)	(1,584)	(2,751)	(5,392)	(13,841)
Covenant EBITDAX	31,761	39,992	33,448	28,852	134,053

Consolidated Leverage Ratio		March 31, 2017
Consolidated Total Debt	$	292,276
Consolidated EBITDAX		134,053
Consolidated Leverage Ratio		**2.18**

The Consolidated Interest Coverage Ratio is calculated on a quarterly basis as Consolidated EBITDAX divided by consolidated interest expense ("Consolidated Interest Expense"). The minimum Consolidated Interest Coverage Ratio required is 3.50:1.00. Consolidated EBITDAX is calculated on a rolling 12-month basis as described in the above paragraph. Consolidated Interest Expense is calculated on a rolling 12-month basis and excludes any non-cash interest charges.

Consolidated Interest Coverage Ratio		March 31, 2017
Consolidated Interest Expense	$	21,379
Consolidated EBITDAX		134,053
Consolidated Interest Coverage Ratio		**6.27**

The Corporation was in compliance with its covenants as at March 31, 2017.

Other Colombian Credit Facilities

The Corporation has revolving lines of credit in place in Colombia with an aggregate borrowing base of $63.1 million (COP $181.8 billion). These lines of credit have interest rates ranging from 6% to 9% and are unsecured. The facilities were undrawn as at March 31, 2017.

Letters of Credit

At March 31, 2017, the Corporation had letters of credit outstanding totaling $79.5 million to guarantee work commitments on exploration blocks in Colombia and to guarantee other contractual commitments. The total of these letters of credit, net of amounts counter-guaranteed by other financial institutions, reduce the amounts available under the Colombian revolving lines of credit by $47.3 million to $15.8 million at March 31, 2017.

At May 9, 2017, the Corporation had 174.6 million common shares, 14.8 million stock options and 1.2 million restricted share units outstanding.

CONTRACTUAL OBLIGATIONS

The following table provides a summary of the Corporation's cash requirements to meet its financial liabilities and contractual obligations existing at March 31, 2017:

	Less than 1 year	1-3 years	Thereafter	Total
Bank debt – principal	$ -	$ 101,925	$ 163,075	$ 265,000
Finance lease obligation – undiscounted	8,352	18,224	16,706	43,282
Trade and other payables	22,726	-	-	22,726
Crude oil payable in kind	614	-	-	614
Taxes payable	25,187	-	-	25,187
Deferred income	2,791	3,731	-	6,522
Other long term obligations	-	-	3,246	3,246
Restricted share units	3,577	88	-	3,665
Exploration and production contracts	49,170	50,932	-	100,102
Jobo facility operating contract	3,297	7,173	6,609	17,079
Liquid natural gas processing contract	1,414	5,654	9,243	16,311
Office leases	1,205	1,652	989	3,846

Exploration and Production Contracts

The Corporation has entered into a number of exploration contracts in Colombia which require the Corporation to fulfill work program commitments and issue financial guarantees related thereto. In aggregate, the Corporation has outstanding exploration commitments at March 31, 2017 of $100.1 million and has issued $41.1 million in financial guarantees related thereto. These commitments are planned to be satisfied by means of seismic work, exploration drilling and farm-outs.

Pipeline Ship-Or-Pay Contracts

The Corporation owns a 0.5% interest in Oleoducto Bicentenario de Colombia ("OBC"), which owns a pipeline system that will link Llanos basin oil production to the Cano Limon oil pipeline system. Under the terms of the OBC agreement, the Corporation may be required to provide financial support or guarantees for its proportionate equity interest in any future debt financings undertaken by OBC. The Corporation has also entered into ship-or-pay arrangements with OBC and Cenit Transporte y Logística de Hidrocarburos S.A. for 550 barrels of oil per day at a variable regulated tariff. The tariffs as at March 31, 2017 are $7.56 / barrel and $2.97 / barrel, respectively. The ship-or-pay contracts will expire in November 2025 and 2028, respectively.

Ecuador Incremental Production Contract

In addition to the contractual obligations described above, the Corporation has a non-operated 25% equity participation interest in a joint-venture consortium which in 2012 was awarded an incremental production contract for the Libertador and Atacapi mature oil fields in Ecuador. The consortium plans to incur capital expenditures estimated for a total of $397 million ($107.6 million net to the Corporation) over the 15 year term of the contract. As at March 31, 2017, the Corporation had incurred a net $86.1 million of capital expenditures in connection with its Ecuador IPC commitment and has a remaining commitment of $21.5 million. It is anticipated that cash flows from the Ecuador IPC is sufficient to sustain envisioned future capital development.

OUTLOOK

Canacol was very active in the first quarter of 2017. The Corporation drilled the Mono Capuchino-1ST, which subsequently tested at 1,013 bopd from the Lisama sandstone reservoir, it spud the Canahuate-1 gas well, which subsequently tested at a combined multi-zone rate of 28 MMscf/d (4,912 boepd) and became the seventh consecutive gas exploration success for the Corporation, and it spud the Pumara-1 oil well on its LLA23 contract which is currently being tested with results anticipated within the next ten days.

During the first quarter, Canacol also refinanced and consolidated its debt. On February 16, 2017, the Corporation announced that it had closed its 2017 $265 million senior secured term loan facility led by Credit Suisse. This facility replaced the Corporation's existing two facilities with BNP Paribas and Apollo Investment Corporation. This refinancing and consolidation achieved the following benefits: 1) it defers amortization payments until March 2019, allowing the Corporation to dedicate capital to high netback production related projects instead of debt service; 2) it reduces the total annual interest costs as compared to the combined BNP Facility and Apollo Notes by approximately 1.1% and, 3) it harmonizes compliance and administrative deliverables under one facility. This new financial flexibility provides a solid foundation to allow Canacol to achieve its primary 2017 goals of: 1) achieving a gas production rate of 130 MMscfpd by December 1, 2017 via the construction of a new gas pipeline, 2) drilling three gas exploration wells, with Canuhaute-1 being the first, to continue to build the Corporation's gas reserves base at very attractive F&D costs, and 3) drilling two oil exploration wells (Mono Capuchino-1ST and Pumara-1) to increase oil production and satisfy exploration commitments to the ANH.

With respect to the new gas pipeline, a Special Purpose Vehicle ("SPV") has been formed to build and operate a six inch pipeline that will transport 40 MMscfpd of gas from the Corporation's Jobo gas processing facility to Sincelejo / Bremen approximately 80 kms to the north, where the pipeline will connect to the Promigas operated pipeline that ships gas to Cartagena. Canacol has executed a ten year take-or-pay contract for 40 MMscfpd of gas at contractual terms comparable to the Corporation's current US dollar denominated gas sales contracts. Canacol is in the final stages of evaluating three separate financing proposals for this pipeline and anticipates finalizing terms with the preferred option in the near future. In the meantime, Canacol and the SPV continue to deal with all the long lead time items. Specifically, the right of ways required for the pipeline continue to be acquired, the major tubular contract has been awarded and deposits have been placed to assure on time delivery, and the contract required for the pipeline compression has been negotiated. The physical laying of the pipe is expected to take approximately 75 days, as such the Corporation currently anticipates that the pipeline will be in operation on December 1, 2017. The productive capacity of the Corporation's currently producing wells is approximately 195 MMscfpd, and that of the Corporation's gas processing facilities approximately 200 MMscfpd.

SUMMARY OF QUARTERLY RESULTS

	2017	2016				2015		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Financial								
Total Petroleum and natural gas revenues, net of royalties	**41,583**	41,967	44,392	38,926	22,700	17,402	21,958	27,297
Adjusted petroleum and natural gas revenues, net of royalties	**46,975**	47,943	50,851	45,390	29,000	24,883	29,899	33,892
Cash provided by (used in) operating activities	**17,539**	30,289	22,275	13,764	7,249	4,974	14,302	(10,905)
Per share – basic	**0.10**	0.17	0.13	0.09	0.05	0.03	0.11	(0.09)
Per share – diluted	**0.10**	0.17	0.13	0.08	0.05	0.03	0.11	(0.09)
Adjusted funds from operations (1)	**20,947**	41,979	30,719	26,870	13,451	8,473	15,218	16,359
Per share – basic (1)	**0.12**	0.24	0.18	0.17	0.08	0.05	0.12	0.14
Per share – diluted (1)	**0.12**	0.24	0.18	0.16	0.08	0.05	0.12	0.14
Comprehensive (loss) income	**(7,942)**	20,331	(8,399)	11,245	461	(84,466)	(19,029)	(58,524)
Per share – basic	**(0.05)**	0.12	(0.05)	0.07	-	(0.54)	(0.15)	(0.50)
Per share – diluted	**(0.05)**	0.12	(0.05)	0.07	-	(0.54)	(0.15)	(0.50)
Capital expenditures, net	**24,000**	58,638	28,698	5,046	15,548	22,394	22,299	25,310
Adjusted capital expenditures, net	**24,818**	59,691	29,208	5,376	15,949	22,867	26,080	27,268
Operations (boepd)								
Petroleum and natural gas production, before royalties								
Petroleum (2)	**3,505**	3,616	3,892	4,018	4,526	5,523	6,983	6,007
Natural gas	**13,487**	14,112	14,740	12,405	6,407	3,541	3,472	3,954
Total (2)	**16,992**	17,728	18,632	16,423	10,933	9,064	10,455	9,961
Petroleum and natural gas sales, before royalties								
Petroleum (2)	**3,517**	3,657	3,801	4,045	4,578	5,468	7,272	6,192
Natural gas	**13,409**	13,986	14,621	12,331	6,329	3,542	3,455	4,064
Total (2)	**16,926**	17,643	18,422	16,376	10,907	9,010	10,727	10,256
Realized contractual sales, before royalties								
Natural gas	**14,526**	14,653	15,107	12,972	6,642	3,891	3,455	4,064
Colombia oil	**2,014**	2,026	2,090	2,294	2,856	3,390	5,116	4,433
Ecuador tariff oil (2)	**1,503**	1,631	1,711	1,751	1,722	2,078	2,156	1,759
Total (2)	**18,043**	18,310	18,908	17,017	11,220	9,359	10,727	10,256

(1) Non-IFRS measure – inclusive of amounts related to the Ecuador IPC – see “Non-IFRS Measures” section above.

(2) Includes tariff oil production related to the Ecuador IPC.

RISKS AND UNCERTAINTIES

There have been no significant changes in the three months ended March 31, 2017 to the risks and uncertainties as identified in the MD&A for the year ended December 31, 2016.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Corporation's management made judgements, assumptions and estimates in the preparation of the financial statements. Actual results may differ from those estimates, and those differences may be material. The basis of presentation and the Corporation's significant accounting policies can be found in the notes to the financial statements.

CHANGES IN ACCOUNTING POLICIES

The Corporation is currently reviewing a number of new and revised IFRSs that have been issued but are not yet effective. Detailed discussions of new accounting policies that may affect the Corporation are provided in the unaudited interim condensed consolidated financial statements of the Corporation as at and for the three months ended March 31, 2017 and the audited consolidated financial statements as at and for the year ended December 31, 2016.

REGULATORY POLICIES

Disclosure Controls and Procedures

Disclosure Controls and Procedures ("DC&P") are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management so that appropriate decisions can be made regarding public disclosure. The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), along with other members of management, have designed, or caused to be designed, under the CEO and CFO's supervision, disclosure controls and procedures and established processes to ensure that they are provided with sufficient knowledge to support the representations made in the interim certificates required to be filed under National Instrument 52-109.

Internal Controls over Financial Reporting

The CEO and CFO, along with participation from other members of management, are responsible for establishing and maintaining adequate Internal Control over Financial Reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial statements prepared in accordance with IFRS.

During the three months ended March 31, 2017, there has been no change in the Corporation's ICFR that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR.

Limitations of Controls and Procedures

The Corporation's management, including its CEO and CFO, believe that any DC&P or ICFR, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Corporation have been prevented or detected. These inherent limitations include the realities that judgements in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.