

# CANACOL ENERGY LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020



## FINANCIAL & OPERATING HIGHLIGHTS

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

Financial	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	Change	2020	2019	Change
Total natural gas, LNG and crude oil revenues, net of royalties and transportation expense	57,429	56,634	1%	182,828	153,727	19%
Adjusted funds from operations <sup>(1)</sup>	33,409	36,420	(8%)	109,871	91,911	20%
Per share – basic (\$) <sup>(1)</sup>	0.18	0.20	(10%)	0.61	0.52	17%
Per share – diluted (\$) <sup>(1)</sup>	0.18	0.20	(10%)	0.61	0.51	20%
Net income (loss) and other comprehensive income (loss) <sup>(2)</sup>	2,609	663	294%	(5,664)	8,815	n/a
Per share – basic (\$)	0.01	—	n/a	(0.03)	0.05	n/a
Per share – diluted (\$)	0.01	—	n/a	(0.03)	0.05	n/a
Cash flow provided by operating activities	50,016	36,887	36%	125,848	71,169	77%
Per share – basic (\$)	0.28	0.21	33%	0.70	0.40	75%
Per share – diluted (\$)	0.28	0.20	40%	0.69	0.40	73%
EBITDAX <sup>(1)</sup>	42,303	46,037	(8%)	141,588	122,867	15%
Weighted average shares outstanding – basic	180,980	178,273	2%	180,942	177,736	2%
Weighted average shares outstanding – diluted	181,495	180,873	—	181,543	179,681	1%
Capital expenditures, net of dispositions	26,437	30,806	(14%)	54,598	78,973	(31%)
				September 30, 2020	December 31, 2019	Change
Cash and cash equivalents				93,770	41,239	127%
Restricted cash				2,749	4,524	(39%)
Working capital surplus				87,764	50,676	73%
Total debt				416,684	392,946	6%
Total assets				779,560	754,062	3%
Common shares, end of period (000's)				180,623	180,075	—
Operating	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	Change	2020	2019	Change
Natural gas, LNG and crude oil production <sup>(1)</sup>						
Natural gas and LNG (MMscfpd)	162,012	147,630	10%	171,475	130,901	31%
Colombia oil (bopd)	317	322	(2%)	292	365	(20%)
Total (boepd)	28,740	26,222	10%	30,375	23,330	30%
Realized contractual sales, before royalties <sup>(1)</sup>						
Natural gas and LNG (MMscfpd)	162,984	146,439	11%	172,216	129,747	33%
Colombia oil (bopd)	347	329	5%	281	375	(25%)
Total (boepd)	28,941	26,020	11%	30,494	23,138	32%
Operating netbacks <sup>(1)</sup>						
Natural gas and LNG (\$/Mcf)	3.47	3.86	(10%)	3.57	3.92	(9%)
Colombia oil (\$/bopd)	17.04	24.34	(30%)	16.98	25.59	(34%)
Corporate (\$/boe)	19.76	22.06	(10%)	20.30	22.41	(9%)

(1) Non-IFRS measures – see “Non-IFRS Measures” section within MD&A.

(2) The net loss realized during the nine months ended September 30, 2020 is solely due to the non-cash deferred tax expense of \$39.3 million, which is primarily due to the effect of the reduction in the Colombian Peso (“COP”) exchange rate on the value of unused tax losses and cost pools. In the event that the COP strengthens in the future, as it did as at June 30, 2020, the Corporation would realize a deferred income tax recovery for the period.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Canacol Energy Ltd. and its subsidiaries ("Canacol" or the "Corporation") are primarily engaged in natural gas exploration and development activities in Colombia. The Corporation's head office is located at 2650, 585 - 8<sup>th</sup> 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 November 11, 2020 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 and nine months ended September 30, 2020 ("the financial statements"), and the audited consolidated financial statements and MD&A for the year ended December 31, 2019. 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 ("USD"), unless otherwise noted, and all tabular amounts are expressed in thousands of USD, 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](http://www.sedar.com).

**Forward-Looking Statements** – *Certain information set forth in this document contains forward-looking statements. All statements other than historical facts 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 natural gas and petroleum production will result from such capital projects, or that environmental licenses required to construct the pipeline from the Corporation's operations to Medellin will be obtained, or that additional natural gas sales contracts will be secured, 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 natural gas, LNG and oil 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 natural gas and oil operations, many of which are beyond the control of the Corporation and are subject to a higher degree of uncertainty due to COVID-19. 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** – Two of the benchmarks the Corporation uses to evaluate its performance are adjusted funds from operations and EBITDAX, which are measures not defined in the IFRS. Adjusted funds from operations represents cash flow provided by operating activities before the settlement of decommissioning obligations and changes in non-cash working capital. EBITDAX is calculated on a rolling 12-month basis and is defined as net income (loss) and comprehensive income (loss) adjusted for interest, income taxes, depreciation, depletion, amortization, pre-license costs and other similar non-recurring or non-cash charges. The Corporation considers these measures as key measures to demonstrate its ability to generate the cash flow necessary to fund future growth through capital investment, pay dividends and repay its debt. These measures should not be considered as an alternative to, or more meaningful than, cash provided by operating activities or net income (loss) and comprehensive income (loss) as determined in accordance with IFRS as an indicator of the Corporation's performance. The Corporation's determination of these measures 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 the weighted-average shares outstanding consistent with the calculation of net income (loss) and comprehensive income (loss) per share.

The following table reconciles the Corporation's cash provided by operating activities to adjusted funds from operations:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Cash flow provided by operating activities	\$ 50,016	\$ 36,887	\$ 125,848	\$ 71,169
Changes in non-cash working capital	(17,201)	(467)	(16,571)	18,001
Settlement of decommissioning obligations	594	—	594	2,741
<b>Adjusted funds from operations</b>	<b>\$ 33,409</b>	<b>\$ 36,420</b>	<b>\$ 109,871</b>	<b>\$ 91,911</b>

The following table reconciles the Corporation's net income (loss) and comprehensive income (loss) to EBITDAX:

	2019		2020		
	Q4	Q1	Q2	Q3	Rolling
Net income (loss) and comprehensive income (loss) <sup>(1)</sup>	\$ 25,432	\$ (25,988)	\$ 17,715	\$ 2,609	\$ 19,768
(+) Interest expense	7,800	7,631	7,705	7,602	30,738
(+) Income tax (recovery) expense	(6,330)	50,880	(3,754)	14,864	55,660
(+) Depletion and depreciation	16,842	17,954	16,226	14,045	65,067
(+) Pre-license costs	368	159	285	395	1,207
(+/-) Unrealized foreign exchange (gain) loss	(2,094)	3,030	747	(327)	1,356
(+/-) Other non-cash expenses and non-recurring items	1,126	5,204	1,491	3,115	10,936
<b>EBITDAX</b>	<b>\$ 43,144</b>	<b>\$ 58,870</b>	<b>\$ 40,415</b>	<b>\$ 42,303</b>	<b>\$ 184,732</b>

(1) The net loss realized during the nine months ended September 30, 2020 is solely due to the non-cash deferred tax expense of \$39.3 million, which is primarily due to the effect of the reduction in the COP exchange rate on the value of unused tax losses and cost pools. In the event that the COP strengthens in the future, as it did as at June 30, 2020, the Corporation would realize a deferred income tax recovery for the period.

In addition to the above, management uses working capital and operating netback measures. Working capital is calculated as current assets less current liabilities, excluding current portion of long-term obligations, 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 revenue, net of transportation expense, less royalties, less operating expenses, calculated on a per unit basis of sales volumes. Operating netback is an important measure in evaluating operational performance as it demonstrates 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. Natural gas and LNG volumes per day are expressed in million standard cubic feet per day (“MMscfpd”) throughout this MD&A.*

### Three Months Ended September 30, 2020 Financial and Operational Highlights

- Realized contractual natural gas and liquefied natural gas (“LNG”) sales volumes increased 11% to 163 MMscfpd for the three months ended September 30, 2020, compared to 146.4 MMscfpd for the same period in 2019. Average natural gas and LNG production volumes increased 10% to 162 MMscfpd for the three months ended September 30, 2020, compared to 147.6 MMscfpd for the same period in 2019. The increase is primarily due to the pipeline expansion in late Q3 2019 (the “pipeline expansion”), offset by the decrease in sales as a result of the COVID-19 pandemic.
- Total natural gas and LNG revenues, net of royalties and transportation expenses for the three months ended September 30, 2020 increased 2% to \$56.3 million, compared to \$55.1 million for same period in 2019, mainly attributable to the increase of natural gas production, offset by lower spot market gas sales prices, net of transportation costs due to COVID-19.
- Adjusted funds from operations decreased 8% to \$33.4 million for the three months ended September 30, 2020, compared to \$36.4 million for the same period in 2019.
- EBITDAX decreased 8% to \$42.3 million for the three months ended September 30, 2020, compared to \$46 million for the same period in 2019.
- The Corporation realized a net income of \$2.6 million for the three months ended September 30, 2020, compared to a net income of \$0.7 million for the same period in 2019, resulting in a 294% increase year over year.
- The Corporation’s natural gas and LNG operating netback decreased 10% to \$3.47 per Mcf in the three months ended September 30, 2020, compared to \$3.86 per Mcf for the same period in 2019. The decrease is mainly due to lower spot market gas sales prices, net of transportation costs and higher operating expenses per Mcf. Operating expenses per Mcf increased 21% to \$0.29 per Mcf during the three months ended September 30, 2020, compared to \$0.24 per Mcf for the same period in 2019, due to delayed maintenance activities in the first half of the year as a result of COVID-19 which are being made up in the last half of the year.
- Net capital expenditures for the three months ended September 30, 2020 were \$26.4 million. Net capital expenditures included non-cash adjustments related to decommissioning obligations and leased assets of \$0.8 million.
- On July 31, 2020, the Corporation entered into a \$46 million senior unsecured revolving credit facility (the “RCF”) and a \$75 million senior unsecured bridge term loan (the “Bridge Loan”) with a syndicate of banks. The Bridge Loan is intended to be used to construct and own a pipeline from the Corporation’s operations to Medellin, Colombia (the “Project”). The Bridge Loan includes an interest rate of LIBOR + 4.25%, a two-year term, and the Corporation’s ability to repay the Bridge Loan at any time within the term without penalty. The RCF includes an interest rate of LIBOR + 4.75%, a three-year term, and the Corporation’s ability to repay/redraw the RCF at any time within the term without penalty. Canacol will pay a commitment fee on the Bridge Loan and RCF of 30% of the respective interest margins of 4.25% and 4.75% on any undrawn amounts throughout the term.
- On August 28, 2020, the Corporation withdrew the initial \$25 million of the Bridge Loan, net of transaction costs of \$3.1 million, which will be used for initial engineering costs and environmental licensing related to the Project. The remaining \$50 million is available to be drawn at any time up to twelve months from the closing date and is currently budgeted for Project construction materials. The RCF remains undrawn as at September 30, 2020.
- As at September 30, 2020, the Corporation had \$93.8 million in cash and cash equivalents, \$2.7 million in restricted cash and \$87.8 million in working capital surplus.

## Results of Operations

For the three months ended September 30, 2020, the Corporation's production primarily consisted of natural gas from the Nelson, Palmer, Nispero and Cañahuate fields in the Esperanza block, the Clarinete and Pandereta fields in the VIM-5 block and the Toronja field in the VIM-21 block, located in the Lower Magdalena Basin in Colombia. The Corporation's production also includes crude oil from its Rancho Hermoso property in Colombia ("Colombia oil").

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Governments worldwide, including those in Colombia and Canada, have enacted emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic downturn.

Most energy companies worldwide have been heavily impacted by both the drastic drop in world oil price and demand related to the measures taken to limit the COVID-19 pandemic. Canacol has been relatively insulated from the effects of low oil prices given the Corporation's focus on natural gas production, with the majority of natural gas sales being under fixed volume and price take-or-pay contracts priced in USD at the wellhead.

Canacol's take-or-pay natural gas contracts have seen no instances of force majeure, with payments for deliveries being up to date with no events of default. During the three months ended September 30, 2020, Canacol has allowed take-or-pay off-takers to defer a portion of their contracted volumes to be delivered by November 2021, at the latest, with cash collections occurring by the end of 2020, at the latest. As a result of the country wide shutdown imposed in Colombia on March 26, 2020, industrial, construction, and commercial demand for gas decreased significantly. As a result, the Corporation's natural gas spot volumes demand and realized average sales prices have been impacted, which makes up a minority of the Corporation's natural gas portfolio.

During the three months ended September 30, 2020, the Corporation spud the Pandereta-8 development well located on its VIM-5 block. The well reached 9,524 feet measured depth ("ft md") and encountered 168 feet true vertical depth ("TVD") of net gas pay within the Ciénaga de Oro ("CDO") reservoir. The well tested at a final stable rate of 15.3 MMscf/d of dry gas. The well has been completed and will be tied into the manifold to be placed on production.

During the three months ended September 30, 2020, the Corporation spud the Porro Norte-1 exploration well, also located on its VIM-5 block. The well reached 11,810 ft md and encountered over an 80 TVD while drilling the primary reservoir objective in the Cicuco limestones of the CDO. Based on wireline logs, the well encountered 24 TVD of potential gas pay within the Cicuco limestone, a new play type on the VIM-5 block. The well was suspended and will be tested with a workover rig at a later date.

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



## Average Daily Production and Realized Contractual Sales Volumes

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

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	Change	2020	2019	Change
<b>Natural Gas and LNG (MMscfpd)</b>						
Natural gas and LNG production	162,012	147,630	10%	171,475	130,901	31%
Field consumption	744	(1,744)	n/a	92	(1,767)	n/a
Natural gas and LNG sales	162,756	145,886	12%	171,567	129,134	33%
Take-or-pay volumes (2)	228	553	(59%)	649	613	6%
<b>Realized contractual natural gas and LNG sales</b>	<b>162,984</b>	<b>146,439</b>	<b>11%</b>	<b>172,216</b>	<b>129,747</b>	<b>33%</b>
<b>Colombia Oil (bopd)</b>						
Crude oil production	317	322	(2%)	292	365	(20%)
Inventory movements and other	30	7	329%	(11)	10	n/a
<b>Colombia oil sales</b>	<b>347</b>	<b>329</b>	<b>5%</b>	<b>281</b>	<b>375</b>	<b>(25%)</b>
<b>Corporate (boepd / bopd)</b>						
Natural gas and LNG production	28,423	25,900	10%	30,083	22,965	31%
Colombia oil production	317	322	(2%)	292	365	(20%)
Total production	28,740	26,222	10%	30,375	23,330	30%
Field consumption and inventory	161	(299)	n/a	5	(300)	n/a
Total corporate sales	28,901	25,923	11%	30,380	23,030	32%
Take-or-pay volumes (2)	40	97	(59%)	114	108	6%
<b>Total realized contractual sales</b>	<b>28,941</b>	<b>26,020</b>	<b>11%</b>	<b>30,494</b>	<b>23,138</b>	<b>32%</b>

The Corporation has three types of natural gas and LNG sales:

- 1) *Natural Gas and LNG sales* - represents natural gas and LNG 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 and LNG sales nominations by the Corporation's off-takers that do not get delivered, due to the off-taker's inability to accept such natural 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 natural gas and LNG nominations* - represents the portion of undelivered natural gas and LNG sales nominations for which the off-takers 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 or by the end of 2020, at the latest, alongside natural gas and LNG 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.

The 10% and 31% increase in natural gas and LNG production volumes during the three and nine months ended September 30, 2020, compared to the same periods in 2019, respectively, is primarily due to the pipeline expansion. The Corporation's natural gas and LNG production volumes are less than anticipated during the three and nine months ended September 30, 2020 due to the decreased demand for spot volumes during the COVID-19 pandemic. In addition, certain off-takers under take-or-pay contracts have either utilized their annual contracted downtime or delayed their deliveries due to COVID-19 during the three and nine months ended September 30, 2020, which will be made up during the remainder of 2020 and into 2021. Natural gas and LNG sales volumes are higher than production volumes due to natural gas purchases made during the three and nine months ended September 30, 2020.

Realized contractual natural gas and LNG sales for the three and nine months ended September 30, 2020 averaged approximately 163 and 172.2 MMscfpd, respectively. Realized contractual sales is defined as natural

gas and LNG produced and sold plus income received from nominated take-or-pay contracts without the actual delivery of natural gas or LNG and the expiry of the customers' rights to take the deliveries.

### Revenues, Net of Royalties and Transportation Expenses

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	Change	2020	2019	Change
<b>Natural Gas and LNG</b>						
Natural gas and LNG revenues	\$ 73,213	\$ 70,566	4%	\$ 235,836	\$ 181,085	30%
Transportation expenses	(7,045)	(6,914)	2%	(24,461)	(10,449)	134%
Revenues, net of transportation expenses	66,168	63,652	4%	211,375	170,636	24%
Royalties	(9,869)	(8,554)	15%	(31,883)	(22,473)	42%
<b>Revenues, net of royalties and transportation expenses</b>	<b>\$ 56,299</b>	<b>\$ 55,098</b>	<b>2%</b>	<b>\$ 179,492</b>	<b>\$ 148,163</b>	<b>21%</b>
<b>Colombia Oil</b>						
Crude oil revenues	\$ 1,057	\$ 1,452	(27%)	\$ 2,435	\$ 5,325	(54%)
Transportation expenses	—	(98)	n/a	15	(324)	n/a
Revenues, net of transportation expenses	1,057	1,354	(22%)	2,450	5,001	(51%)
Royalties	(82)	(117)	(30%)	(186)	(415)	(55%)
<b>Revenues, net of royalties and transportation expenses</b>	<b>\$ 975</b>	<b>\$ 1,237</b>	<b>(21%)</b>	<b>\$ 2,264</b>	<b>\$ 4,586</b>	<b>(51%)</b>
<b>Corporate</b>						
Natural gas and LNG revenues	\$ 73,213	\$ 70,566	4%	\$ 235,836	\$ 181,085	30%
Crude oil revenues	1,057	1,452	(27%)	2,435	5,325	(54%)
Total revenues	74,270	72,018	3%	238,271	186,410	28%
Royalties	(9,951)	(8,671)	15%	(32,069)	(22,888)	40%
Natural gas, LNG and crude oil revenues, net of royalties, as reported	64,319	63,347	2%	206,202	163,522	26%
Take-or-pay natural gas and LNG income (2)	155	299	(48%)	1,072	978	10%
Total natural gas, LNG and crude oil revenues, after royalties, as reported	64,474	63,646	1%	207,274	164,500	26%
Transportation expenses	(7,045)	(7,012)	—	(24,446)	(10,773)	127%
<b>Total revenues, net of royalties and transportation expenses</b>	<b>\$ 57,429</b>	<b>\$ 56,634</b>	<b>1%</b>	<b>\$ 182,828</b>	<b>\$ 153,727</b>	<b>19%</b>

### Natural Gas and LNG Realized Contractual Sales

During the three and nine months ended September 30, 2020, the Corporation realized \$0.2 million and \$1.1 million of take-or-pay income (as described in (2) on page six of this MD&A), respectively, which is equivalent to 0.2 MMscf/d and 0.6 MMscf/d, of natural gas and LNG sales, respectively, without actual delivery of the natural gas or LNG and the expiry of the customers' rights to take the deliveries.

As at September 30, 2020, the Corporation has deferred income of \$13.7 million which related to: i) \$11.2 million of undelivered natural gas and LNG sales nominations during for which the off-takers have a legal right to take delivery at a later maturity date and ii) proceeds of \$2.5 million received for natural gas, LNG and crude oil to be delivered within the next twelve months. As at September 30, 2020, \$10.3 million of the \$11.2 million relates to undelivered nominations, which will be delivered no later than November 2021 and as such, \$10.3 million has been classified as a non-current liability. The remaining \$0.9 million of the \$11.2 million undelivered nominations along with the proceeds received of \$2.5 million are expected to be delivered within the next twelve months and, as such, \$3.4 million has been classified as a current liability.



## Natural Gas Transportation Expenses

The sales prices of the Corporation's natural gas sales contracts are largely fixed, with a portion of its portfolio sold on the spot market, of which the Corporation incurs transportation expenses. Natural gas transportation expenses associated with the Corporation's take-or-pay natural gas sales contracts are generally passed through to Canacol's customers, with the exception of a small number of take-or-pay customers. The Corporation's transportation expenses associated with the spot sales are compensated by higher gross sales prices, resulting in realized sales prices, net of transportation being consistent with the Corporation's fixed-priced contracts.

Natural gas transportation expenses increased 2% and 134% during the three and nine months ended September 30, 2020, compared to the same periods in 2019, respectively, primarily due to the increase in natural gas sales volume subject to transportation expenses, as describe above, compared to the same periods in 2019.

## Natural Gas Royalties

The Corporation's natural gas royalties are generally at a rate of 6.4%, until net field production reaches 5,000 boepd, at which point the royalty rates increase on a sliding scale up to a 20% maximum rate at 125,000 boepd field production. The Corporation's natural gas production is subject to an additional overriding royalty of 2% - 4%. The Corporation's VIM-5 and VIM-21 natural gas production is subject to additional x-factor royalty rates of 13% and 3%, respectively. The natural gas royalty rate was higher than prior periods at 14.9% and 15.1% during the three and nine months ended September 30, 2020, respectively, mainly due to increased production at the Corporation's VIM-5 block, which is subject to a higher royalty rate.

## Average Sales Prices, Net of Transportation

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	Change	2020	2019	Change
<b>Average Benchmark Prices</b>						
Henry Hub (\$/Mcf)	\$ 2.14	\$ 2.33	(8%)	\$ 1.92	\$ 2.57	(25%)
Alberta Energy Company (\$/Mcf)	\$ 1.69	\$ 1.04	63%	\$ 1.51	\$ 1.09	39%
Brent (\$/bbl)	\$ 43.32	\$ 62.11	(30%)	\$ 42.64	\$ 64.78	(34%)
<b>Average Sales Prices, Net of Transportation</b>						
Natural gas and LNG (\$/Mcf)	\$ 4.42	\$ 4.74	(7%)	\$ 4.50	\$ 4.84	(7%)
Colombia oil (\$/bbl)	\$ 33.11	\$ 44.73	(26%)	\$ 31.82	\$ 48.85	(35%)
<b>Corporate average (\$/boe)</b>	<b>\$ 25.28</b>	<b>\$ 27.25</b>	<b>(7%)</b>	<b>\$ 25.69</b>	<b>\$ 27.93</b>	<b>(8%)</b>

The decrease in average natural gas and LNG sales prices, net of transportation during the three and nine months ended September 30, 2020, compared to the same periods in 2019, is mainly due to the lower demand of spot sales as a result of the COVID-19 pandemic.

The decrease in average crude oil sales prices during the three and nine months ended September 30, 2020, compared to the same periods in 2019, is mainly due to decreased benchmark crude oil prices.

## Operating Expenses

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	Change	2020	2019	Change
Natural gas and LNG	\$ 4,291	\$ 3,192	34%	\$ 11,854	\$ 9,830	21%
Colombia oil	431	500	(14%)	956	1,967	(51%)
<b>Total operating expenses</b>	<b>\$ 4,722</b>	<b>\$ 3,692</b>	<b>28%</b>	<b>\$ 12,810</b>	<b>\$ 11,797</b>	<b>9%</b>
Natural gas and LNG (\$/Mcf)	\$ 0.29	\$ 0.24	21%	\$ 0.25	\$ 0.28	(11%)
Colombia oil (\$/bbl)	\$ 13.50	\$ 16.52	(18%)	\$ 12.42	\$ 19.21	(35%)
<b>Corporate (\$/boe)</b>	<b>\$ 1.78</b>	<b>\$ 1.55</b>	<b>15%</b>	<b>\$ 1.54</b>	<b>\$ 1.88</b>	<b>(18%)</b>

Natural gas and LNG operating expenses per Mcf increased 21% to \$0.29 per Mcf for the three months ended September 30, 2020, compared to \$0.24 per Mcf for the same period in 2019. The increase is due to delayed maintenance activities during the first half of the year as a result of COVID-19 which are being made up in the last half of the year.

Natural gas and LNG operating expenses per Mcf decreased 11% to \$0.25 per Mcf for the nine months ended September 30, 2020, compared to \$0.28 per Mcf for the same period in 2019. The decrease is mainly attributable to the increase in natural gas sales volumes as a result of the pipeline expansion in late Q3 2019 as over 90% of the Corporation's operating expenses are fixed and, normally, are evenly distributed throughout the year.

### Operating Netbacks

\$/Mcf	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	Change	2020	2019	Change
<b>Natural Gas and LNG</b>						
Revenue, net of transportation expense	\$ 4.42	\$ 4.74	(7%)	\$ 4.50	\$ 4.84	(7%)
Royalties	(0.66)	(0.64)	3%	(0.68)	(0.64)	6%
Operating expenses	(0.29)	(0.24)	21%	(0.25)	(0.28)	(11%)
<b>Operating netback</b>	<b>\$ 3.47</b>	<b>\$ 3.86</b>	<b>(10%)</b>	<b>\$ 3.57</b>	<b>\$ 3.92</b>	<b>(9%)</b>

\$/bbl	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	Change	2020	2019	Change
<b>Colombia oil</b>						
Revenue, net of transportation expense	\$ 33.11	\$ 44.73	(26%)	\$ 31.82	\$ 48.85	(35%)
Royalties	(2.57)	(3.87)	(34%)	(2.42)	(4.05)	(40%)
Operating expenses	(13.50)	(16.52)	(18%)	(12.42)	(19.21)	(35%)
<b>Operating netback</b>	<b>\$ 17.04</b>	<b>\$ 24.34</b>	<b>(30%)</b>	<b>\$ 16.98</b>	<b>\$ 25.59</b>	<b>(34%)</b>

\$/boe	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	Change	2020	2019	Change
<b>Corporate</b>						
Revenue, net of transportation expense	\$ 25.28	\$ 27.25	(7%)	\$ 25.69	\$ 27.93	(8%)
Royalties	(3.74)	(3.64)	3%	(3.85)	(3.64)	6%
Operating expenses	(1.78)	(1.55)	15%	(1.54)	(1.88)	(18%)
<b>Operating netback</b>	<b>\$ 19.76</b>	<b>\$ 22.06</b>	<b>(10%)</b>	<b>\$ 20.30</b>	<b>\$ 22.41</b>	<b>(9%)</b>

### General and Administrative Expenses

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	Change	2020	2019	Change
Gross costs	\$ 7,665	\$ 6,522	18%	\$ 22,730	\$ 20,888	9%
Less: capitalized amounts	(1,313)	(1,226)	7%	(3,799)	(4,082)	(7%)
<b>General and administrative expenses</b>	<b>\$ 6,352</b>	<b>\$ 5,296</b>	<b>20%</b>	<b>\$ 18,931</b>	<b>\$ 16,806</b>	<b>13%</b>
<b>\$/boe</b>	<b>\$ 2.39</b>	<b>\$ 2.22</b>	<b>8%</b>	<b>\$ 2.27</b>	<b>\$ 2.67</b>	<b>(15%)</b>

General and administrative ("G&A") gross costs increased 18% and 9% during the three and nine months ended September 30, 2020, compared to the same periods in 2019, respectively, due to certain year-end annual costs typically paid at year-end now being accrued on a quarterly basis throughout the year, offset by the devaluation of the COP and Canadian dollar ("CAD") relative to the USD during three and nine months ended September 30, 2020.

G&A per boe decreased 15% during the nine months ended September 30, 2020, compared to the same period in 2019. The decrease is mainly due to the increase of natural gas production. Gross costs are expected to

remain flat as the Corporation's production base grows, which will result in the G&A per boe to further decrease going forward.

### Net Finance Expense

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	Change	2020	2019	Change
Net financing expense paid	\$ 7,230	\$ 7,290	(1%)	\$ 21,129	\$ 22,019	(4%)
Non-cash financing expenses	930	874	6%	1,459	2,562	(43%)
<b>Net finance expense</b>	<b>\$ 8,160</b>	<b>\$ 8,164</b>	<b>—</b>	<b>\$ 22,588</b>	<b>\$ 24,581</b>	<b>(8%)</b>

Net finance expense decreased during the nine months ended September 30, 2020, compared to the same period in 2019, mainly as a result of: i) interest income of \$1 million earned on proceeds owed to the Corporation related to a litigation settlement ruled in favor of the Corporation and ii) a gain on debt modification of \$1.2 million related to the Bank Debt modification.

### Stock-Based Compensation Expense and Restricted Share Units

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	Change	2020	2019	Change
Stock-based compensation expense	\$ 502	\$ 568	(12%)	\$ 1,618	\$ 2,817	(43%)
Restricted share unit expense	863	521	66%	3,761	3,777	—
<b>Stock-based compensation and restricted share unit expense</b>	<b>\$ 1,365</b>	<b>\$ 1,089</b>	<b>25%</b>	<b>\$ 5,379</b>	<b>\$ 6,594</b>	<b>(18%)</b>

Stock-based compensation and restricted share units expense is a non-cash expense recognized based on the fair value of units granted recognized on a graded vesting basis over the grant term. The fair value of the stock options granted were estimated using the Black-Scholes option pricing model.

### Depletion and Depreciation Expense

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	Change	2020	2019	Change
Depletion and depreciation expense	\$ 14,045	\$ 13,015	8%	\$ 48,225	\$ 37,441	29%
\$/boe	\$ 5.28	\$ 5.46	(3%)	\$ 5.79	\$ 5.96	(3%)

Depletion and depreciation expense increased 8% and 29% during the three and nine months ended September 30, 2020, compared to the same periods in 2019, respectively, primarily as a result of higher natural gas production, depletion of the Jobo 3 natural gas processing facility, depletion of the LNG plant costs and depletion of the Rancho Hermoso block, previously not being depleted as it was classified as an asset held for sale since Q3 2019.

### Income Tax Expense

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Current income tax expense	\$ 5,035	\$ 6,064	\$ 22,687	\$ 21,252
Deferred income tax expense	9,829	14,202	39,303	14,061
<b>Income tax expense</b>	<b>\$ 14,864</b>	<b>\$ 20,266</b>	<b>\$ 61,990</b>	<b>\$ 35,313</b>

The Corporation's pre-tax income was subject to the Colombian statutory income tax rate of 32% for the three and nine months ended September 30, 2020. The Colombian statutory income tax rate will decrease to 31% on January 1, 2021 and then to 30% on January 1, 2022.

The Corporation's unused tax losses and cost pools are denominated in COP which are re-valued at each reporting date using the period end COP to USD foreign exchange rate. The non-cash deferred income tax expense recognized during the nine months ended September 30, 2020 of \$39.3 million was mainly as a result of the 18% de-valuation of the COP to USD as at September 30, 2020 of 3,879:1, compared to the December 31, 2019 rate of 3,277:1. In the event that the COP strengthens further in the future, as it did as at June 30, 2020, the Corporation would realize a deferred income tax recovery for the period.

## Capital Expenditures

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Drilling and completions	\$ 13,705	\$ 12,021	\$ 29,637	\$ 29,781
Facilities, workovers and infrastructure	9,621	9,770	16,521	30,934
Land, seismic, communities and other	2,618	7,588	9,240	21,100
Right-of-Use leased assets <sup>(1)</sup>	120	(738)	1,425	4,512
Capitalized G&A	1,313	1,226	3,799	4,082
Disposition <sup>(1)</sup>	(128)	—	(211)	(14,506)
Non-cash costs and adjustments <sup>(1)</sup>	(812)	939	(5,813)	3,070
<b>Net capital expenditures</b>	<b>\$ 26,437</b>	<b>\$ 30,806</b>	<b>\$ 54,598</b>	<b>\$ 78,973</b>
Net capital expenditures recorded as:				
Expenditures on exploration and evaluation assets	\$ 11,697	\$ 9,948	\$ 16,764	\$ 27,341
Expenditures on property, plant and equipment	14,868	20,858	38,045	66,138
Disposition <sup>(1)</sup>	(128)	—	(211)	(14,506)
<b>Net capital expenditures</b>	<b>\$ 26,437</b>	<b>\$ 30,806</b>	<b>\$ 54,598</b>	<b>\$ 78,973</b>

<sup>(1)</sup> Non-cash costs and adjustments relate to change in estimates related to decommissioning obligations and right-of-use leased assets.

Net capital expenditures during the three months ended September 30, 2020 are primarily related to:

- Drilling and completion of the Pandereta-8 development well;
- Drilling and completion of the Porro Norte-1 exploration well;
- Workovers at the Esperanza block;
- Facility costs, including compressors, at the Esperanza and VIM-21 blocks; and
- Pre-drilling costs of the Fresa-1 exploration well.

## Liquidity and Capital Resources

### Foreign Currency Risk

As at September 30, 2020, the COP to the USD exchange rate was 3,879:1 (December 31, 2019 – 3,277:1) and the CAD to USD exchange rate was 1.33:1 (December 31, 2019 – 1.30:1). The 18% devaluation of the COP and 3% devaluation of CAD resulted in the reduction of certain expenditures and liabilities as at and during the nine months ended September 30, 2020. In addition, \$25.1 million of the total deferred income tax expense of \$39.3 million recognized during the nine months ended September 30, 2020 was as a result of the devaluation of COP to USD.

During the nine months ended September 30, 2020, the Corporation held a foreign exchange contract under the following terms:

Term	Principal	Type	Exchange Rate Range
August 2019 - July 2020	\$2.5 million	COP to USD foreign exchange collar	3,383:1 - 3,535:1

The foreign exchange contract has expired as at September 30, 2020 and the Corporation has not entered into a new contract.

As a result of recent world events, the Corporation is currently benefiting from the recent depreciation of the COP and the CAD. The recent COP decline against the USD effectively reduces COP denominated expenditures including capital expenditures, operating costs and G&A for 2020, as compared to the Corporation's original

budget estimates. The Corporation's foreign exchange contract, which was historically 'in the money', partially reduced the savings until its expiry in July 2020.

## 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, long-term debt, litigation settlement liability, lease obligations and working capital, defined as current assets less current liabilities excluding current portion of long-term obligations. In order to maintain or adjust the capital structure, from time to time the Corporation may issue or repurchase common shares or other securities, sell assets or adjust its capital spending to manage current and projected debt levels. During the three and nine months ended September 30, 2020, the Corporation repurchased 426,000 and 823,723 common shares of the Corporation, at a cost of \$1.2 million and \$2.3 million, including transaction fees, respectively. Subsequent to September 30, 2020, the Corporation repurchased 982,800 common shares of the Corporation at a cost of \$2.6 million, including transaction costs.

On September 21, 2020, the Corporation entered into an Automatic Share Purchase Plan ("ASPP"), which permits an independent broker to repurchase shares during blackout periods under the Corporation's normal course issuer bid, which limits the maximum daily share purchases to 46,189 shares per day. Canacol recognized a provision of \$3.1 million in trade and other payables as at September 30, 2020 as an estimate of the number of shares that may be repurchased during blackout periods at the maximum share price under the ASPP.

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 long-term obligations 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 commodity 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.

The Corporation's Senior Notes, Bank Debt and Bridge Loan include various non-financial covenants relating to indebtedness, operations, investments, assets sales, capital expenditures and other standard operating business covenants. The bank debt is also subject to various financial covenants, including a maximum consolidated total debt, less cash and cash equivalents, to twelve months trailing EBITDAX ratio ("Consolidated Leverage Ratio") of 3.50:1.00 and a minimum twelve months trailing EBITDAX to interest expense, excluding non-cash expenses, ratio ("Consolidated Interest Coverage Ratio") of 2.50:1.00. As at September 30, 2020, the Corporation was in compliance with the covenants.

	September 30, 2020	December 31, 2019
Senior Notes - principal (7.25%)	\$ 320,000	\$ 320,000
Bank Debt - principal (LIBOR + 4.25%)	30,000	30,000
Bridge Loan - principal (LIBOR + 4.25%)	25,000	—
Operating loan - principal (IBR + 2%)	5,156	—
Litigation settlement liability (8.74%)	12,894	15,848
Lease obligation (5.1%)	23,634	27,098
Total debt	416,684	392,946
Less: working capital surplus	(87,764)	(50,676)
<b>Net debt</b>	<b>\$ 328,920</b>	<b>\$ 342,270</b>

The Consolidated Leverage Ratio is calculated as follows:

	September 30, 2020	
Total debt	\$	416,684
Less: cash and cash equivalents		(93,770)
Net debt for covenant purposes		322,914
EBITDAX		184,732
<b>Consolidated Leverage Ratio</b>		<b>1.75</b>

The Consolidated Interest Coverage Ratio is calculated as follows:

	September 30, 2020	
EBITDAX	\$	184,732
Interest expense, excluding non-cash expenses		30,738
<b>Consolidated Interest Coverage Ratio</b>		<b>6.01</b>

As at November 11, 2020, the Corporation had 179.9 million common shares, 15.2 million stock options and 0.8 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 September 30, 2020:

	Less than 1 year		1-3 years		Thereafter		Total	
Long-term debt – principal	\$	5,156	\$	55,000	\$	320,000	\$	380,156
Lease obligations – undiscounted		5,469		8,576		13,528		27,573
Trade and other payables		57,020		—		—		57,020
Dividend payable		7,041		—		—		7,041
Taxes payable		10,618		—		—		10,618
Deferred income		3,361		10,302		—		13,663
Litigation settlement liability		677		1,354		10,863		12,894
Other long term obligations		—		3,040		—		3,040
Restricted share units		1,286		—		—		1,286
Exploration and production contracts		6,000		35,348		4,496		45,844
Compression station operating contracts		2,596		5,348		12,091		20,035
	<b>\$</b>	<b>99,224</b>	<b>\$</b>	<b>118,968</b>	<b>\$</b>	<b>360,978</b>	<b>\$</b>	<b>579,170</b>

### Letters of Credit

At September 30, 2020, the Corporation had letters of credit outstanding totaling \$85.2 million to guarantee work commitments on exploration blocks in Colombia and to guarantee other contractual commitments, of which, \$11.3 million financial guarantees relate to certain petroleum assets previously sold.

### 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 September 30, 2020 of \$45.8 million and has issued \$29.8 million in financial guarantees related thereto.



## OUTLOOK

In October 2020, the Corporation tested the Arandala-1 exploration well, which was drilled in late 2019. The well encountered 29.5 feet true vertical depth of net gas pay within the Porquero sandstone and was tested with a final production rate of 12.8 MMscfpd. The well is currently tied to the production manifold and ready for production.

For the remainder of 2020, the Corporation plans to commence the drilling of two additional gas exploration wells, Flauta-1 and Siku-1.

The Corporation also plans to add two new exploration and production contracts to its portfolio, the VIM-44 block, which is located in the Lower Magdalena Basin adjacent to its main gas producing area, and the VMM-47 block located in the Middle Magdalena Basin which complements its large existing gas exploration position in the basin.

The 2020 year started with national gas demand slightly above 2019 levels in the January and February 2020 time period. In the month of April 2020, with Colombia under a country-wide lockdown related to COVID-19, the national gas demand decreased 25% relative to the same period in 2019, 721 MMscfpd versus 957 MMscfpd respectively. Since May 2020, the national gas demand has slowly recovered as economic activity resumed following the lockdown. In the month of October 2020, the national gas demand stood at 837 MMscfpd, down only 6% from 892 MMscfpd in October 2019. In order to increase interruptible gas sales during the period May through to August 2020, the Corporation sold interruptible volumes at competitive prices to gain market share. Since September 2020, with higher levels of national demand, the Corporation's pricing for interruptible volumes has recovered. Although the Corporation expects national gas demand to increase in 2021 from 2020 levels, given the ongoing spread of COVID-19 in Colombia, uncertainty remains with respect to both future gas demand and interruptible pricing depending upon the trajectory of the pandemic in Colombia.

## SUMMARY OF QUARTERLY RESULTS

	Q3	2020			2019			2018
		Q2	Q1	Q4	Q3	Q2	Q1	Q4
<b>Financial</b>								
Total natural gas, LNG and crude oil revenues, net of royalties and transportation expense	<b>57,429</b>	54,405	70,994	65,795	56,634	47,689	49,404	50,727
Adjusted funds from operations <sup>(1)</sup>	<b>33,409</b>	31,181	45,281	33,004	36,420	25,583	29,907	28,679
Per share – basic (\$) <sup>(1)</sup>	<b>0.18</b>	0.17	0.25	0.18	0.20	0.14	0.17	0.16
Per share – diluted (\$) <sup>(1)</sup>	<b>0.18</b>	0.17	0.25	0.18	0.20	0.14	0.17	0.16
Net income (loss) and comprehensive income (loss) <sup>(2)</sup>	<b>2,609</b>	17,715	(25,988)	25,432	663	1,878	6,274	(16,272)
Per share – basic (\$)	<b>0.01</b>	0.10	(0.14)	0.14	—	0.01	0.03	(0.09)
Per share – diluted (\$)	<b>0.01</b>	0.10	(0.14)	0.14	—	0.01	0.03	(0.09)
EBITDAX <sup>(1)</sup>	<b>42,303</b>	40,415	58,870	43,144	46,037	37,008	39,822	33,440
Weighted average shares outstanding – basic	<b>180,980</b>	180,916	180,931	179,238	178,273	177,381	177,547	177,678
Weighted average shares outstanding – diluted	<b>181,495</b>	181,484	181,811	181,412	180,873	178,979	179,637	178,977
Capital expenditures, net	<b>26,437</b>	8,269	19,892	21,514	30,806	13,442	34,725	37,701
<b>Operations</b>								
Natural gas, LNG and crude oil production, before royalties <sup>(1)</sup>								
Natural gas and LNG (MMscfpd)	<b>162,012</b>	151,127	201,398	180,986	147,630	121,496	123,291	116,616
Colombia oil (bopd)	<b>317</b>	245	315	309	322	342	433	488
Total (boepd)	<b>28,740</b>	26,758	35,648	32,061	26,222	21,657	22,063	20,947
<b>Realized contractual sales, before royalties<sup>(1)</sup></b>								
<b>Natural gas and LNG (MMscfpd)</b>	<b>162,984</b>	152,248	201,524	180,753	146,439	120,515	122,025	119,284
<b>Colombia oil (bopd)</b>	<b>347</b>	197	298	301	329	356	440	592
<b>Total (boepd)</b>	<b>28,941</b>	26,907	35,653	32,012	26,020	21,499	21,848	21,519
Operating netbacks (\$/boe) <sup>(1)</sup>								
Natural gas and LNG (\$/Mcf)	<b>3.47</b>	3.63	3.60	3.58	3.86	3.88	4.03	3.92
Colombia oil (\$/bbl)	<b>17.04</b>	12.16	20.13	27.08	24.34	29.20	23.64	27.89
Corporate (\$/boe)	<b>19.76</b>	20.61	20.49	20.49	22.06	22.27	23.00	22.51

(1) Non-IFRS measure – see “Non-IFRS Measures” section above.

(2) The net loss realized during the nine months ended September 30, 2020 is solely due to the non-cash deferred tax expense of \$39.3 million, which is primarily due to the effect of the reduction in the COP exchange rate on the value of unused tax losses and cost pools. In the event that the COP strengthens in the future, as it did as at June 30, 2020, the Corporation would realize a deferred income tax recovery for the period.

## RISKS AND UNCERTAINTIES

The risk and uncertainties identified in the audited consolidated financial statements for the year ended December 31, 2019 are subject to a higher degree of measurement uncertainty during this volatile period due to circumstances related to COVID-19.

## 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 has not implemented new accounting policies during the three months ended September 30, 2020.

## REGULATORY POLICIES

### Disclosure Controls and Procedures

Disclosure Controls and Procedures ("DC&P") are designed to provide reasonable assurance that all material information is gathered and reported on a timely basis to senior management so that appropriate decisions can be made regarding public disclosure and that information required to be disclosed by the issuer under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. 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, DC&P 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 September 30, 2020, 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.