

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name CANACOL ENERGY LTD.			2 Issuer's employer identification number (EIN) 98-1458096	
3 Name of contact for additional information TRACY L WHITMORE		4 Telephone No. of contact 403-237-9925		5 Email address of contact twhitmore@canacolenergy.com
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 2650, 585 - 8TH AVE SW				7 City, town, or post office, state, and ZIP code of contact CALGARY, ALBERTA, T2P 1G1, CANADA
8 Date of action NOVEMBER 6, 2018			9 Classification and description COMMON STOCK	
10 CUSIP number 134808203	11 Serial number(s)		12 Ticker symbol CNE	13 Account number(s)

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ PLEASE SEE ATTACHED STATEMENT

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ PLEASE SEE ATTACHED STATEMENT

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ PLEASE SEE ATTACHED STATEMENT

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ PLEASE SEE ATTACHED STATEMENT

Blank lined area for listing applicable Internal Revenue Code sections.


18 Can any resulting loss be recognized? ▶ PLEASE SEE ATTACHED STATEMENT

Blank lined area for providing information regarding resulting loss recognition.

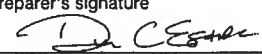
19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ PLEASE SEE ATTACHED STATEMENT

Blank lined area for providing other necessary information for the adjustment.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here Signature ▶  Date ▶ NOVEMBER 26, 2018

Print your name ▶ JASON BEDNAR Title ▶ CFO

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	DIANA C ESTRADA		2018-11-20		P01511949
	Firm's name ▶ DELOITTE LLP	Firm's address ▶ 700-850 2ND ST SW, CALGARY, AB CANADA T2P 0R8		Firm's EIN ▶	98-0115552
				Phone no.	403-267-1700

November 20, 2018

Canacol Energy Ltd. 98-1458096

Attachment to Form 8937

This information does not constitute tax advice, nor does it purport to be complete or to describe the consequences that may apply to particular categories of shareholders. Shareholders are urged to consult their own legal, financial or tax advisor with respect to their individual tax consequences relating to this organizational action.

Part II – Line 14:

On November 6, 2018 Canacol Energy Ltd. ("Canacol") distributed 22,598,870 shares of Arrow Exploration Corp. ("Arrow") common stock ("Arrow Stock") valued at USD \$ 11,642,488 to its shareholders. Canacol shareholders received 0.12720671913 shares of Arrow Stock for each Canacol share held. No fractional shares were distributed nor was any cash paid in lieu of fractional shares. Arrow shares are listed on the Toronto Stock Exchange for Ventures ("TSXV") under the ticker symbol 'AXL'.

This distribution is described in full in Canacol's press release, dated November 7, 2018, available at www.canacolenergy.com.

Part II – Line 15:

Canacol has reasonably determined that it is not likely to have positive accumulated earnings and profits or current earnings and profits for the year ended December 31, 2018. Accordingly, the distribution is likely to be treated as a section 301(c)(2) return of basis for U.S. federal income tax purposes.

Generally, the portion of a distribution on common stock that is treated as a return of basis reduces the tax basis in the shares of the common stock up to a holder's adjusted basis in the common stock, with any excess treated as capital gains pursuant to section 301(c)(3). Shareholders should consult with their tax advisers regarding their particular circumstances.

Canacol shareholders may reduce their adjusted basis in Canacol shares by \$0.515 per whole share of Arrow stock received.

Part II – Line 16:

Based on the U.S. federal income tax treatment described above, the reduction of adjusted basis in Canacol shares is based on the fair market value ("FMV") of the property (i.e., Arrow Shares) distributed as of the date of the distribution. One reasonable approach to value the Arrow Shares is to use the average of the highest and lowest quoted prices on the date of the distribution (November 6, 2018). Using this approach, the fair market value of one full share of Arrow Stock on November 6, 2018 was \$0.515 (\$0.519 high and \$0.511 low).

Part II – Line 17

The tax treatment is based on sections 301(c)(2) and 301(c)(3).

Part II – Line 18:

Shareholders who received a distribution of Arrow Stock generally recognize gain but not loss to the extent the fair market value of the Arrow Stock received exceeds the tax basis of the shareholder's Canacol shares.

Part II – Line 19:

The stock basis adjustment and any reportable gain will be taken into account in the tax year of the shareholder during which the distribution occurred. This will be 2018 for calendar year taxpayers.