CANACOL ENERGY LTD.

ANNUAL INFORMATION FORM
FOR THE PERIOD ENDED DECEMBER 31, 2015

March 23, 2016

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SCHEDULES

CERTAIN DEFINITIONS

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

Selected Defined Terms

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

"**2012 Credit Facility**" means the $200 million credit facility with a syndicate of financial institutions that had an initial borrowing base of $85 million and consisted of a reserve-based revolving facility of $55 million and a term facility of $30 million. The 2012 Credit Facility replaced the Corporation's previous gas plant credit facility. The revolving facility had a three-year term and was subject to re-determination of the borrowing base semi-annually on April 1 and October 1 each year, beginning on October 1, 2012. Advances under the revolving facility bore interest at rates ranging from the London Interbank Offered Rate ("**LIBOR**") plus 2.5% - 3.25% per annum, depending on utilization. Undrawn amounts under the revolving facility bore a commitment fee of 0.5% per annum. The term facility was repayable in 10 equal principal instalments plus interest at the end of each three-month period starting September 1, 2012. On April 3, 2013, the Corporation cancelled and repaid all amounts outstanding under the 2012 Credit Facility with proceeds from 2013 Credit Facility as described herein;

"**2013 Credit Facility**" means the senior secured term loan with a syndicate of banks. The term loan is for a five-year term, with interest payable quarterly and principal repayable in 15 equal quarterly instalments starting in October 2014, following an initial 18 month grace period. The term loan carries interest at LIBOR plus 4.50% and is secured by all of the material assets of Canacol. The Corporation is required to repay all outstanding amounts drawn on the 2013 Credit Facility upon the occurrence of a change of control. The Corporation increased the borrowing base of the 2013 Credit Facility on April 24, 2014 from $140,000,000 to $220,000,000, with no change to the term or the repayment schedule. On April 27, 2015, the Corporation cancelled and repaid all amounts outstanding under the 2013 Credit Facility with proceeds from 2015 Credit Facility as described herein;

"**2014 Senior Notes**" means the $100 million unsecured floating rate senior notes issued pursuant to a note indenture agreement, with $50 million drawn and funded as of October 29, 2014, $25 million drawn and funded on April 2, 2015 and a further $25 million committed and available to be drawn at any time up to April 27, 2016 at the sole discretion of the Corporation, subject to certain conditions. The 2014 Senior Notes are repayable in full on their maturity date of December 31, 2019 and carry interest at LIBOR plus 8.5% per annum (subject to a LIBOR floor of 1.0%), payable quarterly. Standby fees on the undrawn portion of the 2014 Senior Notes are calculated at 1% per annum;

"**2015 Credit Facility**" means the $200 million senior secured term loan with a syndicate of banks. The term loan is due September 30, 2019, with interest payable quarterly and principal repayable in eight equal quarterly instalments starting December 31, 2017, following an initial grace period. The term loan bears interest at LIBOR plus 4.75% and is secured by all of the material assets of the Corporation. Proceeds from the 2015 Credit Facility were used for repayment of principal ($176 million) and accrued interest outstanding under the 2013 Credit Facility, costs of the transaction, and for other general corporate purposes. On September 30, 2015, the Corporation prepaid $20 million on the 2015 Credit Facility, thereby reducing the balance outstanding at such time to $180 million;

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

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

"**ANH**" means Agência Nacional de Hidrocarburos, or National Hydrocarbon Agency, an agency of the Colombian government;

"**Block 102**" means the exploration block located in the Maranon Basin, Peru, acquired pursuant to the Shona Acquisition and operated by Canacol, wherein the Corporation has a 36.5% working interest;

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

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

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

"**Carrao**" means Carrao Energy Ltd.;

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

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

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

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

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

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

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

"**COR-12 E&P Contract**" means the E&P Contract located in the Upper Magdalena Basin, Colombia, operated by the Corporation, wherein the Corporation has a 100% working interest;

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

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

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

"**DeGolyer**" means DeGolyer and MacNaughton Canada Limited, an independent petroleum engineering consulting firm;

“**DeGolyer Report**” means the report entitled “Report as of December 31, 2015 on Reserves and Revenue owned by Canacol Energy Ltd. in Colombia and Ecuador” prepared by DeGolyer;

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

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

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

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

(a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines and power lines, to the extent necessary in developing the reserves;

(b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and the wellhead assembly;

(c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and

(d) provide improved recovery systems;

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

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

“**Ecuador IPC**” means the 15-year (expiring 2027) incremental production contract awarded to Pardaliservices by PetroEcuador (now PetroAmazonas) regarding the Libertador & Atacapi Fields located in northern Ecuador. The Corporation has a non-operated 25% equity interest (27.9% capital participation interest) in the Ecuador IPC;

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

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

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

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

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

(a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies (collectively sometimes referred to as "geological and geophysical costs");

(b) costs of carrying and retiring unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence and the maintenance of land and lease records;

(c) dry hole contributions and bottom hole contributions;

(d) costs of drilling and equipping exploratory wells; and

(e) costs of drilling exploratory type stratigraphic test wells;

"**exploration well**" means a well that is not a development well, a service well or a stratigraphic test well;

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

"**forecast prices and costs**" means future prices and costs that are:

(a) generally accepted as being a reasonable outlook of the future; and

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

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

(a) making appropriate allocations of estimated unclaimed costs and losses carried forward for tax purposes, between oil and gas activities and other business activities;

(b) without deducting estimated future costs (for example, Crown royalties) that are not deductible in computing taxable income;

(c) taking into account estimated tax credits and allowances (for example, royalty tax credits); and

(d) applying to the future pre-tax net cash flows relating to the reporting issuer's oil and gas activities the appropriate year-end statutory tax rates, taking into account future tax rates already legislated;

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

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

"**gross**" means:

(a) in relation to the Corporation's interest in production or reserves, its "company gross reserves", which are its working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the Corporation;

(b) in relation to wells, the total number of wells in which the Corporation has an interest; and

(c) in relation to properties, the total area of properties in which the Corporation has an interest;

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

"**Hupecol**" means Hupecol Operating Co. LLC;

"**Investment**" has the meaning ascribed thereto under "*General Development of the Business – Period From July 1, 2015 to December 31, 2015*";

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

"**Libertador & Atacapi Fields**" means the mature fields located in northern Ecuador, which are the subject of the Ecuador IPC that was awarded by PetroEcuador (now PetroAmazonas) to Pardaliservices;

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

"**LLA 23 E&P Contract**" means the E&P Contract located in the Llanos Basin, immediately north of and adjacent to the Rancho Hermoso Field, operated by the Corporation, wherein the Corporation had a 90% working interest. Subsequent to December 31, 2015, the Corporation increased its working interest in the LLA 23 E&P Contract from 90% to 91%. This E&P Contract was acquired pursuant to the Carrao Acquisition;

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

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

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

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

"**net**" means:

(a) in relation to the Corporation's interest in production or reserves its working interest (operating or non-operating) share after deduction of royalty obligations, plus its royalty interest in production or reserves;

(b) in relation to the Corporation's interest in wells, the number of wells obtained by aggregating the Corporation's working interest in each of its gross wells; and

(c) in relation to the Corporation's interest in a property, the total area in which the Corporation has an interest multiplied by the working interest owned by the Corporation;

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

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

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

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

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

“**operating costs**”, see “production costs”;

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

“**PetroAmazonas**” means PetroAmazonas EP, the upstream national oil company of Ecuador in charge of exploration and production activities;

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

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

“**Petrotech Reports**” means the reports entitled “Evaluation of the Interests of Canacol Energy Ltd. in Three Producing Fields Within Esperanza Block in the Lower Magdalena Valley Basin of Colombia” and “Evaluation of the Interests of Canacol Energy Ltd. in the Clarinete Field in the VIM 5 Block, Lower Magdalena Valley Basin of Colombia” each dated effective December 31, 2015 and prepared by Petrotech;

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

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

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

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

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

(a) costs of labour to operate the wells and related equipment and facilities;

(b) costs of repairs and maintenance;

(c) costs of materials, supplies and fuel consumed, and supplies utilized, in operating the wells and related equipment and facilities;

(d) costs of workovers;

(e) costs of well services; and

(f) taxes, other than income and capital taxes;

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

(a) costs of lease bonuses and options to purchase or lease a property;

(b) the portion of the costs applicable to hydrocarbons when land including rights to hydrocarbons is purchased in fee; and

(c) brokers' fees, recording and registration fees, legal costs and other costs incurred in acquiring properties.

"**proved property**" means a property or part of a property to which reserves have been specifically attributed;

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

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

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

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

"**Santa Isabel E&P Contract**" means the E&P Contract located in the Middle Magdalena Basin, Colombia, operated by the Corporation, wherein the Corporation has a 100% working interest in the shallow formations and a 30% working interest in the deep formations. This E&P Contract is contiguous with the VMM 2 E&P and VMM 3 E&P Contracts, which were all acquired in the Carrao Acquisition;

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

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

"**Shona**" means Shona Energy Company, Inc.;

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

"**Shona Term Loan**" means a senior secured credit agreement for $45.0 million entered into by the Corporation in connection with the Shona Acquisition. The credit facility carried a term of one year, was repayable in full upon maturity, bore interest at 15% per annum, payable quarterly, and was secured by the assets of Shona. On April 3, 2013, the Corporation cancelled and repaid all amounts outstanding under the Shona Term Loan with proceeds from the 2013 Credit Facility described herein;

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

(a) "exploratory type" if not drilled into a proved property; or

(b) "development type", if drilled into a proved property. Development type stratigraphic wells are also referred to as "evaluation wells";

"**TSX**" means the Toronto Stock Exchange;

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

"**unproved property**" means a property or part of a property to which no reserves have been specifically attributed;

"**Vetra**" means Vetra Exploración y Producción Colombia S.A.S.;

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

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

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

"**VMM 2 E&P Contract**" means the E&P Contract located in the Middle Magdalena Basin, Colombia, operated by Canacol (deep formations) and Vetra (shallow formations), wherein the Corporation has a 40% working interest in the shallow formations and a 66.9% working interest in the deep formations. This E&P Contract is contiguous with the Santa Isabel and VMM 3 E&P Contracts, which were all acquired in the Carrao Acquisition;

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

"**VMM 3 E&P Contract**" means the former E&P Contract located in the Middle Magdalena Basin, Colombia that was relinquished on June 5, 2015 by Corporation, Shell-Colombia and ConocoPhillips. Concurrently with this relinquishment the Corporation entered into the VMM-3 Additional E&P Contract; and

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

ABBREVIATIONS AND CONVERSION

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

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

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

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

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

INFORMATION

The information in this Annual Information Form is stated as at December 31, 2015, unless otherwise indicated. For an explanation of the capitalized terms and expression and certain defined terms, see "*Certain Definitions*" and "*Abbreviations and Conversion*". **Except as otherwise indicated, all dollar amounts in this Annual Information Form are expressed in United States dollars and references to $ are to United States dollars.** References to C$ are to Canadian dollars.

Colombian and Ecuadorian estimated future net revenue based on the DeGolyer Report and the Petrotech Reports is presented in United States dollars effective December 31, 2015.

NON-GAAP TERMS

The term "netback" may from time to time be used by the Corporation, but does not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. Netback is calculated as revenues net of royalties, less transportation and processing charges, repair and operating expenses and then divided by BOE sold. Management feels this is a useful metric as it is a common metric used by other companies operating in the oil and gas industry in order to provide a comparison of relative overall performance between companies. Management uses the metric to assess the Corporation's overall performance relative to that of its competitors and for internal planning purposes.

FORWARD LOOKING STATEMENTS

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

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

- the size of, and future net revenues from, oil and gas reserves;
- the performance characteristics of the Corporation's oil and gas properties;
- supply and demand for oil and natural gas;
- drilling plans, including the anticipated timing thereof;
- treatment under governmental regulatory regimes and tax laws;
- financial and business prospects and financial outlook;
- results of operations;
- production, future costs, reserves and production estimates;
- activities to be undertaken in various areas including the fulfillment of exploration commitments;
- timing of drilling, completion and tie in of wells;
- access to facilities and infrastructure;
- timing of development of undeveloped reserves;
- planned capital expenditures, the timing thereof and the method of funding;
- financial condition, access to capital and overall strategy;
- development and drilling plans for the Corporation's assets;

- the performance characteristics of the Corporation’s properties;
- the quantity of the Corporation’s reserves;
- treatment under governmental regulatory and taxation regimes;
- the Corporation’s production levels; and
- the Corporation’s expectations regarding its ability to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties.

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

These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to, the impact of general economic and political conditions in Colombia and Ecuador; industry conditions, including changes in laws and regulations including adoption of new environmental laws and regulations, and changes in how they are interpreted and enforced, in Colombia and Ecuador; volatility in market prices for oil, NGL’s and natural gas; imprecision in reserve and resource estimates; lack of availability of additional financing and farm-in or joint venture partners; competition; the results of exploration and development drilling and related activities; lack of availability of qualified personnel; the Corporation’s ability to recover reserves and resources; production rates and production decline rates; environmental risks; risks related to the ability of partners to fund capital work programs and other matters requiring partner approval; the production and growth potential of the Corporation’s assets; obtaining required approvals of regulatory authorities, in Colombia and Ecuador; risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities; fluctuations in foreign exchange or interest rates; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and natural gas industry; risk that the Corporation will not be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; the risks discussed herein under “*Risk Factors*”; and other factors, many of which are beyond the control of the Corporation. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Corporation’s operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

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

Forward-looking statements and other information contained herein concerning the oil and natural gas industry in the countries in which the Corporation operates and the Corporation’s general expectations concerning this industry are based on estimates prepared by management of the Corporation using data from publicly available industry sources as well as from resource reports, market research and industry analysis and on assumptions based on data and knowledge of this industry which the Corporation believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics.

While the Corporation is not aware of any material misstatements regarding any industry data presented herein, the oil and natural gas industry involves numerous risks and uncertainties and is subject to change based on various factors.

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

NAME AND INCORPORATION

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

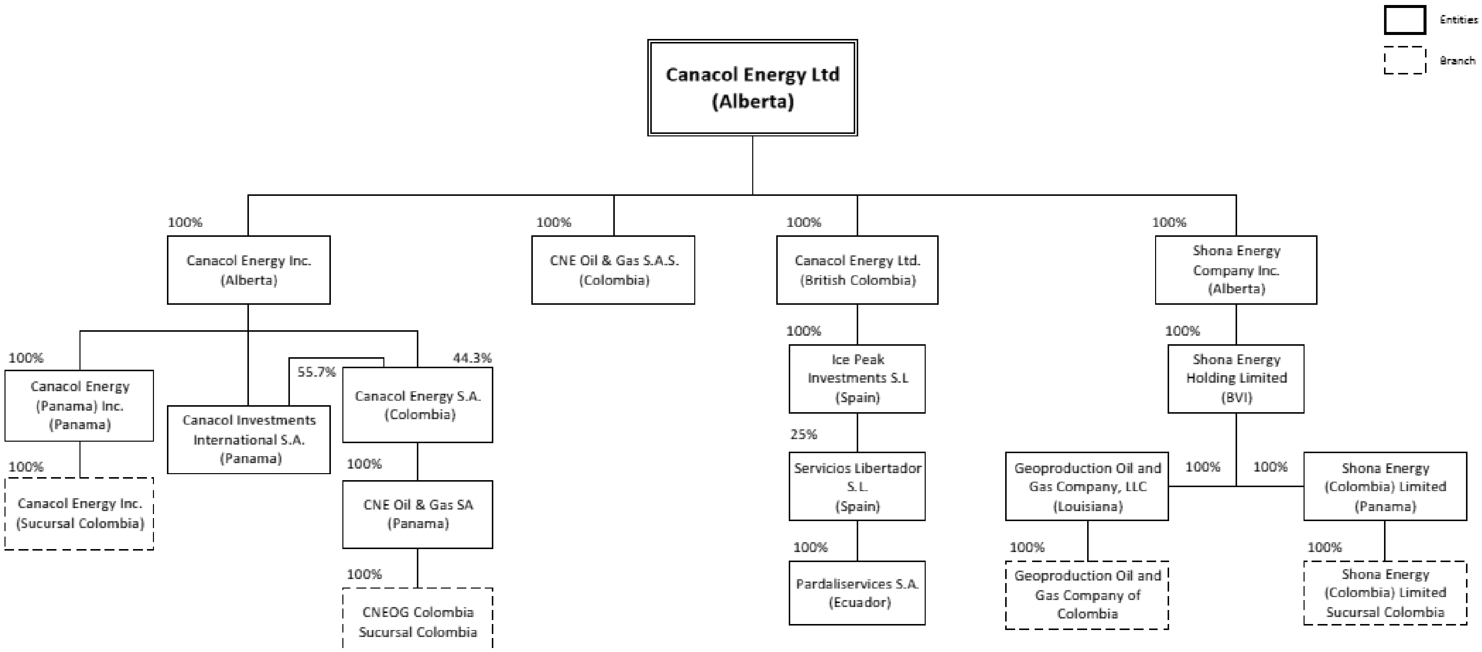
On December 14, 2012, Canacol consolidated its Common Shares on the basis of 10 pre-consolidation shares for one (1) post-consolidation share and amended its Articles to allow shareholder meetings to be held outside the Province of Alberta.

The Corporation's head office is located at 4500, 525 - 8th Avenue SW, Calgary, Alberta, T2P 1G1. The Corporation has a material branch office in Bogota, Colombia at Calle 113 No. 7-45 Torre B Oficina 1501. The registered office of the Corporation is located at 1000, 250 - 2nd Street S.W., Calgary, Alberta T2P 0C1.

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

INTERCORPORATE RELATIONSHIPS

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



GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year History

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

Period From July 1, 2012 to June 30, 2013

On July 11, 2012, 5,057,162 pre-consolidation Common Shares were cancelled for $3,000,000.

On December 14, 2012, Canacol consolidated its Common Shares on the basis of 10 pre-consolidation shares for one (1) post-consolidation share and amended its Articles to allow shareholder meetings to be held outside the Province of Alberta.

On December 21, 2012, Canacol completed the Shona Acquisition for cash consideration of $40.2 million, excluding transaction costs, and share consideration of 24,600,758 Common Shares. All of Shona's outstanding options were surrendered and terminated prior to closing the acquisition, while Shona's warrants were adjusted such that they maintained their economic equivalency. In connection with the closing of the Shona Acquisition, the Corporation entered into the Shona Term Loan and granted the lenders thereof the Phantom Warrants as partial consideration therefor. Shona was an international oil and gas exploration and production company with operations focused in Colombia (Esperanza, Serrania, Los Picachos, VIM 21 and Macaya E&P Contracts) and Peru (Block 102).

On February 27, 2013, the Corporation announced that its wholly-owned subsidiary, Canacol Colombia, had entered into a farm-out agreement with ConocoPhillips Colombia for the exploration and potential development of the Santa Isabel E&P Contract located in the Middle Magdalena Basin of Colombia. Pursuant to the terms of the agreement, ConocoPhillips Colombia will carry the cost of drilling, completing and testing of up to 13 wells, covering in full, actual drilling, completion and testing costs, to earn 70% of Canacol's 100% working interest in the deeper Cretaceous formations. Canacol will retain 100% interest in the shallow formations. Under the agreement, ConocoPhillips Colombia will pay Canacol a bonus of $13.5 million in two separate tranches upon the fulfillment of certain conditions outlined in the agreement, and to date, Canacol has received $6.75 million.

On April 3, 2013, Canacol announced that it had entered into the 2013 Credit Facility. The 2013 Credit Facility was initially a $140 million senior secured term loan with a syndicate of banks. Partial proceeds from the 2013 Credit Facility were used for the repayment of all principal and accrued interest outstanding under the 2012 Credit Facility and the Shona Term Loan and for costs of the transaction. Remaining proceeds from the 2013 Credit Facility were made available for future capital expenditures related to development activities in Colombia and Ecuador, and for other general corporate purposes.

On April 22, 2013, the Corporation announced that its Board of Directors approved the adoption of a shareholder rights plan effective Friday, April 19, 2013. The old rights plan was replaced with a new rights plan effective November 1, 2013. See "*Description of Capital Structure – Common Shares*".

Period From July 1, 2013 to June 30, 2014

On November 1, 2013, Shareholders approved a new shareholder rights plan of the Corporation.

On January 31, 2014, the Corporation announced that its subsidiary, Canacol Colombia, acquired a right to an 80% interest in each of the COR-4 and COR-12 E&P Contracts located in the Upper Magdalena Basin of Colombia. Pursuant to the terms of the agreements executed in respect of these transactions, Canacol Colombia acquired a right to an 80% interest in each of the COR-4 and COR-12 E&P Contracts in consideration for: (i) a total payment of $15,000,000 ($7,500,000 for each block) via the issuance of 2,454,590 Common Shares at a deemed price of C$6.79 per Common Share; (ii) agreeing to fund the vendors' remaining 20% share of exploration commitments in the first two phases (unified into a single phase in the case of COR-12) of each of the contracts; (iii) granting a 3% overriding royalty to the applicable vendor for each block; and (iv) agreeing to the payment of a one-time bonus totalling $5,000,000 in the event that any one of the two blocks are subsequently successfully farmed out by Canacol Colombia to a third party.

On April 24, 2014, the Corporation announced that it had closed an increase of the 2013 Credit Facility. The revised 2013 Credit Facility resulted in an increase of the borrowing base from $140,000,000 to $220,000,000, with no change to the term or the repayment schedule.

On May 27, 2014, the Corporation announced that it has closed a bought deal equity financing. The Corporation issued 15,823,000 Common Shares at a price of C$7.90 per Common Share for gross proceeds of C$125,001,700. The offering was underwritten by a syndicate of underwriters led by Canaccord Genuity Corp. and included TD Securities Inc., CIBC, Cormark Securities Inc., Desjardins Securities Inc., GMP Securities L.P. and Mackie Research Capital Corporation.

Effective as of June 1, 2014, the Corporation acquired an additional 10% working interest in the LLA 23 E&P Contract from Petromont Colombia S.A. Sucursal Colombia for a purchase price of $40,000,000, payable in cash and the assumption of certain liabilities related to the LLA23 E&P Contract. Following the acquisition, the Corporation held a 90% operated working interest in the LLA23 E&P Contract, with Petromont Colombia S.A. Sucursal Colombia holding the remaining 10% interest.

Operational updates during the year ended June 30, 2014 include:

- On July 8, 2013, the Corporation announced that the Labrador 3 well located on the LLA 23 E&P Contract tested a flow rate of 1,460 bopd (1,168 bopd net) from the C7 reservoir.

- On October 23, 2013, the Corporation announced that the Labrador 5 well located on the LLA 23 E&P Contract tested at a flow rate of 778 bopd (622 bopd net) from the Gacheta reservoir.

- On December 16, 2013, the Corporation announced that the Leono 1 exploration well located on the LLA 23 E&P Contract tested at flow rate of 1,863 bopd (1,490 bopd net) from the Barco reservoir.

- On December 24, 2013, the Corporation announced that the Leono 1 exploration well located on the LLA 23 E&P Contract tested at flow rate of 1,869 bopd (1,495 bopd net) from the Gacheta reservoir.

- On February 12, 2014, the Corporation announced that the Leono 2 well located on the LLA 23 E&P Contract tested at flow rate of 1,328 bopd (1,062 bopd net) from the C7 reservoir.

- On February 19, 2014, the Corporation announced that the Leono 2 well located on the LLA 23 E&P Contract tested at flow rate of 3,007 bopd (2,406 bopd net) from the Barco reservoir.

- On March 6, 2014, the Corporation provided an update on the Mono Arana 1 exploration well located on the VMM 2 E&P Contract. The Mono Arana 1 exploration well was drilled and cased to a depth of 9,942 ft measured depth and contains 230 ft of net oil pay within the naturally fractured Cretaceous La Luna Formation.

- On May 2, 2014, the Corporation announced that the Pantro 1 exploration well located on the LLA 23 E&P Contract tested at flow rate of 2,930 bopd (2,344 bopd net) from the Gacheta reservoir.

- On June 18, 2014, the Corporation announced that the Labrador 4 well located on the LLA 23 E&P Contract tested a flow rate of 1,193 bopd (1,074 bopd net) from the Gacheta reservoir and 638 bopd (574 bopd net) from Ubaque reservoir.

- On June 18, 2014, the Corporation announced that the Leono 3 well located on the LLA 23 E&P Contract tested at a flow rate of 1,067 bopd (960 bopd net) from the Mirador reservoir.

Period From July 1, 2014 to June 30, 2015

On October 14, 2014, the Corporation announced the results from an independent resources evaluation of the Corporation's Santa Isabel, VMM 2, and VMM 3 blocks, effective June 30, 2014. For the prospective deep Cretaceous interval, specifically the La Luna and the Tablazo Formations, in each of the three blocks, the Corporation has a 30% working interest in Santa Isabel's deep formation, a 66.9% working interest in VMM 2's deep formation, and a 20% undivided interest in VMM 3 subject to fulfillment of certain conditions. The three blocks in aggregate consist of 260,000 and 62,000 gross and net acres respectively in the Middle Magdalena Basin, Colombia.

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

On October 29, 2014, the Corporation announced that it established a financing relationship with Apollo Investment Corporation to finance its investment in oil and gas properties in Colombia and Latin America. As a result, the Corporation entered into a note indenture agreement with respect to the 2014 Senior Notes, with $50 million drawn and funded as of October 29, 2014, $25 million drawn and funded on April 2, 2015 and a further $25 million committed and available to be drawn at any time within 18 months at the sole discretion of the Corporation, subject to certain conditions. The 2014 Senior Notes are repayable in full on their maturity date of December 31, 2019 and carry interest at LIBOR plus 8.5% per annum (subject to a LIBOR floor of 1.0%), payable quarterly. Standby fees on the undrawn portion of the 2014 Senior Notes are calculated at 1% per annum.

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

100% operated Esperanza and VIM 21 gas contracts in the Lower Magdalena Basin of Colombia. On May 14, 2014, the Corporation executed a farm-out agreement (as amended on July 11, 2014) with an industry partner in Colombia, whereby the Corporation farmed-out 25% of the Corporation's interest in the VIM 5 and VIM 19 E&P Contracts to such industry partner, subject to the Corporation's completion of the acquisition of the VIM 5 and VIM 19 E&P Contracts. On March 11, 2015, the Corporation bought out the industry partner and terminated the farm-out agreement therewith.

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

On April 24, 2015, Canacol announced that it had entered into the 2015 Credit Facility. The 2015 Credit Facility is a $200 million senior secured term loan with a syndicate of banks. Partial proceeds from the 2015 Credit Facility were used for the repayment of all principal and accrued interest outstanding under the 2013 Credit Facility and costs of the transaction. Remaining proceeds from the 2015 Credit Facility were made available for other general corporate purposes. The 2015 Credit Facility includes various non-financial covenants relating to future acquisitions, indebtedness, operations, investments, capital expenditures and other standard operating business covenants. The 2015 Credit Facility also includes various financial covenants, including a maximum consolidated leverage ratio of 3.50:1.00, a minimum consolidated interest coverage ratio of 2.50:1.00 and a minimum consolidated current assets to consolidated current liabilities ratio of 1.00:1.00.

On May 4, 2015, Canacol announced that it plans to spend net exploration and development capital expenditures of $84 million in calendar 2015 on drilling, workovers, seismic, and facilities in Colombia and Ecuador, and anticipates net average production before royalties of between 10,000 and 12,000 boe/d.

On May 22, 2015, the Corporation announced that George Gramatke, the Chief Financial Officer of the Corporation, took a leave of absence for personal reasons effective June 1, 2015 until November 30, 2015. Jason Bednar, a director of the Corporation and the Chairman of the Audit Committee since inception, assumed the Chief Financial Officer responsibilities and Michael Hibberd replaced Mr. Bednar as Chair of the Audit Committee.

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

Operational updates during the year ended June 30, 2015 include:

- On July 21, 2014, the Corporation announced the successful appraisal of the Oso Pardo light oil discovery made by the Corporation in 2013 with the Morsa 1 well located on its operated Santa Isabel E&P Contract in the Middle Magdalena Basin of Colombia, which production tested 832 bopd (832 bopd net) of light oil from the Tertiary aged sandstone Umir reservoir.

- On August 27, 2014, the Corporation announced that the Palmer 1 exploration well located on the Esperanza E&E Contract tested 15.5 Mmcf/d (2,730 boe/d) of dry gas with no water on a 36/64 inch choke during the course of a 36 hour isochronal flow test from the Cienaga de Oro sandstone reservoir.

- On September 23, 2014, the Corporation announced that the Tigro 1 exploration well encountered 72 ft of oil pay within the C7, Mirador, Barco, Gacheta, and Ubaque sandstone reservoirs. The Corporation tested 6 ft of net pay in the Mirador sandstone reservoir, which was currently producing 1,206 bopd gross (1,085 bopd net) of 35° API oil with 2% water cut using an electro submersible pump set to a frequency of 43 hertz during a six day flow period.

- On January 12, 2015, the Corporation announced that it had completed the drilling and testing of the Maltes 1 exploration well located approximately 1.5 km to the north of the Labrador oil field. The well tested a gross rate of 1,555 bopd of 32° API light oil (1,400 bopd net) from the C7 sandstone reservoir with a water cut of less than 1% using an electrical submersible pump operating at a frequency of 38 Hz at the end of a six day flow test.

- On January 27, 2015, the Corporation announced that Clarinete 1, the first exploration well drilled in its VIM 5 E&P Contract, had tested at a final gross rate of 20.6 MMscf/d (3,606 boe/d) of dry gas with no water from the Lower Cienaga de Oro reservoir, being the first of two planned production tests over two separate reservoir intervals.

- On February 10, 2015, the Corporation announced that Clarinete 1, the first exploration well drilled in its VIM 5 E&P Contract, tested at a final gross rate of 24.7 MMscf/d (4,333 boe/d) of dry gas with no water from the Upper Cienaga de Oro reservoir, being the second of two planned production tests over two separate reservoir intervals. The combined gross deliverability of the Clarinete 1 well from both intervals is approximately 45.3 MMscf/d (7,947 boe/d).

Period From July 1, 2015 to December 31, 2015

On July 13, 2015, the Corporation announced that the Autoridad Nacional de Licencias Ambientales has approved the environmental permit enabling Promigas S.A. E.S.P. ("**Promigas**") to commence construction necessary to increase capacity of the existing Jobo to Cartagena natural gas pipeline. Upon completion of this pipeline expansion, the Corporation's net natural gas production is expected to increase to approximately 83 MMscf/d (14,500 boe/d).

On July 15, 2015, the Corporation announced a change in its fiscal year end from June 30 to December 31 and that, pursuant thereto, the Corporation will file all requisite documents for a year end as of December 31, 2015 by March 30, 2016.

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

On October 16, 2015, the Corporation announced that the release condition for conversion of the Subscription Receipts had been satisfied and the subsequent issuance of 17,590,000 Common Shares to Cavengas and the release of C$43,975,000 to Canacol pursuant thereto. Further, the Corporation announced the appointment of Mr. Oswaldo Cisneros and Mr. Alberto Jose Sosa Schlageter, as Cavengas' nominees, to the Board of Directors. Upon conversion of the Subscription Receipts to Common Shares, together with the September 3, 2015 issuance of Common Shares, Cavengas held a 19.9% ownership stake in the Corporation on a non-diluted basis.

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

Operational updates during the six months ended December 31, 2015 include:

- On August 10, 2015, the Corporation announced that it and its joint venture operating partners had completed the drilling and testing of the successful Secoya Oeste - A001 exploration well located adjacent to the producing Libertador and Atacapi light oil fields in the Oriente Basin of Ecuador. The Corporation holds a non-operated working interest of 25% in the Ecuadorian consortium which includes a risked service contract governing light oil production from the Libertador and Atacapi light oil fields. The Secoya Oeste – A001 exploration well was spud in early June 2015 targeting the T, U, and basal Tena sandstone reservoirs which produce in the adjacent Libertador and Atacapi oil fields. The well encountered 33 ft of net oil pay within these reservoirs. The consortium operates these two fields, and the new Secoya Oeste – A001 discovery well, under a risked service contract whereby the state oil company pays the consortium a flat tariff of US$ 38.56 / barrel of incremental production not tied to global oil prices. As the state oil company pays for all operating costs, the US$38.56 / barrel tariff is the netback the consortium receives for incremental production.

- On September 23, 2015, the Corporation announced that the Clarinete 2 exploration well, the second exploration well drilled at its Clarinete gas discovery in its VIM 5 E&P Contract, had encountered 127 ft of net gas pay within the main Cienaga de Oro reservoir, confirming a significant gas discovery at Clarinete.

- On October 15, 2015, the Corporation announced that the Clarinete 2 well had tested at a final gross rate of 25.6 MMscf/d (4,491 boe/d) of dry gas with no water from the Cienaga de Oro reservoir, and at a final gross rate of 4.7 MMscf/d (825 boepd) of dry gas with 1 barrel of water from the overlying Tubara sandstone reservoir.

Recent Developments

Operational updates subsequent to the six months ended December 31, 2015 include:

- On February 24, 2016, the Corporation announced that the Oboe 1 well, the third exploration well drilled at its Clarinete gas discovery in its VIM 5 E&P Contract, had encountered 158 ft of net gas pay within multiple stacked sandstone reservoirs in the main Cienaga de Oro target and had tested at a maximum rate of 26 MMscf/d of dry gas with no water in the first interval.

- On March 2, 2016, the Corporation announced that the Oboe 1 well tested at a maximum rate of 27 MMscf/d of dry gas with no water in the second interval.

- On March 9, 2016, the Corporation announced that the Oboe 1 well tested at a maximum rate of the 13 MMscf/d of dry gas with no water in the third interval.

Significant Acquisitions and Dispositions

During the period ended December 31, 2015, the Corporation did not complete any significant acquisitions as defined in NI 51-102.

DESCRIPTION OF THE BUSINESS

General

Canacol is an international oil and gas company involved in the production, development, appraisal and exploration of hydrocarbons. The Corporation's key interests are in Colombia and Ecuador. The Corporation's asset portfolio encompasses production, development, appraisal and exploration properties.

Exploration and Development Strategy

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

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

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

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

Competitive Conditions

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

Cyclical Nature of Business

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

Specialized Skill and Knowledge

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

Employees

As at December 31, 2015, the Corporation had approximately 240 full-time equivalent employees worldwide, of which 166 full-time employees are working in the exploration and production segment. In addition, the Corporation utilizes, as required from time to time, the services of professionals on a contract or consulting basis.

Environmental Protection and Policies

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

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

The Corporation may be required to increase operating expenses or capital expenditures in order to comply with any new restrictions or regulations. See "*Risk Factors*".

Historically, environmental protection requirements have not had a significant financial or operational effect on the Corporation's capital expenditures, earnings or competitive position. Environmental requirements have not had a significant effect on such matters in fiscal 2015 nor are they currently anticipated to in the future.

The Corporation has incorporated certain health, safety and environmental policies and procedures aimed at protecting the safety of the personnel and reducing the environmental impact of its operations.

Foreign Operations

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

PRINCIPAL PROPERTIES AND OPERATIONS

The following is a description of the Corporation's principal oil and gas properties and operations as at December 31, 2015.

Colombia

The following summary chart sets out general information regarding the Corporation's Colombian oil and gas properties and operations as at December 31, 2015.

Summary

	Asset	Oil/Gas	Type	Status	Gross Acres	Net Acres	Canacol Working Interest %	Partner	Contract Type
					Llanos Basin				
1	LLA 23	Oil	Conventional	Production	115,102	103,592	90%(1)	Petromont Colombia S.A. (10%)	ANH
2	Rancho Hermoso	Oil	Conventional	Production	10,238	10,238	100%	Ecopetrol	Ecopetrol
					Lower Magdalena Basin				
3	Esperanza	Gas	Conventional	Production	33,203	33,203	100%		ANH
4	VIM 21	Gas	Conventional	Exploration	51,317	51,317	100%		ANH
5	VIM 5	Gas	Conventional	Exploration	638,502	638,502	100%		ANH
6	VIM 19	Gas	Conventional	Exploration	62,075	62,075	100%		ANH
					Magdalena Basin				
7	Santa Isabel - shallow	Oil	Conventional	Production	101,542	101,542	100%		ANH

Asset	Oil/Gas	Type	Status	Gross Acres	Net Acres	Canacol Working Interest %	Partner	Contract Type
8 Santa Isabel - deep	Oil	Unconventional	Exploration	101,542	30,463	30%	ConocoPhillips (70%)	ANH
9 VMM 2 - shallow	Oil	Conventional	Production	75,610	30,244	40%	Vetra (60%)	ANH
10 VMM 2 - deep	Oil	Unconventional	Exploration	75,610	50,583	66.9%	Vetra (33.1%)	ANH
11 VMM 3 Additional Contract	Oil	Unconventional	Exploration	83,312	16,662	20%	ConocoPhillips (80%)	ANH
12 COR-4	Oil	Unconventional	Exploration	189,577	189,577	100%		ANH
13 COR-11	Oil	Unconventional	Exploration	176,915	176,915	100%		ANH
14 COR-12	Oil	Unconventional	Exploration	189,795	189,795	100%		ANH
15 COR-39	Oil	Unconventional	Exploration	95,111	95,111	100%		ANH
Caguan-Putumayo Basin								
16 Capella field (Ombu)	Oil	Conventional	Production	56,482	5,648	10%	Emerald (90%)	ANH
17 Sangretoro	Oil	Conventional	Exploration	385,320	385,320	100%		ANH
19 Coati	Oil	Conventional	Exploration	61,842	12,368	20%	Platino Energy Corporation (80% operator)	ANH
20 Portofino	Oil	Conventional	Exploration	258,676	103,470	40%	Pacific Rubiales (40%) Petromont (20%)	ANH
22 Serrania	Oil	Conventional	Exploration	110,819	41,557	37.5%	Hupecol (50% operator) Houston Americas (12.5%)	ANH
23 Los Picachos	Oil	Conventional	Exploration	52,772	19,790	37.5%	Hupecol (50% operator) Houston Americas (12.5%)	ANH
24 Macaya	Oil	Conventional	Exploration	195,255	73,221	37.5%	Hupecol (50% operator) Houston Americas (12.5%)	ANH
Total				**2,943,465**(2)	**2,360,486**(2)			

Notes:

(1) Subsequent to December 31, 2015, the Corporation increased its working interest in the LLA 23 E&P Contract from 90% to 91%.

(2) VMM 2 - shallow and VMM 2 - deep refer to different formations under the same surface area. Santa Isabel - shallow and Santa Isabel - deep also refer to different formations under the same surface area. The Corporation has calculated total acreage by surface area.

The following is a description of the Corporation’s material Colombian oil and gas properties and operations as at December 31, 2015.

Llanos Basin

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

The Llanos Basin is situated on the east side of the Andes Mountains and covers an area of approximately 200,000 km^2. The basin is Colombia’s most prolific hydrocarbon basin and contains the majority of Colombia’s oil fields and proved oil reserves. The formation of the basin was initiated by Jurassic rifting and subsidence and ended with the late Miocene Andean Orogeny. The Andean Orogeny created the major north-south Andes Mountain Range extending from Colombia to the southern tip of South America. The rifting followed by the thrusting and uplift resulted in a structural style that is characterized by deep rooted high angle thrust and normal faults associated with low amplitude closures oriented NNE-SSW.

LLA 23 E&P Contract

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

LLA 23, wherein the Corporation had an operated 90% working interest, is located immediately north of and adjacent to the Rancho Hermoso field. The LLA 23 E&P Contract with the ANH was originally awarded as part of the ANH's Mini-Ronda 2008 land auction, with an effective date of March 13, 2009.

The LLA 23 E&P Contract is presently in a combined phase 1 and 2 and in an extended exploratory period, having been extended from March 23, 2016 to December 23, 2016 pursuant to a nine-month extension received from the ANH. The new work commitment associated with the extension and transfer of investment from COR 11 is the acquisition, processing and interpretation of 138 km^2 of 3D seismic and the drilling of one A3 exploration well.

Subsequent to December 31, 2015, the Corporation increased its working interest in the LLA 23 E&P Contract from 90% to 91%.

Please refer to "*General Development of the Business – Three Year History*" for the operational updates on the LLA 23 E&P Contract.

Rancho Hermoso Field

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

Crude oil production from Rancho Hermoso falls under either: i) "non-tariff", which represents crude oil produced under a production sharing contract with Ecopetrol; or ii) "tariff" production, which represents crude oil produced under a risk service contract with Ecopetrol whereby the Corporation receives a set tariff price of $17.36 per gross barrel of oil produced. Tariff production is limited to one specific formation, the Mirador formation, while non-tariff production is derived from the remaining formations, including the Ubaque, Guadalupe, Barco Los Cuervos, Carbonera and Gacheta. For the year ended December 31, 2015, the Corporation's net share before royalties averaged 28.5%.

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

Magdalena Basin

VIM 5 E&P Contract

The Corporation obtained its working interest in the VIM 5 E&P Contract through the acquisition of this block from OGX Petroleo E Gas S.A. The Corporation and its wholly owned subsidiaries, CNE Oil & Gas S.A.S., own a 100% working interest in the VIM 5 block located in the Departments of Sucre and Cordoba. The block is currently in a six-year exploration period, which is allowed under the contract terms. The contract is presently in phase 2 which expires on February 17, 2018. The minimum work commitment is the drilling of two A3 exploration wells.

Upon completion of testing, the Oboe 1 exploration well will satisfy one of the two commitment wells. Oboe 1 is located approximately three km to the north of the Clarinete 1 discovery well, and is targeting the same two productive sandstone reservoirs tested at the Clarinete 1 discovery. Oboe 1 is anticipated to take approximately five weeks to drill, complete, and test (scheduled for Q1, 2016).

The Corporation completed the gas flowline from Clarinete to Jobo station, situated on Esperanza block, at the end of November 2015 and the tie-in from Clarinete 2ST to Clarinete 1 by December 2015 such that the Corporation was able to produce Clarinete Field to Jobo station. The Clarinete to Jobo flowline is approximately 15 km long.

Please refer to "*General Development of the Business – Three Year History – Period From July 1, 2015 to December 31, 2015*" for the operational updates on the VIM 5 E&P Contract during the six month period ended December 31, 2015.

Esperanza E&E Contract

The Corporation obtained its working interest in the Esperanza E&E Contract through the Shona Acquisition. The Corporation and its wholly owned subsidiaries, Geoproduction Oil and Gas Company of Colombia and Shona Energy (Colombia) Limited Sucursal Colombia, own a 100% working interest in the Esperanza block located in the Department of Cordoba. The block is currently in a 4.5 year extended exploration period, which is allowed under the contract terms.

The Esperanza field, located in the Lower Magdalena Basin of Colombia, contains four producing gas fields operated under a contract with the ANH, and produces dry natural gas for sale to local customers under long-term contracts with an average price of approximately $5.60 per Mcf. The most significant field is Nelson where the majority of the gas reserves are located. The average daily production of the Esperanza field for the three months and year ended December 31, 2015 was 3,350 boe/d and 3,570 boe/d, respectively.

The contract is presently in an extended exploratory period, having been extended from September 4, 2015 to June 4, 2016. The new work commitment associated with the extension is the drilling of one A3 exploration well.

Please refer to "*General Development of the Business – Three Year History – Period From July 1, 2015 to December 31, 2015*" for the operational updates on the Esperanza E&E Contract during the year ended December 31, 2015.

Santa Isabel E&P Contract

On February 27, 2013, the Corporation announced that its wholly-owned subsidiary, Canacol Colombia, has entered into a farm-out agreement with ConocoPhillips Colombia for the exploration and potential development of the Corporation's operated Santa Isabel E&P Contract located in the Middle Magdalena Basin of Colombia.

Pursuant to the terms of the agreement, ConocoPhillips will carry the cost of drilling, completing and testing of up to 13 wells, covering in full, actual drilling, completion and testing costs, to earn 70% of the Corporation's 100% working interest in the deeper Cretaceous formations. The Corporation will retain 100% interest in the shallow formations. Under the agreement, ConocoPhillips will pay the Corporation a bonus of $13.5 million in two separate tranches upon the fulfillment of certain conditions outlined in the agreement, and to date, the Corporation has received $6.75 million.

The Santa Isabel E&P Contract is presently in phase 4 and is set to expire April 16, 2016. The minimum work commitment was the drilling of one A3 exploration well. The Corporation is currently in discussions with the ANH to transfer the commitment to another block.

Please refer to "*General Development of the Business – Three Year History – Period From July 1, 2015 to December 31, 2015*" for the operational updates on the Santa Isabel E&P Contract during the year ended December 31, 2015.

VMM 2 E&P Contract

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

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

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

The VMM 2 E&P Contract is presently in phase 2 in an extended exploratory period, having been extended from July 26, 2016 to April 26, 2017. The minimum work commitment is the drilling of two 8,500 ft A3 exploration wells and the acquisition, processing and interpretation of 24 km^2 of 3D seismic. These commitments are pending.

Please refer to "*General Development of the Business – Three Year History – Period From July 1, 2015 to December 31, 2015*" for the operational updates on the VMM 2 E&P Contract during the year ended December 31, 2015.

VMM 3 Additional E&P Contract - Unconventional Hydrocarbons

The VMM 3 Additional E&P Contract relates to the same block as the Corporation's previous VMM 3 E&P Contract.

The VMM 3 E&P Contract was relinquished on June 5, 2015 by Corporation, Shell-Colombia and ConocoPhillips. Prior to being relinquished, the Corporation had a 40% working interest therein.

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

The VMM 3 Additional E&P Contract is currently in Phase 1 (duration 36 months), expiring December 2, 2018. The work commitment is the completion and testing in the Picoplata 1 well (which has been completed and tested as per below), analysis of geological and geochemical samples and acquisition of LIDAR data. The Corporation expects such work commitment to total $5.8 million (of which the Corporation pays 20%).

Please refer to "*General Development of the Business – Three Year History – Recent Developments*" for the operational updates on the VMM 3 Additional E&P Contract.

Caguan–Putumayo Basin

Ombu E&P Contract – Capella Conventional Heavy Oil Discovery

The Caguan Basin is approximately 60,000 km^2 and lies between the prolific Putumayo and Llanos Basins. The primary reservoir target is the Upper Eocene aged Mirador formation. The Capella structure is a large, elongated northeast-southwest fault-related anticline, with approximately 17,500 acres in closure (above the recognised Mirador). The field is located approximately 250 km away from the nearest offloading station at Neiva, where production from Capella is trucked.

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

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

This block is governed by an ANH contract with an effective date of December 15, 2006. As the Ombu crude quality is less than 15° API, the standard ANH sliding scale royalty of 8% to 25% is reduced by a factor of 0.25. The standard high price participation payment above 5 MMbbl cumulative oil produced is not applicable because of the oil gravity and the contract has no X-factor.

During the year ended June 30, 2015, the Corporation and its partner completed the drilling of the Capella P74 well and it is pending completion. 18 high water cut wells were shut in on January 16, 2015 due to high operational costs for water disposal. As of March 30, 2015 all wells at Capella were shut-in, monitoring pressure restoration to acquire technical information for future plans. As at December 31, 2015, all wells at the Capella field remain shut-in.

Produced oil from the Capella field is trucked to Rio Loro, Huila a distance of approximately 400 km. Produced water is trucked to San Vincente de Caguan for third party treatment and disposal, a distance of approximately 65 km.

The Ombu E&P Contract is in the "Exploration Period" and expires on June 28, 2035.

Ecuador

Libertador & Atacapi Fields

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

On February 1, 2012, the Corporation announced that Pardaliservices was awarded the Ecuador IPC. The Corporation has a non-operated 25% equity interest (27.9% capital participation interest) in the Ecuador IPC.

During the six month period ended December 31, 2015, the Corporation completed the drilling of the Secoya Oeste A001 exploration well. Flow rates up to 972 bbl/d gross (243 bbl/d net) of 27° API oil were recorded from the Cretaceous Lower and Medium U sandstone reservoirs using a jet pump over a 50-hour period. Flow rates of up to 373 bbl/d gross (93 bbl/d net) of 29° API oil were observed in the Upper U sandstone using a jet pump over a 53-hour period. The well was put on production from both Lower and Medium U sandstones commingled with a 30-day initial production of 633 bopd with 36% water cut. The Corporation also participated in the drilling of the Shushuqui 25 development well. The well was put on production from the Upper U standstone with a 30-day initial production of 1,600 bopd with 3.8% water cut. The Shushuqui 25 well was the second development well drilled in the Libertador-Atacapi field in calendar 2015.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

Date of Statement

This Statement of Reserves Data and Other Oil and Gas Information is dated December 31, 2015 unless indicated otherwise.

Disclosure of Reserves Data

The reserves and deemed volumes data set forth herein is based upon evaluations completed by DeGolyer and Petrotech (collectively, the "**Evaluators**"). Each of the DeGolyer Report and the Petrotech Reports (collectively, the "**Reports**") are dated effective December 31, 2015, were prepared as of March 8, 2016 and March 11, 2016, respectively, and are dated March 8, 2016 and March 11, 2016, respectively. The reserves and deemed volumes data contained herein summarizes the oil, gas, natural liquids and heavy oil reserves of the Corporation and the net present values of future net revenue for these reserves using forecast prices and costs and tariff price for the Ecuador property. The reserves and deemed volumes data was prepared in compliance with the requirements of NI 51-101. Certain additional information not required by NI 51-101 has been included herein to provide readers with further information regarding the Corporation's properties. The definitions of the various categories of reserves and deemed volumes and expenditures are those set out in NI 51-101.

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

The Corporation's working interest reserves for the Ecuador IPC reflects the deemed volume (the Corporation's share of production above the base line). The calculation for the deemed volume is described in the DeGolyer Report. The methodology for calculating the deemed volume was changed as of June 30, 2014 report to more accurately reflect the Corporation's share of production. The deemed volume was previously calculated using the cash flow divided by DeGolyer's WTI price forecast for the year, adjusted by 10% for quality. The new methodology determines deemed volume by dividing cash flow by the tariff price of $38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions.

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

The tables and information contained herein, show the estimated share of the Corporation's reserves and deemed volumes and the present value of estimated future net revenue for these reserves and deemed volumes, using forecast prices and costs as indicated. The discounted and undiscounted net present value of future net revenues attributable to reserves do not represent fair market value. The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

Estimated future net revenue are presented in United States dollars effective December 31, 2015.

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

Undeveloped Reserves

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

Subject to the success of operations, within the next two years, the Corporation has the following plans regarding the development of proved, probable and possible undeveloped reserves:

- The Corporation's undeveloped reserves will be developed through further drilling and recompletions of existing wells within the following contracts and fields. In Colombia: LLA 23 (Labrador-Maltes, Leono-Pantro-Tigro), VMM 2 (Mono Arana), Santa Isabel (Oso Pardo), Esperanza (Nelson, Palmer, Arianna, Canaflecha and Katana), VIM 5 (Clarinete) and Ombu (Capella). In Ecuador: Libertador & Atacapi fields.

- The Corporation anticipates that the 2015/2016 drilling and recompletions schedule will focus on these areas and on other opportunities arising from the Corporation's exploration programs.

- Drilling plans are affected by economic considerations, including commodity prices. The Corporation is currently in the process of setting its fiscal 2016 drilling plan.

- Undeveloped reserves, like all projects, are subject to competition for capital and consequently may be delayed or accelerated from time to time.

Significant Factors or Uncertainties Affecting Reserves Data

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

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

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

All references to $ or US$ in this Statement of Reserves Data and Other Oil and Gas Information are United States dollars. All references to C$ are to Canadian dollars.

Forecast Prices Used in Estimates

The reserves data contained herein is based on oil price forecasts as of December 31, 2015 provided to the Corporation by DeGolyer and on gas contract pricing secured by the Corporation through various gas sales contracts. The Evaluators have used the same uninflated and forecasted oil prices and inflation rates in their evaluations, adjusted for crude quality.

Year	Unescalated WTI $/bbl	Escalated WTI $/bbl	Oil Field Inflation
2015 (Actual Weighted Average)	48.87	48.87	-
2016	48.00	48.00	-
2017	55.00	56.10	2%
2018	58.00	60.34	2%
2019	63.00	66.86	2%
2020	67.00	72.52	2%
2021	70.00	77.29	2%
2022	75.00	84.46	2%
2023	75.00	86.15	2%
2024	75.00	87.87	2%
2025	75.00	89.63	2%
2026	75.00	91.42	2%
2027	75.00	93.25	2%
2027+	**Escalate oil prices at 2% per year thereafter**		

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

Year	Clarinete $/MMBTU	Esperanza $/MMBTU
2015 (Actual Weighted Average)	5.50	4.75
2016	5.40	5.69
2017	5.68	6.62
2018	5.64	6.75
2019	5.79	7.03
2020	5.95	7.34
2021	6.15	7.71
2022	6.28	7.88
2023	6.50	8.23
2024	6.74	8.60
2025	7.16	9.37
2026+	**Escalate gas prices at 2% per year thereafter**	

In the LLA 23 E&P Contract, the forecast price deck was adjusted for crude quality by -$11.54 per barrel. In Capella, the forecast price deck was adjusted for crude quality by a factor of 0.5908 through to 2019 and then 0.6908 from 2019 onward. In the VMM2 E&P Contract, the forecast price deck was adjusted for crude quality by a factor of 0.8024 in the Mono Araña shallow formations (Umir and Lisama) and 0.8334 in Mono Araña La Luna. In the Santa Isabel E&P Contract, the forecast price deck was adjusted for crude quality by a factor of 0.9193.

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

Possible Reserves and Related Future Net Revenue

Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

Disclosure of Reserves Data

The following table provides a summary of the Corporation's reserves as of December 31, 2015 using forecast prices and costs.

	RESERVES									
	Light & Medium Crude Oil		Heavy Crude Oil		Conventional Natural Gas(1)		Natural Gas Liquids		Total BOE(4)	
RESERVES CATEGORY	Gross(2) (Mbbl)	Net(3) (Mbbl)	Gross(2) (Mbbl)	Net(3) (Mbbl)	Gross(2) (MMcf)	Net(3) (MMcf)	Gross(2) (Mbbl)	Net(3) (Mbbl)	Gross(2) (Mboe)	Net(3) (Mboe)
Corporate Total (Colombia)										
Proved										
Developed Producing	403	360	-	-	157,676	134,825	-	-	28,065	24,014
Developed Non-Producing	1,479	1,322	62	56	-	-	-	-	1,541	1,378
Undeveloped	-	-	2,121	1,990	99,947	87,836	-	-	19,656	17,400
Total Proved	**1,882**	**1,682**	**2,183**	**2,046**	**257,623**	**222,661**	**-**	**-**	**49,262**	**42,791**
Probable	1,968	1,712	3,170	2,950	114,369	101,163	-	-	25,203	22,410
Total Proved Plus Probable	**3,850**	**3,394**	**5,353**	**4,996**	**371,992**	**323,824**	**-**	**-**	**74,465**	**65,201**
Possible	1,276	1,082	3,283	3,033	47,178	40,707	-	-	12,836	11,257
Total Proved Plus Probable Plus Possible	**5,126**	**4,476**	**8,636**	**8,029**	**419,170**	**364,531**	**-**	**-**	**87,301**	**76,458**

Notes:

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

The following table provides a summary of Canacol's deemed volumes as of December 31, 2015 using forecast prices and costs. The Corporation has a non-operated 25% equity participation in the Ecuador IPC for which it receives a fixed price tariff for each incremental barrel produced. Deemed volumes are those volumes produced under a service agreement in which the Corporation does not have a direct interest, but represents reserves attributable to the Corporation as calculated using the cash flow divided by the fixed tariff price.

	DEEMED VOLUMES									
	Light & Medium Crude Oil		Heavy Crude Oil		Conventional Natural Gas(1)		Natural Gas Liquids		Total BOE(5)	
RESERVES CATEGORY	**Gross(2) (Mbbl)**	**Net(3) (Mbbl)**	**Gross(2) (Mbbl)**	**Net(3) (Mbbl)**	**Gross(2) (MMcf)**	**Net(3) (MMcf)**	**Gross(2) (Mbbl)**	**Net(3) (Mbbl)**	**Gross(2) (Mboe)**	**Net(3) (Mboe)**
Corporate Total (Ecuador(4))										
Proved										
Developed Producing	348	348	-	-	-	-	-	-	348	348
Developed Non-Producing	1,341	1,341	-	-	-	-	-	-	1,341	1,341
Undeveloped	2,061	2,061	-	-	-	-	-	-	2,061	2,061
Total Proved	**3,750**	**3,750**	**-**	**-**	**-**	**-**	**-**	**-**	**3,750**	**3,750**
Probable	1,014	1,014	-	-	-	-	-	-	1,014	1,014
Total Proved Plus Probable	**4,764**	**4,764**	**-**	**-**	**-**	**-**	**-**	**-**	**4,764**	**4,764**
Possible	967	967	-	-	-	-	-	-	967	967
Total Proved Plus Probable Plus Possible	**5,731**	**5,731**	**-**	**-**	**-**	**-**	**-**	**-**	**5,731**	**5,731**

Notes:

(1) Estimates of reserves of natural gas include associated and non-associated gas.

(2) "Gross Deemed Volumes" are the Corporation's working interest deemed volumes before the deduction of royalties.

(3) "Net Deemed Volumes" are the Corporation's working interest deemed volumes after deductions of royalty obligations plus the Corporation's royalty interests.

(4) The Corporation's working interest reserves for the Ecuador IPC reflects the deemed volume (the Corporation's share of production above the base line). The calculation for the deemed volume is described in the DeGolyer Report. The methodology for calculating the deemed volume was changed as of June 30, 2014 report to more accurately reflect the Corporation's share of production. The deemed volume was previously calculated using the cash flow divided by DeGolyer's WTI price forecast for the year, adjusted by 10% for quality. The new methodology determines deemed volume by dividing cash flow by the tariff price of $38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions.

(5) BOE have been reported based on natural gas conversions of 5.7 Mcf/1 bbl as required by the Ministry of Mines and Energy in Colombia.

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

The following table provides a summary of Canacol's reserves plus deemed volumes as of December 31, 2015 using forecast prices and costs.

	RESERVES PLUS DEEMED VOLUMES									
	Light & Medium Crude Oil		Heavy Crude Oil		Conventional Natural Gas[1]		Natural Gas Liquids		Total BOE[5]	
RESERVES CATEGORY	**Gross[2] (Mbbl)**	**Net[3] (Mbbl)**	**Gross[2] (Mbbl)**	**Net[3] (Mbbl)**	**Gross[2] (MMcf)**	**Net[3] (MMcf)**	**Gross[2] (Mbbl)**	**Net[3] (Mbbl)**	**Gross[2] (Mboe)**	**Net[3] (Mboe)**
Colombia										
Proved										
Developed Producing	403	360	-	-	157,676	134,825	-	-	28,065	24,014
Developed Non-Producing	1,479	1,322	62	56	-	-	-	-	1,541	1,378
Undeveloped	-	-	2,121	1,990	99,947	87,836	-	-	19,656	17,400
Total Proved	**1,882**	**1,682**	**2,183**	**2,046**	**257,623**	**222,661**	**-**	**-**	49,262	42,791
Probable	1,968	1,712	3,170	2,950	114,369	101,163	-	-	25,203	22,410
Total Proved Plus Probable	**3,850**	**3,394**	**5,353**	**4,996**	**371,992**	**323,824**	**-**	**-**	**74,465**	**65,201**
Possible	1,276	1,082	3,283	3,033	47,178	40,707	-	-	12,836	11,257
Total Proved Plus Probable Plus Possible	**5,126**	**4,476**	**8,636**	**8,029**	**419,170**	**364,531**	**-**	**-**	**87,301**	**76,458**
Ecuador[4]										
Proved										
Developed Producing	348	348	-	-	-	-	-	-	348	348
Developed Non-Producing	1,341	1,341	-	-	-	-	-	-	1,341	1,341
Undeveloped	2,061	2,061	-	-	-	-	-	-	2,061	2,061
Total Proved	**3,750**	**3,750**	**-**	**-**	**-**	**-**	**-**	**-**	**3,750**	**3,750**
Probable	1,014	1,014	-	-	-	-	-	-	1,014	1,014
Total Proved Plus Probable	**4,764**	**4,764**	**-**	**-**	**-**	**-**	**-**	**-**	**4,764**	**4,764**
Possible	967	967	-	-	-	-	-	-	967	967
Total Proved Plus Probable Plus Possible	**5,731**	**5,731**	**-**	**-**	**-**	**-**	**-**	**-**	**5,731**	**5,731**
Corporate Total										
Proved										
Developed Producing	751	708	-	-	157,676	134,825	-	-	28,413	24,362
Developed Non-Producing	2,820	2,663	62	56	-	-	-	-	2,882	2,719
Undeveloped	2,061	2,061	2,121	1,990	99,947	87,836	-	-	21,717	19,461
Total Proved	**5,632**	**5,432**	**2,183**	**2,046**	**257,623**	**222,661**	**-**	**-**	**53,012**	**46,541**
Probable	2,982	2,726	3,170	2,950	114,369	101,163	-	-	26,217	23,424
Total Proved Plus Probable	**8,614**	**8,158**	**5,353**	**4,996**	**371,992**	**323,824**	**-**	**-**	**79,229**	**69,965**
Possible	2,243	2,049	3,283	3,033	47,178	40,707	-	-	13,803	12,224
Total Proved Plus Probable Plus Possible	**10,857**	**10,207**	**8,636**	**8,029**	**419,170**	**364,531**	**-**	**-**	**93,032**	**82,189**

Notes:

(1) Estimates of reserves of natural gas include associated and non-associated gas.

(2) "Gross Reserves" are the Corporation's working interest in reserves and deemed volumes before the deduction of royalties.

(3) "Net Reserves" are the Corporation's working interest reserves after deductions of royalty obligations plus the Corporation's royalty interests.

(4) The Corporation's working interest reserves for the Ecuador IPC reflects the deemed volume (the Corporation's share of production above the base line). The calculation for the deemed volume is described in the DeGolyer Report. The methodology for calculating the deemed volume was changed as of June 30, 2014 report to more accurately reflect the Corporation's share of production. The deemed volume was previously calculated using the cash flow divided by DeGolyer's WTI price forecast for the year, adjusted by 10% for quality. The new methodology determines deemed volume by dividing cash flow by the tariff price of $38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions.

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

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

The following tables set forth the reconciliation of Canacol's gross reserves plus deemed volumes by principal product type using forecast prices and cost estimates as of December 31, 2015.

RESERVES RECONCILIATION - FORECAST PRICE CASE
COMPANY SHARE GROSS

Effective Date: December 31, 2015
Adjusted for Deemed Volumes

TOTAL PROVED

	Total Oil (Mbbl)	Light & Medium Crude Oil (Mbbl)	Heavy Crude Oil (Mbbl)	Conventional Natural Gas (MMcf)	Natural Gas Liquids (Mbbl)	Total (Mboe)
Colombia						
Opening Balance (June 30, 2015)	**5,115**	**2,766**	**2,349**	**240,463**	**-**	**47,301**
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions[1]	(142)	(214)	72	20,901	-	3,525
Discoveries	-	-	-	-	-	-
Acquisitions[2]	-	-	-	-	-	-
Dispositions[2]	-	-	-	-	-	-
Economic Factors [3]	(199)	(3)	(196)	-	-	(199)
Production	(709)	(667)	(42)	(3,741)	-	(1,365)
Closing Balance (December 31, 2015)	**4,065**	**1,882**	**2,183**	**257,623**	**-**	**49,262**
Ecuador						
Opening Balance (June 30, 2015)[4]	**4,167**	**4,167**	**-**	**-**	**-**	**4,167**
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions[1]	(27)	(27)	-	-	-	(27)
Discoveries	-	-	-	-	-	-
Acquisitions[2]	-	-	-	-	-	-
Dispositions[2]	-	-	-	-	-	-
Economic Factors [3]	-	-		-	-	-
Production	(390)	(390)		-	-	(390)
Closing Balance (December 31, 2015)[4]	**3,750**	**3,750**	**-**	**-**	**-**	**3,750**
Corporate Total						
Opening Balance (June 30, 2015)	**9,282**	**6,933**	**2,349**	**240,463**	**-**	**51,468**
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions[1]	(169)	(241)	72	20,901	-	3,498
Discoveries	-	-	-	-	-	-
Acquisitions[2]	-	-	-	-	-	-
Dispositions[2]	-	-	-	-	-	-
Economic Factors [3]	(199)	(3)	(196)	-	-	(199)
Production	(1,099)	(1,057)	(42)	(3,741)	-	(1,755)
Closing Balance (December 31, 2015)	**7,815**	**5,632**	**2,183**	**257,623**	**-**	**53,012**

Notes:

(1) Includes technical revisions due to reservoir performance, geological and engineering changes; economic revisions due to changes in economic limits; and working interest changes resulting from the timing of interest reversions.

(2) Includes production attributable to any acquired interests from the acquisition date to effective date of the report and production realized from disposed interests from the opening balance date to the effective date of disposition.

(3) Includes economic revisions related to price and royalty factor changes.

(4) The Corporation's working interest reserves for the Ecuador IPC reflects the deemed volume (the Corporation's share of production above the base line). The calculation for the deemed volume is described in the DeGolyer Report. The methodology for calculating the deemed volume was changed as of June 30, 2014 report to more accurately reflect the Corporation's share of production. The deemed volume was previously calculated using the cash flow divided by DeGolyer's WTI price forecast for the year, adjusted by 10% for quality. The new methodology determines deemed volume by dividing cash flow by the tariff price of $38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions.

(5) BOE have been reported based on natural gas conversion of 5.7Mcf/1 bbl.

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

RESERVES RECONCILIATION - FORECAST PRICE CASE
COMPANY SHARE GROSS

Effective Date: December 31, 2015
Adjusted for Deemed Volumes

TOTAL PROBABLE

	Total Oil (Mbbl)	Light & Medium Crude Oil (Mbbl)	Heavy Crude Oil (Mbbl)	Conventional Natural Gas (MMcf)	Natural Gas Liquids (Mbbl)	Total (Mboe)
Colombia						
Opening Balance (June 30, 2015)	**5,889**	**2,224**	**3,665**	**121,470**	**-**	**27,200**
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions(1)	(276)	(257)	(19)	(7,102)	-	(1,522)
Discoveries	-	-	-	-	-	-
Acquisitions(2)	-	-	-	-	-	-
Dispositions(2)	-	-	-	-	-	-
Economic Factors (3)	(475)	1	(476)	-	-	(475)
Production	-	-	-	-	-	-
Closing Balance (December 31, 2015)	**5,138**	**1,968**	**3,170**	**114,368**	**-**	**25,202**
Ecuador						
Opening Balance (June 30, 2015)(4)	**1,185**	**1,185**	**-**	**-**	**-**	**1,185**
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions(1)	(171)	(171)	-	-	-	(171)
Discoveries	-	-	-	-	-	-
Acquisitions(2)	-	-	-	-	-	-
Dispositions(2)	-	-	-	-	-	-
Economic Factors (3)	-	-	-	-	-	-
Production	-	-	-	-	-	-
Closing Balance (December 31, 2015)(4)	**1,014**	**1,014**	**-**	**-**	**-**	**1,014**
Corporate Total						
Opening Balance (June 30, 2015)	**7,074**	**3,409**	**3,665**	**121,470**	**-**	**28,385**
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions(1)	(447)	(428)	(19)	(7,102)	-	(1,693)
Discoveries	-	-	-	-	-	-
Acquisitions(2)	-	-	-	-	-	-
Dispositions(2)	-	-	-	-	-	-
Economic Factors (3)	(475)	1	(476)	-	-	(475)
Production	-	-	-	-	-	-
Closing Balance (December 31, 2015)	**6,152**	**2,982**	**3,170**	**114,368**	**-**	**26,216**

Notes:

(1) Includes technical revisions due to reservoir performance, geological and engineering changes; economic revisions due to changes in economic limits; and working interest changes resulting from the timing of interest reversions.

(2) Includes production attributable to any acquired interests from the acquisition date to effective date of the report and production realized from disposed interests from the opening balance date to the effective date of disposition.

(3) Includes economic revisions related to price and royalty factor changes.

(4) The Corporation's working interest reserves for the Ecuador IPC reflects the deemed volume (the Corporation's share of production above the base line). The calculation for the deemed volume is described in the DeGolyer Report. The methodology for calculating the deemed volume was changed as of June 30, 2014 report to more accurately reflect the Corporation's share of production. The deemed volume was previously calculated using the cash flow divided by DeGolyer's WTI price forecast for the year, adjusted by 10% for quality. The new methodology determines deemed volume by dividing cash flow by the tariff price of $38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions.

(5) BOE have been reported based on natural gas conversion of 5.7Mcf/1 bbl.

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

RESERVES RECONCILIATION - FORECAST PRICE CASE
COMPANY SHARE GROSS

Effective Date: December 31, 2015
Adjusted for Deemed Volumes

TOTAL PROVED + PROBABLE

	Total Oil (Mbbl)	Light & Medium Crude Oil (Mbbl)	Heavy Crude Oil (Mbbl)	Conventional Natural Gas (MMcf)	Natural Gas Liquids (Mbbl)	Total (Mboe)
Colombia						
Opening Balance (June 30, 2015)	**11,004**	**4,990**	**6,014**	**361,933**	**-**	**74,501**
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions(1)	(418)	(471)	53	13,799	-	2,003
Discoveries	-	-	-	-	-	-
Acquisitions(2)	-	-	-	-	-	-
Dispositions(2)	-	-	-	-	-	-
Economic Factors (3)	(674)	(2)	(672)	-	-	(674)
Production	(709)	(667)	(42)	(3,741)	-	(1,365)
Closing Balance (December 31, 2015)	**9,203**	**3,850**	**5,353**	**371,992**	**-**	**74,464**
Ecuador						
Opening Balance (June 30, 2015)(4)	**5,352**	**5,352**	**-**	**-**	**-**	**5,352**
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions(1)	(198)	(198)	-	-	-	(198)
Discoveries	-	-	-	-	-	-
Acquisitions(2)	-	-	-	-	-	-
Dispositions(2)	-	-	-	-	-	-
Economic Factors (3)	-	-		-	-	-
Production	(390)	(390)	-	-	-	(390)
Closing Balance (December 31, 2015)(4)	**4,764**	**4,764**	**-**	**-**	**-**	**4,764**
Corporate Total						
Opening Balance (June 30, 2015)	**16,356**	**10,342**	**6,014**	**361,933**	**-**	**79,853**
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions(1)	(616)	(669)	53	13,799	-	1,805
Discoveries	-	-	-	-	-	-
Acquisitions(2)	-	-	-	-	-	-
Dispositions(2)	-	-	-	-	-	-
Economic Factors (3)	(674)	(2)	(672)	-	-	(674)
Production	(1,099)	(1,057)	(42)	(3,741)	-	(1,755)
Closing Balance (December 31, 2015)	**13,967**	**8,614**	**5,353**	**371,992**	**-**	**79,228**

Notes:

(1) Includes technical revisions due to reservoir performance, geological and engineering changes; economic revisions due to changes in economic limits; and working interest changes resulting from the timing of interest reversions.

(2) Includes production attributable to any acquired interests from the acquisition date to effective date of the report and production realized from disposed interests from the opening balance date to the effective date of disposition.

(3) Includes economic revisions related to price and royalty factor changes.

(4) The Corporation's working interest reserves for the Ecuador IPC reflects the deemed volume (the Corporation's share of production above the base line). The calculation for the deemed volume is described in the DeGolyer Report. The methodology for calculating the deemed volume was changed as of June 30, 2014 report to more accurately reflect the Corporation's share of production. The deemed volume was previously calculated using the cash flow divided by DeGolyer's WTI price forecast for the year, adjusted by 10% for quality. The new methodology determines deemed volume by dividing cash flow by the tariff price of $38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions.

(5) BOE have been reported based on natural gas conversion of 5.7Mcf/1 bbl.

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

RESERVES RECONCILIATION - FORECAST PRICE CASE
COMPANY SHARE GROSS

Effective Date: December 31, 2015
Adjusted for Deemed Volumes

TOTAL PROVED + PROBABLE + POSSIBLE

	Total Oil (Mbbl)	Light & Medium Crude Oil (Mbbl)	Heavy Crude Oil (Mbbl)	Conventional Natural Gas (MMcf)	Natural Gas Liquids (Mbbl)	Total (Mboe)
Colombia						
Opening Balance (June 30, 2015)	**15,867**	**6,530**	**9,337**	**394,711**	**-**	**85,114**
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions(1)	(655)	(734)	79	28,201	-	4,292
Discoveries	-	-	-	-	-	-
Acquisitions(2)	-	-	-	-	-	-
Dispositions(2)	-	-	-	-	-	-
Economic Factors (3)	(741)	(3)	(738)	-	-	(741)
Production	(709)	(667)	(42)	(3,741)	-	(1,365)
Closing Balance (December 31, 2015)	**13,762**	**5,126**	**8,636**	**419,170**	**-**	**87,300**
Ecuador						
Opening Balance (June 30, 2015)(4)	**6,450**	**6,450**	**-**	**-**	**-**	**6,450**
Extensions	-	-				-
Improved Recovery	-	-	-	-	-	-
Technical Revisions(1)	(329)	(329)	-	-	-	(329)
Discoveries	-	-	-	-	-	-
Acquisitions(2)	-	-	-	-	-	-
Dispositions(2)	-	-	-	-	-	-
Economic Factors (3)	-	-	-	-	-	-
Production	(390)	(390)	-	-	-	(390)
Closing Balance (December 31, 2015)(4)	**5,731**	**5,731**	**-**	**-**	**-**	**5,731**
Corporate Total						
Opening Balance (June 30, 2015)	**22,317**	**12,980**	**9,337**	**394,711**	**-**	**91,564**
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions(1)	(984)	(1,063)	79	28,201	-	3,963
Discoveries	-	-	-	-	-	-
Acquisitions(2)	-	-	-	-	-	-
Dispositions(2)	-	-	-	-	-	-
Economic Factors (3)	(741)	(3)	(738)	-	-	(741)
Production	(1,099)	(1,057)	(42)	(3,741)	-	(1,755)
Closing Balance (December 31, 2015)	**19,493**	**10,857**	**8,636**	**419,170**	**-**	**93,031**

Notes:

(1) Includes technical revisions due to reservoir performance, geological and engineering changes; economic revisions due to changes in economic limits; and working interest changes resulting from the timing of interest reversions.

(2) Includes production attributable to any acquired interests from the acquisition date to effective date of the report and production realized from disposed interests from the opening balance date to the effective date of disposition.

(3) Includes economic revisions related to price and royalty factor changes.

(4) The Corporation's working interest reserves for the Ecuador IPC reflects the deemed volume (the Corporation's share of production above the base line). The calculation for the deemed volume is described in the DeGolyer Report. The methodology for calculating the deemed volume was changed as of June 30, 2014 report to more accurately reflect the Corporation's share of production. The deemed volume was previously calculated using the cash flow divided by DeGolyer's WTI price forecast for the year, adjusted by 10% for quality. The new methodology determines deemed volume by dividing cash flow by the tariff price of $38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions.

(5) BOE have been reported based on natural gas conversion of 5.7Mcf/1 bbl.

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

The following table provides a summary of Canacol's net present value of future net revenues as of December 31, 2015 using forecast prices and costs.

	Net Present Value (NPV) of Future Net Revenues (FNR)										Before Deducting Future Income Tax Expense - Discounted at 10%/yr ($/BOE)
	Before Deducting Future Income Tax Expense - Discounted at (%/yr)					After Deducting Future Income Tax Expense - Discounted at (% /yr)					
RESERVES CATEGORY	**0 (MM US$)**	**5 (MM US$)**	**10 (MM US$)**	**15 (MM US$)**	**20 (MM US$)**	**0 (MM US$)**	**5 (MM US$)**	**10 (MM US$)**	**15 (MM US$)**	**20 (MM US$)**	
Colombia											
Proved											
Developed Producing	793.5	655.6	557.6	485.5	430.6	547.5	451.1	382.9	332.9	295.0	23.22
Developed Non-Producing	22.9	21.5	20.2	18.9	17.6	14.3	13.8	13.1	12.4	11.7	14.65
Undeveloped	511.5	370.8	278.5	215.3	170.5	347.2	247.0	181.8	137.4	106.2	16.01
Total Proved	**1,327.9**	**1,047.9**	**856.3**	**719.7**	**618.7**	**908.9**	**711.8**	**577.7**	**482.7**	**412.9**	**20.01**
Probable	766.5	490.0	335.0	242.1	183.0	511.8	321.6	215.5	152.3	112.4	14.95
Total Proved Plus Probable	**2,094.4**	**1,538.0**	**1,191.3**	**961.8**	**801.7**	**1,420.7**	**1,033.4**	**793.2**	**635.0**	**525.3**	**18.27**
Possible	398.8	244.9	163.0	116.0	87.3	264.2	159.4	104.2	72.9	54.0	14.48
Total Proved Plus Probable Plus Possible	**2,493.2**	**1,782.9**	**1,354.3**	**1,077.9**	**889.0**	**1,684.9**	**1,192.8**	**897.4**	**708.0**	**579.3**	**17.71**
Ecuador[4]											
Proved											
Developed Producing	13.4	13.2	12.9	12.7	12.6	10.4	10.3	10.1	10.0	9.9	37.20
Developed Non-Producing	46.2	37.2	30.5	25.5	21.6	36.1	28.8	23.5	19.5	16.4	22.78
Undeveloped	59.8	46.3	36.6	29.4	23.9	46.6	35.5	27.5	21.7	17.3	17.74
Total Proved	**119.4**	**96.7**	**80.1**	**67.6**	**58.1**	**93.1**	**74.6**	**61.2**	**51.2**	**43.6**	**21.35**
Probable	36.0	28.7	23.5	19.7	16.9	28.1	22.3	18.2	15.2	12.9	23.19
Total Proved Plus Probable	**155.5**	**125.4**	**103.6**	**87.3**	**74.9**	**121.3**	**96.9**	**79.4**	**66.4**	**56.6**	**21.74**
Possible	37.3	29.3	23.6	19.6	16.5	29.1	22.8	18.4	15.2	12.9	24.44
Total Proved Plus Probable Plus Possible	**192.7**	**154.6**	**127.2**	**106.9**	**91.5**	**150.3**	**119.7**	**97.8**	**81.6**	**69.4**	**22.20**
Corporate Total											
Proved											
Developed Producing	806.9	668.8	570.6	498.2	443.2	557.9	461.4	393.0	342.9	304.9	23.42
Developed Non-Producing	69.1	58.8	50.7	44.4	39.2	50.3	42.6	36.6	31.9	28.1	18.66
Undeveloped	571.3	417.1	315.1	244.7	194.4	393.8	282.5	209.3	159.2	123.6	16.19
Total Proved	**1,447.3**	**1,144.6**	**936.4**	**787.3**	**676.8**	**1,002.0**	**786.5**	**639.0**	**533.9**	**456.5**	**20.12**
Probable	802.5	518.7	358.5	261.8	199.9	539.9	343.9	233.7	167.5	125.3	15.31
Total Proved Plus Probable	**2,249.9**	**1,663.3**	**1,294.9**	**1,049.1**	**876.7**	**1,541.9**	**1,130.3**	**872.6**	**701.4**	**581.9**	**18.51**
Possible	436.1	274.2	186.6	135.6	103.8	293.3	182.2	122.6	88.2	66.9	15.27
Total Proved Plus Probable Plus Possible	**2,686.0**	**1,937.5**	**1,481.5**	**1,184.7**	**980.5**	**1,835.2**	**1,312.5**	**995.2**	**789.6**	**648.7**	**18.03**

Notes:

(1) NPV of FNR includes all resource income: Sale of oil, gas, by-product reserves; Processing of third party Reserves; Other income.

(2) Income Taxes includes all resource income, appropriate income tax calculations and prior tax pools.

(3) The unit values are based on net reserve volumes before income tax (BFIT).

(4) The Corporation's working interest reserves for the Ecuador IPC reflects the deemed volume (the Corporation's share of production above the base line). The calculation for the deemed volume is described in the DeGolyer Report. The methodology for calculating the deemed volume was changed as of June 30, 2014 report to more accurately reflect the Corporation's share of production. The deemed volume was previously calculated using the cash flow divided by DeGolyer's WTI price forecast for the year, adjusted by 10% for quality. The new methodology determines deemed volume by dividing cash flow by the tariff price of $38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions.

(5) BOE have been reported based on natural gas conversion of 5.7Mcf/1 bbl.

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

The following table sets forth Canacol's total future net revenues (undiscounted) as of December 31, 2015 using forecast prices and costs.

RESERVES CATEGORY	Revenue (MM US$)	Royalties (MM US$)	Operating Costs(2) (MM US$)	Development Costs (MM US$)	Abandonment & Reclamation Costs (MM US$)	Future Net Revenues BT(1) (MM US$)	Future Income Tax Expenses (MM US$)	Future Net Revenues AT(1) (MM US$)
Colombia								
Total Proved	1,976.0	267.9	258.7	112.4	9.1	1,327.9	419.1	908.9
Total Proved Plus Probable	3,156.5	392.8	486.3	170.6	12.3	2,094.4	673.8	1,420.7
Total Proved Plus Probable Plus Possible	3,778.5	467.9	617.8	185.8	13.8	2,493.2	808.4	1,684.9
Ecuador								
Total Proved	332.4	187.9	(3.2)	28.3	-	119.4	26.3	93.1
Total Proved Plus Probable	371.5	187.9	(3.6)	31.7	-	155.5	34.2	121.3
Total Proved Plus Probable Plus Possible	408.8	187.9	(3.6)	31.7	-	192.7	42.4	150.3
Corporate Total								
Total Proved	2,308.5	455.8	255.5	140.7	9.1	1,447.3	445.3	1,002.0
Total Proved Plus Probable	3,528.0	580.7	482.7	202.4	12.3	2,249.9	708.0	1,541.9
Total Proved Plus Probable Plus Possible	4,187.3	655.8	614.3	217.6	13.8	2,686.0	850.8	1,835.2

Notes:

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

The following table sets forth Canacol's net present value of future net revenues by production group adjusted for deemed volumes as of December 31, 2015 using forecast prices and costs.

RESERVES CATEGORY	PRODUCTION GROUP	Net Present Value of Future Net Revenues BFIT Discounted (10%/yr)(1) (MM US$)	Net Present Value of Future Net Revenues BFIT Discounted (10%/yr)(1) ($/BOE)
Total Proved	Light & Medium Crude Oil (including solution gas and other by-products)	98.2	18.08
	Heavy Crude Oil (including solution gas and other by-products)	(4.7)	(2.32)
	Conventional Natural gas (including by-products but excluding solution gas from oil wells)	842.9	21.58
	Natural Gas Liquids	-	-
Total Proved Plus Probable	Light & Medium Crude Oil (including solution gas and other by-products)	165.3	20.27
	Heavy Crude Oil (including solution gas and other by-products)	28.0	5.61
	Conventional Natural gas (including by-products but excluding solution gas from oil wells)	1,101.6	19.39
	Natural Gas Liquids	-	-
Total Proved Plus Probable Plus Possible	Light & Medium Crude Oil (including solution gas and other by-products)	219.1	21.47
	Heavy Crude Oil (including solution gas and other by-products)	66.5	8.28
	Conventional Natural gas (including by-products but excluding solution gas from oil wells)	1,195.9	18.70
	Natural Gas Liquids	-	-

Notes:

(1) The unit values are based on net reserve volumes before deducting future income tax expenses (BFIT).
(2) The Corporation's working interest reserves for the Ecuador IPC reflects the deemed volume (the Corporation's share of production above the base line). The calculation for the deemed volume is described in the DeGolyer Report. The methodology for calculating the deemed volume was changed as of June 30, 2014 report to more accurately reflect the Corporation's share of production. The deemed volume was previously calculated using the cash flow divided by DeGolyer's WTI price forecast for the year, adjusted by 10% for quality. The new methodology determines deemed volume by dividing cash flow by the tariff price of $38.54 per barrel which remains

constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions.

(3) BOE have been reported based on natural gas conversion of 5.7Mcf/1 bbl.

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

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

	Future Development Costs Forecast Prices & Costs	
	For Proved Reserves (MM US$)	**For Proved + Probable Reserves (MM US$)**
Colombia		
Year		
2016	14.8	16.2
2017	57.9	82.7
2018	14.1	19.9
2019	8.2	13.0
2020	12.3	14.9
Remaining	**5.1**	**23.9**
Total	**112.4**	**170.6**
Undiscounted	**112.4**	**170.6**
Discounted @ 10%	**91.8**	**134.1**
Ecuador		
Year		
2016	0.3	0.3
2017	20.2	23.6
2018	7.8	7.8
2019	-	-
2020	-	-
Remaining	**-**	**-**
Total	**28.3**	**31.7**
Undiscounted	**28.3**	**31.7**
Discounted @ 10%	**23.9**	**26.8**
Corporate Total		
Year		
2016	15.1	16.5
2017	78.2	106.4
2018	21.9	27.7
2019	8.2	13.0
2020	12.3	14.9
Remaining	**5.1**	**23.9**
Total	**140.7**	**202.4**
Undiscounted	**140.7**	**202.4**
Discounted @ 10%	**115.7**	**160.9**

Notes:

(1) Future Development Costs shown are associated with booked reserves in the Reports and do not necessarily represent the Corporation's full exploration and development budget.

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

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

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

	Light & Medium Crude Oil Gross (Mbbl)		Heavy Crude Oil Gross (Mbbl)		Conventional Natural Gas Gross (MMcf)	
Reserves Category	First Attributed	Cumulative at year end	First Attributed	Cumulative at year end	First Attributed	Cumulative at year end
Proved Undeveloped						
Prior to 2013	2,543	2,543	468	2,997	-	-
2013	248	2,290	-	2,486	28,593	28,593
2014	2,796	4,874	96	2,582	4,920	33,513
2015	-	2,061	-	2,121	17,211	99,947
Probable Undeveloped						
Prior to 2013	730	730	507	3,583	-	-
2013	323	639	-	3,048	15,309	15,309
2014	1,564	1,986	172	3,220	-	2,927
2015	-	355	-	3,134	24,046	102,070

Note:

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

Production History

The following table sets forth the Corporation's share of average gross daily production volumes, by country, the prices received, royalties paid, production costs incurred and the resulting netback on a per unit volume basis, for each quarter of the year ended December 31, 2015.

	Three Months Ended March 31, 2015		Three Months Ended June 30, 2015		Three Months Ended September 30, 2015		Three Months Ended December 31, 2015	
OPERATING RESULTS	Colombia	Ecuador	Colombia	Ecuador	Colombia	Ecuador	Colombia	Ecuador
Average Gross Daily Production								
Light & Medium Crude Oil (bbl/d)	5,487		4,248		4,827		3,445	
Heavy Crude Oil (bbl/d)	257		-		-		-	
Conventional Natural Gas (boe/d)	3,502		3,954		3,472		3,541	
Natural Gas Liquids (bbl/d)	-		-		-		-	
Crude Oil – Tariff (boe/d)	-	1,704	-	1,759	-	2,156	-	2,078
Average sale prices								
Light & Medium Crude Oil ($/bbl)	39.30		49.95		34.99		29.08	
Heavy Crude Oil ($/bbl)	27.53		-		-		-	
Conventional Natural Gas ($/boe)	26.52		26.65		26.61		28.91	
Natural Gas Liquids ($/bbl)	-		-		-		-	
Crude Oil – Tariff ($/boe)	-	38.54	-	38.54	-	38.54	-	38.54
Operating netback ($/boe)								
Commodity sales revenue	34.20	38.54	38.80	38.54	31.61	38.54	29.00	38.54
Royalties	2.94		3.50		3.77		3.17	
Operating Expenses	12.06		9.67		8.14		7.69	
Transportation Expenses	1.90		1.41		0.95		1.14	
Netback(1)	**17.30**	**38.54**	**24.22**	**38.54**	**18.75**	**38.54**	**17.00**	**38.54**

Note:

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

The following table sets forth the Corporation's production volumes for the year ended December 31, 2015, by product type, for the fields comprising more than ten percent of the Corporation's total production.

	Light & Medium Crude Oil (bbl/d)	Heavy Crude Oil (bbl/d)	Conventional Natural Gas[(2)] (boe/d)	Natural Gas Liquids (bbl/d)
LLA-23	3,707	-	-	-
Esperanza	-	-	3,569	-
Other	791	63	48	-
Total Non-Tariff production	**4,498**	**63**	**3,617**	**-**
Ecuador - Tariff Production	1,926	-	-	-
Total	**6,424**	**63**	**3,617**	**-**

Notes:

(1) Daily production is taken from the Reports as of December 31, 2015.
(2) Natural Gas includes associated and non-associated sales gas volumes.
(3) The Corporation reports tariff production on a gross basis in its quarterly financial statements and MD&A. Consequently, production in the table above is not comparable with its historical financial reporting.
(4) The Corporation's working interest reserves for the Ecuador IPC reflects the deemed volume (the Corporation's share of production above the base line). The calculation for the deemed volume is described in the DeGolyer Report. The methodology for calculating the deemed volume was changed as of June 30, 2014 report to more accurately reflect the Corporation's share of production. The deemed volume was previously calculated using the cash flow divided by DeGolyer's WTI price forecast for the year, adjusted by 10% for quality. The new methodology determines deemed volume by dividing cash flow by the tariff price of $38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions.
(5) The numbers in these tables may not match the corporate totals due to rounding.

Production Estimates

The following table sets forth the volume of production estimated by the Corporation, by product type, for total proved, total probable and total proved plus probable reserves, for the year ending December 31, 2016 using forecast prices and costs.

ADJUSTED FOR DEEMED VOLUMES

	Forecast Prices & Costs		
Reserves Category	**Total Proved Gross Daily Production[(2)]**	**Total Probable Gross Daily Production[(2)]**	**Total Proved + Probable Gross Daily Production[(2)]**
Colombia			
Light & Medium Crude Oil (bbl/d)	1,292	656	1,948
Heavy Crude Oil (bbl/d)	-	-	-
Conventional Natural Gas (Mcf/d)	83,080	1,534	84,613
Natural Gas Liquids (bbl/d)	-	-	-
Total[(1)] (boe/d)	**15,868**	**925**	**16,793**
Ecuador			
Light & Medium Crude Oil (bbl/d)	982	215	1,197
Heavy Crude Oil (bbl/d)	-	-	-
Conventional Natural Gas (Mcf/d)	-	-	-
Natural Gas Liquids (bbl/d)	-	-	-
Total[(1)] (boe/d)	**982**	**215**	**1,197**
Corporate Total			
Light & Medium Crude Oil (bbl/d)	2,274	871	3,145
Heavy Crude Oil (bbl/d)	-	-	-
Conventional Natural Gas (Mcf/d)	83,080	1,534	84,613
Natural Gas Liquids (bbl/d)	-	-	-
Total [(1)] (boe/d)	**16,849**	**1,140**	**17,989**

Notes:

(1) BOE have been reported based on natural gas conversions of 5.7 Mcf/1 bbl as required by the Ministry of Mines and Energy in Colombia.

(2) Gross production is company interest before all royalty deductions.
(3) The Corporation reports tariff production on a gross basis in its quarterly financial statements and MD&A. Consequently, production in the table above is not comparable with its historical financial reporting.
(4) The Corporation's working interest reserves for the Ecuador IPC reflects the deemed volume (the Corporation's share of production above the base line). The calculation for the deemed volume is described in the DeGolyer Report. The methodology for calculating the deemed volume was changed as of June 30, 2014 report to more accurately reflect the Corporation's share of production. The deemed volume was previously calculated using the cash flow divided by DeGolyer's WTI price forecast for the year, adjusted by 10% for quality. The new methodology determines deemed volume by dividing cash flow by the tariff price of $38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions.
(5) The numbers in these tables may not add exactly due to rounding.

The following table sets forth the volume of production estimated by the Corporation, by field, for the year ending December 31, 2016 using forecast prices and costs.

ADJUSTED FOR DEEMED VOLUMES

	Light & Medium Crude Oil (bbl/d)	**Heavy Crude Oil (bbl/d)**	**Conventional Natural Gas[(2)] (Mcf/d)**	**Natural Gas Liquids (bbl/d)**
Colombia				
Capella		-	-	-
Esperanza	-	-	51,628	-
LLA23	1,292	-	-	-
Mono Araña	-	-	-	-
Santa Isabel	-	-	-	-
VIM 5	-	-	31,452	-
Total	**1,292**	**-**	**83,080**	**-**
Ecuador Fields	**982**	**-**	**-**	**-**
Corporate Total	**2,274**	**-**	**83,080**	**-**

Notes:

(1) Daily production is taken from the Reports as of December 31, 2015.
(2) Natural Gas includes associated and non-associated sales gas volumes.
(3) The Corporation reports tariff production on a gross basis in its quarterly financial statements and MD&A. Consequently, production in the table above is not comparable with its historical financial reporting.
(4) The Corporation's working interest reserves for the Ecuador IPC reflects the deemed volume (the Corporation's share of production above the base line). The calculation for the deemed volume is described in the DeGolyer Report. The methodology for calculating the deemed volume was changed as of June 30, 2014 report to more accurately reflect the Corporation's share of production. The deemed volume was previously calculated using the cash flow divided by DeGolyer's WTI price forecast for the year, adjusted by 10% for quality. The new methodology determines deemed volume by dividing cash flow by the tariff price of $38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions.
(5) The numbers in these tables may not match the corporate totals due to rounding.

Oil and Gas Wells

The following table summarizes Canacol's interests, by region and on a consolidated basis, as at December 31, 2015, in oil and gas wells which are producing or which are considered capable of production. All wells considered capable of production have been standing for a period of less than one year, are within economic distance of transportation facilities and are classified as proved developed non-producing reserves in the Reports. All of the Corporation's properties are located onshore.

	Oil Wells				Gas Wells			
	Producing		Non- Producing		Producing		Non- Producing	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Colombia								
LLA 23	14	12.6	0	0	-	-	-	-
Rancho Hermoso	4	1.2	11	3.3	-	-	-	-
VIM 5 (Clarinete)	-	-	-	-	2	2	0	0
Esperanza	-	-	-	-	7	7	2	2
Santa Isabel (Oso Pardo)	2.00	2.00	1.00	1.00	-	-	-	-
VMM2 Mono Arana	0.00	0.00	44.00	4.40	-	-	-	-
Capella	14	12.6	0	0	-	-	-	-
Ecuador								
Libertador & Atacapi	81.00	20.25	21.00	5.25	-	-	-	-
Total	**103.00**	**37.12**	**80.00**	**15.15**	**9.00**	**9.00**	**2.00**	**2.00**

See "*Description of the Business and Operations – Principal Properties and Operations*" for a discussion of the Corporation's properties.

Properties with no Attributed Reserves

As at December 31, 2015, the Corporation had approximately 2.0 million gross (1.4 million net) acres of unproved property. This acreage is situated in Colombia. No reserves have been assigned to this acreage.

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

In the event of exploration success on certain acreage, pipeline and facility construction would be required in the full field development scenario. However, commercialization of an exploration success may be achieved in the meantime by trucking oil to the nearest transportation hub or refinery.

As at December 31, 2015, the Corporation had no unproved property in which its rights to explore, develop and exploit will, absent further action, expire within one year.

Forward Contracts

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

Tax Horizon

The Corporation was taxable in Colombia for the year ended December 31, 2015. The Corporation was not taxable in Ecuador for the year ended December 31, 2015.

Capital Expenditures

The following table summarizes capital expenditures related to the Corporation's activities for the year ended December 31, 2015, separated into its business units.

	Colombia (M$)	Ecuador (M$)	Other (M$)	Total (M$)
Development Costs	78,470	10,408	78	88,956
Exploration Costs	22,033	2,100	-	24,133
Net Property Acquisition Costs				
Proved Properties	-	-	-	-
Unproved Properties	35,529	-	-	35,529
Total Capital Expenditures	**136,032**	**12,508**	**78**	**148,618**

Exploration and Development

The following table summarizes the gross and net exploratory and development wells in which the Corporation and its subsidiaries participated during the year ended December 31, 2015.

	Exploration Wells		Development Wells		Total	
	Gross	Net	Gross	Net	Gross	Net
Colombia(1)(2)						
Oil wells	2	1	3	1.4	5	2.4
Gas wells	0	0	1	1	1	1
Service wells	0	0	0	0	0	0
Stratigraphic test wells	2	1	4	2.4	6	3.4
Dry holes	0	0	0	0	0	0
Total	**2**	**1**	**4**	**2.4**	**6**	**3.4**
Success Rate	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Ecuador(3)(4)						
Oil wells	1	0.25	2	0.5	3	0.75
Gas wells	0	0	0	0	0	0
Service wells	0	0	0	0	0	0
Stratigraphic test wells	1	0.25	2	0.5	3	0.75
Dry holes	0	0	0	0	0	0
Total	**1**	**0.25**	**2**	**0.5**	**3**	**0.75**
Success Rate	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Notes:

(1) The Colombia exploration wells are operated, Maltes-1, and non-operated Chipo A1ST1.
(2) The Colombia development wells are: operated Labrador-7 and Clarinete 2ST, non-operated Mono Arana-11, and non-operated Capella P74.
(3) The Ecuador non-operated development wells considered are Secoya-49 and Shushuqui 25.
(4) The Ecuador non-operated exploration well is: Secoya Oeste A001.

Colombia

For development activity related to the oil portfolio, the Corporation has prepared an inventory of recompletion candidates in existing wells on the LLA23 block (Labrador-Maltes, Leono-Pantro-Tigro), and development locations for drilling on the VMM 2 (Mono Arana), Santa Isabel (Oso Pardo) and Ombu (Capella) blocks. Proceeding with development activity in the future will be determined by the economics of specific opportunities within the context of the natural decline of current field-wide production and prevailing commodity pricing. Going forward, reservoir modeling will be undertaken to assess the implementation of pressure maintenance in specific zones, particularly in the Labrador-Maltes on the LLA23 block.

For exploration activity related to the oil portfolio, the Corporation has interpreted the 3D seismic recently acquired on the LLA23 block. A number of the leads previously identified on 2D seismic have firmed up to become attractive drillable prospects of the same play type that has yielded success for the Corporation in the past. Additional 3D seismic to complete coverage of the block is contemplated in the future. However, the decision to proceed with acquiring additional data and to execute the exploration drilling program will be contingent on improvement in commodity price. On the VMM2 block (Mono Arana), the Corporation will advance its technical understanding of the conventional fractured oil shale play with planned fracture modeling to assess potential productivity of future wells.

For development activity related to the gas portfolio, the Corporation has identified potential development locations on its Esperanza and VIM5 properties. A number of these locations are contingent on the Corporation's ongoing appraisal drilling program, specifically on the Clarinete discovery. Committing to additional development drilling will be tied to the requirement to build the Corporation's 2P reserve base to secure additional gas contracts. In the meantime, the Corporation will advance its technical understanding of reservoir performance by continued reservoir modeling of the main producing assets.

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

Ecuador

For development activity, the Corporation will continue to participate at its non-operated working interest. Of particular interest are the early positive indications of the successful implementation of various water-flood pilots in the Libertador-Atacapi fields. Continued development drilling and additional recompletions of new zones in existing wells is contemplated for the future.

For exploration activity, the Corporation looks forward to assessing the performance of the Secoya Oeste 1 exploration discovery when the well is put on long term test in due course. The well fulfills an outstanding exploration commitment. At this time, no further exploratory activity is anticipated on the blocks.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

The Corporation is authorized to issue an unlimited number of Common Shares. As of March 23, 2016, 159,383,543 Common Shares were issued and outstanding (159,265,668 Common Shares as at December 31, 2015). The holders of the Common Shares are entitled to receive notice of and attend any meeting of the Shareholders and are entitled to one vote for each Common Share held (except at meetings where only the holders of another class of shares are entitled to vote). Subject to the rights attached to any other class of shares, the holders of the Common Shares are entitled to receive dividends, if, as and when declared by the Board of Directors and are entitled to receive the remaining property upon liquidation of the Corporation.

On November 1, 2013, Shareholders approved the adoption of a new shareholder rights plan (the "**Rights Plan**"). The Rights Plan has been accepted for filing by the TSX. Canacol is not aware of any pending or threatened unsolicited take-over bid. In implementing the Rights Plan, the Board of Directors declared the distribution of one right for each Common Share outstanding at the close of business on November 1, 2013. Also, one right has been issued with respect to each Common Share issued after November 1, 2013. The rights trade with and are represented by Common Share certificates and no further action is required by Shareholders. Rights certificates will not be distributed to Shareholders and the rights do not become exercisable or separable unless one or more specified events occur. Pursuant to the terms of the Rights Plan, any bid that meets certain criteria intended to protect the interests of all Shareholders will be deemed to be a "permitted bid" and will not trigger the Rights Plan. These criteria require, among other things, that the bid be made by way of a take-over bid circular to all holders of Common Shares other than the offeror under the bid, and remain open for acceptance by Shareholders for at least 60 days. In the event a take-over bid that does not meet the permitted bid requirements of the Rights Plan, the rights issued under the plan will entitle Shareholders, other than any Shareholder or Shareholders involved in the take-over bid, to purchase additional Common Shares at a significant discount to the market price. At any time prior to the rights becoming exercisable, the Board of Directors may waive the operation of the Rights Plan with respect to certain particular events before they occur. The Rights Plan is similar to plans adopted recently by several other Canadian issuers and approved by their securityholders.

A copy of the Rights Plan is attached as Schedule "C" to management proxy and information circular of the Corporation dated September 27, 2013 available on the Corporation's SEDAR profile at www.sedar.com.

Preferred Shares

The Corporation is authorized to issue an unlimited number of preferred shares ("**Preferred Shares**"), issuable in series. As of March 23, 2016, no Preferred Shares were issued and outstanding. The Preferred Shares may be issued from time to time in one or more series, each series consisting of a number of Preferred Shares as determined by the Board of Directors, who may fix the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of Preferred Shares. The Preferred Shares of each series shall, with respect to dividends, liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its Shareholders for the purpose of winding up its affairs, shall be entitled to preference over the Common Shares and the shares of any other class ranking junior to the Preferred Shares. The Preferred Shares of any series may also be given such other preferences and priorities over the Common Shares and any other shares of the Corporation ranking junior to such series of Preferred Shares.

Restricted Share Units

As at December 31, 2015, the Corporation had 77,374 restricted share units outstanding. These restricted share units were granted to certain employees of the Corporation, with reference prices ranging from C$2.28 to C$3.21 per Common Share. Restricted share units vest as to one-half in 12 months and one-half in 24 months from the grant date and are settled in cash.

2014 Senior Notes

The 2014 Senior Notes are the $100 million unsecured floating rate senior notes issued pursuant to a note indenture agreement, with $50 million drawn and funded as of October 29, 2014, $25 million drawn and funded on April 2, 2015 and a further $25 million committed and available to be drawn at any time up to April 27, 2016 at the sole discretion of the Corporation, subject to certain conditions. The 2014 Senior Notes are repayable in full on their maturity date of December 31, 2019 and carry interest at LIBOR plus 8.5% per annum (subject to a LIBOR floor of 1.0%), payable quarterly. Standby fees on the undrawn portion of the 2014 Senior Notes are calculated at 1% per annum.

The 2014 Senior Notes are not convertible in Common Shares. The 2014 Senior Notes may be repaid at any time prior to maturity and are subject to customary financial, performance and legal covenants, which are consistent with the covenants under the 2015 Credit Facility.

DIVIDEND RECORD AND POLICY

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

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

TRADING PRICE AND VOLUME

Common Shares

The following table sets forth the price range and trading volumes of the Common Shares on the TSX for the periods indicated. The Common Shares trade under the symbol "**CNE**" on the TSX.

Period	High (C$)	Low (C$)	Volume
2015			
January	4.00	1.92	24,153,546
February	4.21	2.67	21,995,961
March	3.25	2.37	10,407,084
April	3.99	2.89	11,579,712
May	3.97	2.77	13,909,971
June	3.06	2.59	8,245,754
July	2.91	2.38	8,245,337
August	2.53	1.96	7,764,421
September	3.07	2.28	10,576,850
October	3.50	2.56	8,953,168
November	3.45	2.83	7,421,335
December	3.10	2.21	6,039,325
2016			
January	2.83	1.97	8,807,161
February	3.36	2.25	11,968,982
March 1-23	3.77	3.21	7,951,230

PRIOR SALES

The following table summarizes the issuances of unlisted securities for the year ended December 31, 2015:

Date of Issuance	Securities	Number of Common Shares Issued/Issuable or Aggregate Amount	Price/Exercise Price per Security (C$)
January 5, 2015	Options	2,278,500(2)	2.21
January 21, 2015	Restricted Share Units	9,333(1)	N/A
January 21, 2015	Options	1,671,000(2)	3.21
February 13, 2015	Options	10,000(2)	3.26
April 28, 2015	Options	30,000(2)	3.70
May 25, 2015	Options	150,000(2)	3.05
August 18, 2015	Options	2,716,000(2)	2.28
August 18, 2015	Restricted Share Units	15,000(1)	N/A
September 1, 2015	Options	50,000(2)	2.37
September 2, 2015	Subscription Receipts	17,590,000(3)	2.50
September 2, 2015	Subscription Receipts	615,650(4)	2.50
September 3, 2015	Private Placement	14,000,000(3)	2.50
September 3, 2015	Financing Fees	490,000(4)	2.50
October 16, 2015	Options	200,000(2)	3.26
November 1, 2015	Options	100,000(2)	3.03
November 27, 2015	Options	3,070,000(2)	3.01
November 27, 2015	Restricted Share Units	30,000(1)	N/A

Notes:

(1) Issue of restricted share units.
(2) Issue of options. Options expire five years from date of issue.
(3) Issued to Cavengas Holdings S.R.L. regarding the Investment. These Subscription Receipts were converted into Common Shares on October 16, 2015.
(4) Issued to pursuant to advisory fees earned regarding the Investment. These Subscription Receipts were converted into Common Shares on October 16, 2015.

ESCROWED SECURITIES

The Corporation has no escrowed securities.

DIRECTORS AND OFFICERS

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

Name and Municipality of Residence and Position with Canacol	Director/Officer Since	Principal Occupation During the Last Five Years
Charle Gamba[3] President, Chief Executive Officer and Director Bogotá, Colombia	October 30, 2008	Chief Executive Officer of Canacol. Current director of Horizon Petroleum plc, Miramar Hydrocarbons Ltd. and Ikkuma Resources Corp. Past Vice President of Exploration for Occidental Oil and Gas Company ("**Occidental**") in Colombia. Chief Geologist with Occidental in Ecuador and Chief Geoscientist for Occidental in Qatar. Geologist with over 21 years of multidisciplinary experience in the oil and gas industry in Latin America, Middle East, North America, and South East Asia with Occidental Petroleum Corporation, Alberta Energy Company (EnCana), Canadian Occidental (Nexen), and Imperial Oil.
Michael Hibberd[1][2] Chairman and Director Calgary, Alberta, Canada	October 30, 2008	Chairman and Chief Executive Officer of MJH Services Inc., a corporate finance advisory business established in 1995. Chairman of Greenfields Petroleum Corporation and Vice-Chairman of Sunshine Oilsands Ltd. Current director of Montana Exploration Corp., PanOrient Energy Corp. and PetroFrontier Corp. Through MJH Services Inc., Mr. Hibberd has been involved in privatization and development projects in North America, Africa, the Middle East, Latin America and Asia. Prior to 1995, Mr. Hibberd spent 12 years in corporate finance with ScotiaMcLeod and was Senior Vice President, Corporate Finance and a Director.
Jason Bednar Director and Chief Financial Officer Calgary, Alberta, Canada	October 30, 2008	Mr. Bednar is a Chartered Accountant with more than 18 years of direct professional experience in the financial and regulatory management of oil and gas companies listed on the Toronto Stock Exchange, TSX Venture Exchange and American Stock Exchange. Mr. Bednar has been the Chief Financial Officer of several international oil and gas exploration companies, most notably the founding Chief Financial Officer of Pan Orient Energy Corp, a South East Asia exploration company, who during his tenure grew organically to operate 15,000 bbl/d and a market cap of $700 million. He has previously sat on the board of directors of several internationally focused E&P companies, including being the past Chairman of Gallic Energy Ltd. Mr. Bednar began his career in the chartered accountancy firm of Brown Smith Owen in 1993 before moving into financial controller roles at oil production companies. Mr. Bednar holds a Bachelor of Commerce degree from the University of Saskatchewan.

Name and Municipality of Residence and Position with Canacol	Director/Officer Since	Principal Occupation During the Last Five Years
Stuart Hensman[(1)(2)] Director Toronto, Ontario, Canada	November 15, 2007	Chairman of the Board of Governors of CI Funds, a director of RIFCO Inc., Trident Performance Corp., and Trident Performance Corp. II. Prior to 2003, Mr. Hensman was the Chairman and Chief Executive Officer of Scotia Capital (USA) Inc. Mr. Hensman was a Managing Director (Institutional Equities) at Scotia Capital Inc. (London) from 1987 to 1999. Prior to this, he held a number of analytical and portfolio management positions at Sun Life Assurance Co. of Canada from 1981 to 1986. Mr. Hensman holds a Bachelor of Arts degree from the University of Winnipeg and a Masters of Science from the Loughborough University.
David Winter[(3)] Director Calgary, Alberta, Canada	February 6, 2009	Chief Executive Officer and Director of each of Miramar Hydrocarbons Ltd. and Horizon Petroleum plc. He was a co-founder of Canacol. Dr. Winter brings 32 years of international experience in a variety of technical, management and leadership roles working in Latin America, Middle East, Southeast Asia and the UK North Sea. His experience was gained working at British Petroleum, Sun Oil, Canadian Occidental (now Nexen), Alberta Energy Company (now EnCana), Calvalley Petroleum and Excelsior Energy Limited. Dr. Winter holds a Bachelor of Science degree, a Masters of Science degree and a Doctorate in Geology from London and Edinburgh Universities.
Gregory D. Elliott[(3)] Director Oakdale, Louisiana, USA	December 21, 2012	President of Workstrings International. Mr. Elliott started his career in 1981 at Chevron serving in various drilling engineering-related assignments. He served as a well test Engineer, frequently traveling to Africa, Europe and Southeast Asia before joining Chevron's International Drilling team in 1989 where he planned and drilled wells in Africa, Europe, Southeast Asia, Kazakhstan and South America. Mr. Elliott continues to manage and grow Workstrings, currently the second largest oilfield rental company in the world. Mr. Elliott was a Charter member of Geoproduction Oil and Gas Company, founded in 2001. Mr. Elliott earned his degree in Petroleum Engineering from Louisiana State University.
Francisco Diaz Salazar[(1)] Director Bogotá, Colombia	January 16, 2015	Managing Partner at Evolvere Capital, a Private Equity firm that manages various portfolio companies in Colombia and Latin America. Mr. Diaz also serves on the board of several portfolio and publicly traded companies in Latin America. From 2004 to 2011, Mr. Diaz was President and CEO of Organización Corona, one of the largest private groups in Colombia. Prior to his association with Corona, he was with Monsanto Company in St. Louis, MO (1991 to 2003) where he held various executive positions among them President of the Global Food Ingredients Division, Corporate Vice President of Global Strategy in Chicago, IL and Vice President and General Manager for Latin America in Buenos Aires, Argentina. Mr. Diaz received a Bachelor of Science degree in Chemical Engineering from Northeastern University in Boston, MA and has a Master of Science in Business Management from Arthur D. Little School of Management in Cambridge, MA. He is also a graduate of the Advanced Executive Management Program from J. L. Kellogg Graduate School of Management of Northwestern University.

Name and Municipality of Residence and Position with Canacol	Director/Officer Since	Principal Occupation During the Last Five Years
Alberto Jose Sosa Schlageter(2) Director Caracas, Venezuela	October 16, 2015	Chief Executive Officer of Corporación Digitel, a telecom company, and Chairman of Ceramica Carabobo, a manufacturing company operating in Venezuela. Mr. Sosa Schlageter also serves as a director of CAPCA, a sugary refinery and of Fabrica Nacional de Vidrios, a glass bottle manufacturer. Mr. Sosa Schlageter received a degree in Business Administration in 1983 from Ohio Wesleyan University in Ohio, USA and received an MBA from the University of Denver in Colorado, USA.
Oswaldo Cisneros Director Caracas, Venezuela	October 16, 2015	Principal of Cavengas Holdings S.R.L. and President of Corporación Digitel, a telecom company, Maritime Contractors de Venezuela, an oil drilling services company, Fabrica Nacional de Vidrios, a glass bottle manufacturer, and Central Azucarero Portuguesa, a sugar mill factory. Previously, Mr. Cisneros served as the President of Pepsi Cola Venezuela and of Telcel Celular, C.A., a partner of Bellsouth International. He currently serves as a director of Harvest Natural Resources Inc., an NYSE-listed energy company engaged in the acquisition, development, production and disposition of oil and natural gas properties.
Ravi Sharma Chief Operating Officer Bogotá, Colombia	October 1, 2015	Mr. Ravi Sharma has 30 years of oil and natural gas experience in the Americas, Middle East, Russia, Australasia, and Africa. He has held senior management roles at major E&P companies worldwide. He was Head of Production & Operations with Afren Plc., Global Petroleum Engineering Manager for BHP Billiton Petroleum and Worldwide Chief Reservoir Engineer for Occidental Oil and Gas Corp. Mr. Sharma holds a B.Sc. and M.Sc. in Mechanical Engineering from the University of Alberta.
Mark Teare Vice President of Exploration Calgary, Alberta, Canada	January 12, 2009	Mr. Teare has 30 years of experience with a number of senior international Canadian energy companies in Brazil, Ecuador, Colombia, Argentina, Australia, and Canada. Over the nine-year period prior to joining Canacol, Mr. Teare held a series of senior management roles at EnCana Corporation including Country Lead for Brazil, and Vice President of Exploration and Joint Ventures in Ecuador. Mr. Teare also held a variety of lead technical roles at Alberta Energy Company in Australia, and Home Oil Company in Argentina and Canada. Mr. Teare holds a Master of Science degree in Geology from McGill University, and is based in the Corporation’s head office in Calgary.
Luis Baena Executive Vice President, Business Development Bogotá, Colombia	February 6, 2009	Founder and current Executive Vice President, Business Development of Canacol. Former President, Chief Executive Officer and Director of Superview S.A., a Colombian telecommunications company sold to Telmex. Former Colombian representative of BGP, a Chinese seismic company. Mr. Baena holds a Doctor of Medicine, Masters in International Affairs in Finance and Business from Columbia University of New York and Doctoral studies at Nova Southeastern University in International Business Administration.

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

Notes:

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

As at March 23, 2016, the directors and officers of Canacol, as a group beneficially own, directly or indirectly, approximately 3,591,504 of the outstanding Common Shares (approximately 2.3%). Oswaldo Cisneros, a director of the Corporation, is the Principal of Cavengas Holdings S.R.L., which owns 31,590,000 Common Shares (19.8%) as at March 23, 2016.

Corporate Cease Trade Orders or Bankruptcies

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

(a) was the subject of a cease trade or similar order, or an order that denied the relevant corporation access to any exemption under securities legislation, for a period of more than 30 consecutive days;

(b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the corporation being the subject of a cease trade or similar order or an order that denied the relevant corporation access to any exemption under securities legislation, for a period of more than 30 consecutive days; or

(c) within a year of that person ceasing to act in such capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

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

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

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

Charle Gamba and Jason Bednar were formerly directors of Solimar Energy Limited ("**Solimar**") from September 12, 2011 and October 10, 2011, respectively, to December 12, 2014, upon which date all of the directors and officers resigned. On December 3, 2015, December 8, 2015 and December 21, 2015, the common shares of Solimar were cease traded by the Alberta Securities Commission, the British Columbia Securities Commission and the Ontario Securities Commission, respectively, as a result of the failure by Solimar to file various continuous disclosure documents, including interim financial statements and related management's discussion and analysis for the three-month period ended September 30, 2014, together with the related certification of filings thereto.

Personal Bankruptcies

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

Penalties or Sanctions

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

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

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

AUDIT COMMITTEE INFORMATION

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

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

Audit Committee Terms of Reference

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

Audit Committee Composition

The following are the members of the Audit Committee:

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

Notes:

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

Relevant Education and Experience

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

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

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

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

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

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

Mr. Diaz is Managing Partner at Evolvere Capital, a Private Equity firm that manages various portfolio companies in Colombia and Latin America. Mr. Diaz also serves on the board of several portfolio and publicly traded companies in Latin America. From 2004 to 2011, Mr. Diaz was President and CEO of Organización Corona, one of the largest private groups in Colombia. Prior to his association with Corona, he was with Monsanto Company in St. Louis, MO (1991 to 2003) where he held various executive positions among them President of the Global Food Ingredients Division, Corporate Vice President of Global Strategy in Chicago, IL and Vice President and General Manager for Latin America in Buenos Aires, Argentina. Mr. Diaz received a Bachelor of Science degree in Chemical Engineering from Northeastern University in Boston, MA and has a Master of Science in Business Management from Arthur D. Little School of Management in Cambridge, MA. He is also a graduate of the Advanced Executive Management Program from J. L. Kellogg Graduate School of Management of Northwestern University.

Reliance on Certain Exemptions

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

(a) the exemption in section 2.4 of NI 52-110 (De Minimis Non-audit Services);

(b) the exemption in section 3.2 of NI 52-110 (Initial Public Offerings);

(c) the exemption in section 3.4 of NI 52-110 (Events Outside Control of Members);

(d) the exemption in section 3.5 of NI 52-110 (Death, Disability or Resignation of Audit Committee Members); or

(e) an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

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

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

(a) the exemption in subsection 3.3(2) of NI 52-110 (Controlled Companies); or

(b) the exemption in section 3.6 of NI 52-110 (Temporary Exemption for Limited and Exceptional Circumstances).

Reliance on Section 3.8

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

Audit Committee Oversight

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

Pre-Approval Policies and Procedures

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

External Auditor Service Fees

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

Financial Year Ending	Audit Fees(1)	Audit Related Fees(2)	Tax Fees(3)	All Other Fees(4)
Six Month Fiscal Period Ended December 31, 2015	$331,744	$7,853	$135,016	Nil
Twelve Month Fiscal Period Ended June 30, 2015	$525,641	$43,562	$259,007	Nil
Twelve Month Fiscal Period Ended June 30, 2014	$542,344	$89,164	$458,765	Nil

Notes:

(1) Audit fees include fees necessary to perform the annual audit and quarterly reviews of the Corporation's consolidated financial statements. Audit fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

(2) Audit-related fees include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.

(3) Tax fees include fees for all tax services other than those included in audit fees and audit-related fees. This category includes fees for tax compliance, tax planning and tax advice.

(4) All other fees include fees for products and services provided by the Auditor, other than the services reported above.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than as set out herein, there are no material legal proceedings to which the Corporation is a party or of which any of its property is the subject and there are no such proceedings known to the Corporation to be contemplated. In addition, there were no penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority during the year ended December 31, 2015, no other penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision, and no settlement agreements entered into by the Corporation with a court relating to securities legislation or with a securities regulatory authority during the year ended December 31, 2015.

Canacol Colombia and Sintana Energy have commenced parallel arbitration proceedings regarding COR-11 and COR-39. On March 30, 2015, the farm-out agreement between Canacol Colombia and Sintana Energy was terminated as a consequence of Sintana Energy's breaches of the applicable agreements. Canacol Colombia is seeking the following remedies against Sintana Energy:

(a) liquidated damages in the amount of US$38,255,847.34;

(b) in the alternative, general and special damages for breaches of the applicable farm-in agreements and for breach of the duty of good faith in the amount of US$38,255,847.34;

(c) interest, pursuant to Article 13 of the applicable agreement;

(d) costs of the arbitration including, without limitation, legal costs; and

(e) such further or other relief as the arbitrator deems just.

Sintana Energy claims Canacol Colombia breached the agreements and seeks damages. The arbitration claims are being conducted within a single proceeding. The arbitration is being conducted privately in accordance with the terms of the applicable contracts between the parties and the *Arbitration Act* (Alberta). The arbitration will be conducted in Calgary, Alberta. As of the date hereof, composition of the three person arbitration panel has not been determined, nor has a hearing date been set.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

TRANSFER AGENT AND REGISTRARS

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

MATERIAL CONTRACTS

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

INTEREST OF EXPERTS

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

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

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

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

RISK FACTORS

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

General

Political Risk

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

A 50-year armed conflict between government forces and anti-government insurgent groups and illegal paramilitary groups, both thought to be funded by the drug trade, continues in Colombia. Insurgents continue to attack civilians and violent guerrilla activity continues in many parts of the country. The Caguan-Putumayo region has been prone to guerrilla activity in the past. Pipelines have also been targets, including the Trans-Andean export pipeline which transports oil from the Putumayo region. The Catatumbo Basin borders Venezuela and has historically been an area of high security risk where there continues to be guerrilla activity. The Corporation has significant operations in the Caguan-Putumayo region. Since August 2012, there have been peace negotiations between the Colombian government and the Fuerzas Armadas Revolucionarias de Colombia (FARC) guerrillas. The attempt by the president, Juan Manuel Santos, to end the 50-year conflict is intended to bring further institutional strengthening and development, particularly to rural regions. The government's biggest challenge is perceived to be to ensure that the negotiations lead to a long-lasting peace and that demobilised members of the FARC rejoin civilian life, rather than regrouping in criminal bands. Continuing attempts to reduce or prevent guerrilla activity may not be successful and guerrilla activity may disrupt operations in the future.

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

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

United States Relations with Colombia

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

Each of these consequences could result in adverse economic consequences in Colombia and could further heighten the political and economic risks associated with operations there. Any changes in the holders of significant government offices could have adverse consequences on the Corporation's relationship with the ANH and the Colombian government's ability to control guerrilla activities and could exacerbate the factors relating to the Corporation's foreign operations. Any sanctions imposed on Colombia by the United States government could threaten the Corporation's ability to obtain any necessary financing to develop its Colombian properties. There can be no assurance that the United States will not impose sanctions on Colombia in the future, nor can the effect in Colombia that these sanctions might cause be predicted.

Social Disruptions and Instability

The Corporation's material operations are in Colombia and Ecuador. Companies operating in the oil and gas industry in these countries have experienced various degrees of interruptions to their operations as a result of social instability and labour disruptions. For example, in January 2012, certain companies operating in the Llanos Basin of Colombia postponed their exploration drilling program due to road blockades and civil disruption along the main road access by groups with grievances against the operators in the area and not the Corporation.

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

Fluctuating Prices

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

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

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

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

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of proved, probable and possible reserves and cash flows to be derived therefrom, including many factors beyond the control of Canacol. The reserve and cash flow information set forth in this Annual Information Form represent estimates only. The reserves and estimated future net cash flows from Canacol's properties have been independently evaluated by DeGolyer with an effective date of December 31, 2015. These evaluations include a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of oil and natural gas, operating costs, abandonment and salvage values, royalties and other government levies that may be imposed over the producing life of the reserves. These assumptions were based on price forecasts for each jurisdiction Canacol has reserves that are in use at the date the relevant evaluations were prepared and many of these assumptions are subject to change and are beyond the control of Canacol. Actual production and cash flows derived therefrom will vary from these evaluations, and such variations could be material. Due to the limited history of Canacol's producing wells, reserves have been estimated on a volumetric basis.

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

Additional Financing

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

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

Industry Risks

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

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

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

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

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

Exploration and Development

Canacol is engaged in oil and natural gas exploration, which is a high-risk venture with uncertain prospects for success and for which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that expenditures made on future exploration or development activities by Canacol will result in discoveries of oil or natural gas that are commercially or economically possible. It is difficult to project the costs of implementing any exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as overpressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof. Even if commercial quantities of petroleum or natural gas are discovered, there is no assurance that production therefrom or development thereof will occur or be profitable. Natural resource prices fluctuate widely and are affected by numerous factors such as inflation, interest rates, demand, global or regional political and economic crisis and production costs in major producing regions. The aggregate affect of these factors, all of which are beyond Canacol's control, is impossible to predict. No assurance can be given that commercial accumulations of oil and natural gas will be discovered as a result of the efforts of Canacol and prospective investors must rely upon the ability, expertise, judgment, discretion, integrity, and good faith of the management of Canacol.

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

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

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

Operations

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

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

Canacol may experience growth through acquisitions. Its continued profitability and growth will depend in part upon its ability to successfully integrate its acquired assets with its existing business. There is no assurance that Canacol will be able to successfully assimilate its acquisitions and its failure to do so could have a material adverse affect on its business, operations results and prospects.

Continuing production from a property, and to some extent the marketing of production therefrom, are largely dependent upon the ability of the operator of the property. Canacol is currently non-operator of many of its properties and as such will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators. To the extent the operator fails to perform these functions properly, revenue may be reduced. Payments from production generally flow through the operator and there is a risk of delay and additional expense in receiving such revenues if the operator becomes insolvent. Although satisfactory title reviews are conducted in accordance with industry standards, such reviews do not guarantee or certify that a defect in the chain of title may not arise to defeat the claim of Canacol to certain properties. In addition, the success of Canacol will be largely dependent upon the performance of its key officers.

Disruptions in Production

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

Maintenance of Partner Work Commitments

The Ecuador IPC requires PetroAmazonas to maintain the base-curve for crude production in the field at the level specified in the contract. As the Ecuador IPC is an incremental production contract, should PetroAmazonas' activities that are required to maintain production at the base-curve level be inadequate to do so, a portion of the incremental production that would otherwise have been generated to the benefit of the Corporation may be used to compensate for base-curve deficiencies.

Minimum Work Commitments on Exploration Blocks

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

Environmental Concerns

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

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

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

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

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

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

Gathering and Processing Facilities and Pipeline Systems

The Corporation delivers its products through gathering, processing and pipeline systems some of which it does not own. The amount of oil and natural gas that the Corporation can produce and sell is subject to the accessibility, availability, proximity and capacity of these gathering, processing and pipeline systems. The lack of availability of capacity in any of the gathering, processing and pipeline systems could result in the Corporation’s inability to realize the full economic potential of its production or in a reduction of the price offered for the Corporation’s production. The Corporation currently produces oil in a basin in Colombia that has seen an increase in crude oil production but a decrease in crude take away capacity as heavier density crude production increases outpace lighter density crude production. Although pipeline expansions in Colombia are ongoing, the lack of firm pipeline capacity continues to affect the oil and natural gas industry and limit the ability to produce and to market oil and natural gas production. Any significant change in market factors or other conditions affecting these infrastructure systems and facilities, as well as any delays in constructing new infrastructure systems and facilities could harm the Corporation’s business and, in turn, the Corporation’s financial condition, results of operations and cash flows.

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

Conflicting Interests with Joint Venture Partners

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

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

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

Inability to Market Oil and Gas Production

The marketability of oil and gas production from Canacol's projects may be affected by numerous factors beyond Canacol's control, including, but not limited to, market fluctuations of prices, minimum volume commitments requirements, proximity and capacity of pipelines, the availability of upgrading and processing facilities, equipment availability and Colombian and Ecuadorian Government regulations (including, without limitation, regulations relating to prices, taxes, royalties, allowable production, importing and exporting of oil, natural gas and environmental protection). Canacol currently sells the vast majority of the gas it produces pursuant to the Esperanza E&E Contract to three third parties. If Canacol's agreements with these third parties were to be terminated for any reason, Canacol may be unable to enter into a relationship with other purchasers for such gas on a timely basis or on acceptable terms.

Third Party Credit Risks

The Corporation may be exposed to third party credit risk through its contractual arrangements with its current and future joint venture partners, including but not limited to risks related to Pardaliservices, the joint venture company established by Tecpetrol International S.A., Schlumberger Ltd., Sertecpet S.A., and Canacol that was awarded the Ecuador IPC. In the event such entities fail to meet their contractual obligations, such failures could have a material adverse effect on the Corporation and its cash flow from operations. In addition, poor credit condition in the industry and of a potential joint venture partner may impact a potential joint venture partner's willingness to participate in a future Canacol capital program.

Natural Disasters and Weather-Related Risks

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

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

Information Technology or Cybersecurity

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

Risks of Foreign Operations Generally

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

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

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

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

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

To help mitigate the risks associated with operating in foreign jurisdictions, Canacol seeks to operate in regions where the petroleum industry is a key component of the economy. Canacol believes that management's experience operating both in Colombia and in other international jurisdictions helps reduce these risks. Some countries in which Canacol may operate may be considered politically and economically unstable. In Colombia, the government has a long history of democracy and an established legal framework that, in Canacol's opinion, minimizes political risks.

Security

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

Legal Systems

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

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

Recently, in the Department of Putumayo in Colombia, new ethnic groups have been threatening, and in some cases using, the Judicial Branch of Government, Superior Court of the Judicial District of Mocoa (the "**Local Court**") to require that they be consulted, and thereby obtain benefits from companies operating in the Department of Putumayo as a result of those consultations. The Local Court has the ultimate jurisdiction to determine, upon a writ for protection or tutela, by an ethnic group, (i) whether there has been a violation of a fundamental right to prior consultation by act or omission of a public authority or individual, and (ii) whether the ethnic group is legitimate. If the Local Court determines that there has been a violation and the ethnic group is legitimate despite receipt by the company of its proper governmental permits, the Local Court has the power to invalidate a company's permits and force the company to cease operations immediately until such time as the company can successfully appeal to the Supreme Court of Colombia to overturn the Local Court's decision or prior consultations are completed and the permits effective once again.

Changes in Legislation

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

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

Conflicts of Interest

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

Governmental Regulation

The oil and gas business is subject to regulation and intervention by governments in such matters as the awarding of exploration and production interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and abandonment of fields (including restrictions on production) and possible expropriation or cancellation of contract rights, as well as with respect to prices, taxes, export quotas, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and gas industry could reduce demand for oil and natural gas, increase Canacol's costs and have a material adverse effect on Canacol.

Availability of Drilling Equipment and Access Restrictions

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

No Assurance of Title

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

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in Canada and the United States have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It is likely that the quoted market price, if any, for the Common Shares will be subject to market trends generally, notwithstanding the financial and operational performance of Canacol.

Cost of New Technologies

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

Alternatives to/Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices will reduce the demand for crude oil and other liquid hydrocarbons. Canacol cannot predict the impact of changing demand for oil and natural gas products and any major changes would have a material adverse effect on Canacol's business, financial condition, results of operations and cash flow.

Legal Proceedings

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

Breach of Confidentiality

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

Income Taxes

The Corporation and its subsidiaries file all required income tax returns and the Corporation believes that it is in material compliance with applicable Canadian, Colombian, Peruvian, Panamanian, Brazilian, United States, Spanish, British Virgin Islands, Ecuadorian and Barbadian tax laws; however, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Corporation, whether by re-characterization of exploration and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable.

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

Expansion into New Activities

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

Dependence on Key Personnel

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

Reliance on Strategic Relationships

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

Uninsurable Risks

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

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

Reserve Replacement

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

Currency Risks

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

Foreign Location of Assets

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

Permits and Licenses

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

Repatriation of Earnings

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

Dividends

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

Corruption

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

Operational Constraints Due to Debt

The Corporation has a significant amount of indebtedness, particularly with respect to the 2014 Senior Notes and the 2015 Credit Facility, and this level of indebtedness could materially and adversely affect it in a number of ways. For example, it could:

1. make it more difficult for the Corporation to conduct its operations;

2. increase the Corporation's vulnerability to general adverse economic and industry conditions;

3. require the Corporation to dedicate a portion of its future cash flow from operations to service payments on its indebtedness, thereby reducing the availability of the Corporation's future cash flow from operations to fund working capital, capital expenditures and other general corporate purposes;

4. limit the Corporation's flexibility in planning for, or reacting to, changes in its business and the industry in which it operates;

5. place the Corporation at a competitive disadvantage compared to its competitors that have less debt; and

6. limit the Corporation's ability to borrow additional funds on commercially reasonable terms, if at all, to meet its operating expenses and for other purposes.

Ability to Make Scheduled Repayments or to Re-finance

The Corporation's ability to make scheduled repayments or to re-finance its debt obligations will in part depend upon the Corporation's financial and operating performance, which in turn will partially depend upon prevailing industry and general economic conditions which are beyond its control. There can be no assurance that the Corporation's operating performance, cash flow and capital resources will be sufficient to service and/or repay its debt in the future, in which case the Corporation may be required to sell assets to repay its debt, defer capital expenditures or raise additional debt or equity, to the extent available.

ADDITIONAL FINANCIAL AND OTHER INFORMATION

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

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Canacol's securities, options to purchase securities and interests of insiders in material transactions, where applicable, will be contained in Canacol's information circular for the next annual meeting of shareholders that involves the election of directors and additional information as provided in Canacol's comparative financial statements for its most recently completed financial year. Canacol will provide this information to any person, upon request made to the Corporate Secretary of Canacol at Suite 4500, 525 - 8th Avenue SW, Calgary, Alberta, T2P 1G1. The documents will also be located on SEDAR at www.sedar.com.

Additional financial information is provided in the Corporation's comparative financial statements and management's discussion and analysis for the period ended December 31, 2015, which are also available on SEDAR.

SCHEDULE A

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

DeGolyer and MacNaughton Canada Limited
311 Sixth Avenue S.W., Suite 1430
Intact Place, East Tower
Calgary, Alberta, Canada, T2P 3H2

FORM 51-101F2
REPORT on RESERVES DATA
BY
INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR

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

1. We have evaluated the Company's reserves data as at December 31, 2015. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as December 31, 2015, estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "COGE Handbook") maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).

4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the year ended December 31, 2015, and identifies the respective portions thereof that we have evaluated and reported on to the Company's management:

Independent Qualified Reserves Evaluator	Effective Date of Evaluation Report	Location of Reserves	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate)			
			Audited	Evaluated	Reviewed	Total
			MM U.S.$	MM U.S.$	MM U.S.$	MM U.S.$
DeGolyer and MacNaughton Canada Limited	December 31, 2015		-		-	-
		Colombia		89.8	-	89.8
		Ecuador	-	103.6	-	103.6
		Total Company	-	193.3	-	193.3

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

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

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

Executed as to our report referred to above:

DeGolyer and MacNaughton Canada Limited, Calgary, Alberta, dated March 8, 2016.

DEGOLYER and MACNAUGHTON
CANADA LIMITED

Nahla R. Boury, P.Eng.

PERMIT TO PRACTICE
DeGolyer and MacNaughton
Canada Limited

Signature ____________

Date ____March 8, 2016____

PERMIT NUMBER: P 5568

The Association of Professional Engineers and Geoscientists of Alberta

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

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

1. We have evaluated the Company's reserves data as of December 31, 2015. The reserves data are estimates of proved plus probable reserves and related future net revenue as at December 31, 2015, estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to the proved and probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for December 31, 2015, and identifies the respective portions thereof that we have evaluated and reported on to the Company's board of directors:

Independent Qualified Reserves Evaluator	Description and Preparation Date of Evaluation Report	Location of Reserves	Net Present Value of Future Net Revenue (before income taxes @ NPV 10%) Evaluated Total
Petrotech Engineering Ltd.	Evaluation of the Interests of Canacol Energy Ltd. in Three Producing Fields within Esperanza Block in the Lower Magdalena Valley Basin of Colombia, Effective December 31, 2015 and Prepared on March 11, 2016	Onshore Colombia	$729,372,000 US
Petrotech Engineering Ltd.	Evaluation of the Interests of Canacol Energy Ltd. in the Clarinete Field in the VIM 5 Block, Lower Magdalena Valley Basin of Colombia Effective December 31, 2015 and	Onshore Colombia	$372,180,000 US

	Prepared on March 11, 2016		
Total			**$1,101,552,000 US**

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

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

6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.

7. Because the reserves data are based on judgments regarding future events, actual results will vary and the Variables may be material. However, any variations should be consistent with the fact that reserves are categorized according to their probability of recovery.

Executed as to our report referred above:

John Yu, P. Eng., President of Petrotech Engineering Ltd., in Burnaby, B. C., Canada
Execution Date: March 11, 2016.

SCHEDULE B

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

Management of Canacol Energy Ltd. (the "**Corporation**") are responsible for the preparation and disclosure of information with respect to the Corporation's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2015, estimated using forecast prices and costs.

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

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

(a) reviewed the Corporation's procedures for providing information to the independent qualified reserves evaluators;

(b) met with the independent qualified reserves evaluators to determine whether any restrictions affected the ability of the independent qualified reserves evaluators to report without reservation; and

(c) reviewed the reserves data with management and the independent qualified reserves evaluators.

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

(a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;

(b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluators on the reserves data; and

(c) the content and filing of this report.

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

(signed) "Charle Gamba"

Charle Gamba, Chief Executive Officer, President and Director

(signed) "Mark Teare "

Mark Teare, VP Exploration

(signed) "Michael Hibberd"

Michael Hibberd, Chairman and Director

(signed) "David Winter"

David Winter, Director

Dated: March 23, 2016

SCHEDULE C

CANACOL ENERGY LTD.

AUDIT COMMITTEE'S TERMS OF REFERENCE

I. Constitution and Purpose

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

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

II. Composition

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

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

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

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

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

III. Meetings

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

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

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

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

IV. Authority

The Committee is authorised by the Board to:

a) Investigate any matter within its Terms of Reference

b) Have direct communication with the Corporation's external auditors

c) Seek any information it requires from any employee of the Corporation

d) Retain, at its discretion, outside legal, accounting or other advisors, at the expense of the Corporation, to obtain advice and assistance in respect of any matters relating to its duties, responsibilities and powers as provided for or imposed by these Terms of Reference or otherwise by law or the by-laws of the Corporation

V. Roles and Responsibilities

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

a) Accounting and Financial Reporting Matters

1. In consultation with the external auditors, review with management the integrity of Canacol's financial reporting processes, both internal and external.

2. Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.

3. At each meeting, consult with the external auditors, without the presence of management, about the quality of Canacol's accounting principles, internal controls and the completeness and accuracy of Canacol's financial statements.

4. Review the Corporation's interim and annual financial statements and management's discussion & analysis of operations (the "MD&A"), Annual Information Forms and earnings press releases prior to their public disclosure and Board approval, where required, and ensure that adequate procedures are in place for the review of the Canacol's public disclosure of financial information extracted or derived from the Corporation's financial statements for inclusion in documents such as the Management Information Circular and prospectuses.

5. Following such review with management and the external auditors, recommend to the Board whether to approve the annual or interim financial statements and MD&A and any other filings with the securities commissions.

6. Monitor in discussion with the external auditors the integrity of the financial statements of the Corporation before submission to the Board, focusing particularly on:

   (a) Significant accounting policies and practices under International Financial Reporting Standards ('IFRS") as applicable to Canacol and any changes in such accounting policies and practices as required by the standard setters or as suggested by the external auditors and management

   (b) Major judgment areas including significant accruals, key assumptions and estimates, and the view of the external auditors as to appropriateness of such judgments

   (c) Significant adjustments resulting from the audit

   (d) The going concern assumption

   (e) Compliance with accounting standards including the effects on the financial statements of alternative methods within generally accepted accounting principles

   (f) Compliance with stock exchange and legal requirements

   (g) Accounting treatment and disclosure of large transactions as well as unusual or non-recurring transactions

   (h) Significant off-balance sheet and contingent assets and liabilities and the related disclosures

   (i) Disclosure requirements for commitments

   (j) Compliance with covenants under loan agreements

   (k) Significant interim review audit findings during the year, including the status of previous audit recommendations

   (l) All related party transactions with the required disclosures in the financial statements.

   (m) Timeliness of statutory payments

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

b) External Auditors

1. Consider and make recommendations to the Board for it to put to the shareholders for their approval in a general or special meeting in relation to the appointment, re-appointment and removal of Canacol's external auditors and to approve the compensation and terms of engagement of the external auditors for the annual audit, interim reviews and any other audit-related and non-audit-related services.

2. When there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change.

3. Require the external auditors to report directly to the Committee.

4. Discuss with the external auditors, before an audit commences, the nature and scope of the audit, and other relevant matters.

5. Review and monitor the performance of the external auditors and the effectiveness of the audit process taking into consideration relevant professional and regulatory requirements.

6. Obtain annually a formal written statement of external auditors setting forth all relationships between the external auditors and Canacol and confirming their independence from Canacol.

7. Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.

8. Review and approve Canacol's hiring policies regarding partners, employees and former partners and employees of the present and former auditors of the Corporation.

9. Discuss problems and reservations arising from an audit, and any matters the external auditors may wish to discuss (in the absence of management where necessary).

10. Upon completion of the audit, review the external auditors' report on the financial statements and any recommendation letters issued to management with management's responses including the management representation letter.

11. Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by Canacol's external auditors and consider the impact on the independence of the auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:

    (i) The aggregate amount of all such non-audit services provided to Canacol constitutes not more than five percent of the total amount of revenues paid by Canacol to its external auditors during the fiscal year in which the non-audit services are provided

    (ii) Such services were not recognized by Canacol at the time of the engagement to be non-audit services

    (iii) Such services are promptly brought to the attention of the Committee by Canacol and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of Canacol Directors to whom authority to grant such approvals has been delegated by the Committee

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

12. Consider the major findings of the external auditors and management's responses, including the resolution of disagreements between management and the external auditors regarding financial reporting.

13. Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.

14. At each meeting, consult with the external auditors, without the presence of management, about the quality, not just the acceptability, of the accounting principles applied in the Corporation's financial reporting, effectiveness of internal controls and the completeness and accuracy of the Corporation's financial reports.

c) Disclosure Controls & Procedures ("DC&P") and Internal Controls over Financial Reporting ("ICFR")

1. Monitor and review Canacol's disclosure policy on an annual basis.

2. In conjunction with each fiscal year end, review management's assessment of the design and effectiveness of Canacol's DC&P including any control deficiencies identified and the related remediation plans for any significant or material deficiencies.

3. In conjunction with each fiscal year end, review management's assessment of the design and effectiveness of Canacol's ICFR including any control deficiencies identified and the related remediation plans for any significant or material deficiencies.

4. Review and discuss any fraud or alleged fraud involving management or other employees who have a role in Canacol's ICFR and the related corrective and disciplinary actions to be taken.

5. Discuss with management any significant changes in the ICFR that are disclosed or considered for disclosure in the MD&A on a quarterly basis.

6. Review and discuss with the CEO and the CFO the procedures undertaken in connection with the CEO and CFO certifications for the annual and interim filings with the securities commissions.

7. Review the adequacy of internal controls and procedures related to any corporate transactions in which directors or officers of Canacol have a personal interest, including the expense accounts of senior officers of Canacol and officers' use of corporate assets.

d) Risk management

1. Review the Corporation's risk management policies and processes established to effectively identify, assess and treat the Corporation's principal risks of the business and to receive an annual report thereon.

2. Review the financial exposures undertaken by the Corporation together with any mitigating strategies including physical and financial positions in commodities markets, derivative strategies, capital commitments, sovereign and foreign exchange exposures, and interest rate fluctuations.

3. Review on an annual basis the adequacy and effectiveness of the Corporation's insurance policies including coverage for property damage, business interruption, liabilities, and directors and officers.

4. Review the Corporation's major financings and its future financing plans and strategies considering current and future business needs and the condition of capital markets.

5. Review and approve the discussion and disclosure of risks in public documents.

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

1. Establish procedures for:

    (a) The receipt, retention and treatment of complaints received by Canacol regarding accounting, internal accounting controls, or auditing matters

    (b) The confidential, anonymous submission by employees of Canacol of concerns regarding questionable accounting or auditing matters

    (c) The investigation of such matters with appropriate follow-up actions

VI. Committee Effectiveness Procedures

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

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

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

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

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

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

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

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