

The purpose of this Policy is to summarize the insider trading restrictions to which directors, officers and certain employees are subject under applicable securities legislation, and to set forth a policy governing investments in the shares of Canacol Energy Ltd. (the “Corporation”) and the reporting thereof which is consistent with the legislation.

This Policy is not intended to discourage investment in the Corporation’s shares. Rather, it is intended to highlight the obligations and the restrictions imposed on insiders by relevant securities legislation.

### Summary of Legislation

Securities legislation prohibits any person in a “special relationship” with the Corporation from either:

- purchasing or selling the Corporation’s shares with the knowledge of a material fact or material change concerning the Corporation that has not been generally disclosed; or
- informing (or “tipping”), other than when necessary in the course of business, another person or corporation of a material fact or material change concerning the Corporation before the material fact or material change has been generally disclosed. A material change to the business or affairs of the Corporation or a material fact is one which would reasonably be expected to have an effect on the market price or value of any securities of a public issuer. A material change is specifically defined to include any decision by a board of directors to implement a material change, as well as any decision made to implement such a change by senior management, if Board approval is probable.

This prohibition applies to any of the following persons who are deemed to have a “special relationship” with the Corporation:

- directors, officers, employees and consultants of the Corporation; or
- persons or corporations who learn of a material fact or material change concerning the Corporation.

Examples of information that may constitute material fact are set out in Appendix A attached hereto.

While the penalties for a breach of this prohibition vary among jurisdictions, a breach may render you personally liable to prosecution and, upon conviction, to a fine not exceeding one million dollars or two years in jail, or both. Further, you may be subject to civil actions at the instance of certain security holders, the companies whose securities were traded, various securities commissions, or any of these.

You should note that any person who is associated with you, including any member of your family, your spouse or any person living with you, is also deemed to be a person in a special relationship with the Corporation, and is subject to the same legal obligations and duties. This Policy continues to apply to your transactions in the Corporation’s stock even after you have terminated employment. If you are in possession of material non-public information when your employment terminates, you may not trade in the Corporation’s stock until the information has become public or is no longer material.

## Trading Prohibitions

In light of the foregoing, all directors, officers and employees of the Corporation will be subject to the following prohibitions relating to investments in the Corporation's securities and securities of other public issuers:

- If one has knowledge of a material fact or material change related to the affairs of the Corporation or any public issuer involved in a transaction with the Corporation which is not generally known, no purchase or sale may be made until the information has been generally disclosed to the public and the blackout periods set forth below have expired.
- Knowledge of a material fact or change must not be conveyed to any other person for the purpose of assisting that person in trading securities.
- The practice of selling "short" securities of the Corporation at any time is not permitted.
- The practice of buying or selling a "call" or "put" or any other derivative security in respect of the securities of the Corporation is not permitted, except with respect to securities issued by the Corporation such as warrants or convertible debentures.
- Trading is prohibited in the event that the Corporation has provided notice of a pending material fact or material change until the information has been generally disclosed to the public and the blackout periods set forth below have expired.

For purposes of this Policy, public issuer includes any issuer, whether a corporation or otherwise, whose securities are traded in a public market, whether on a stock exchange or "over the counter".

The above prohibitions and the insider reporting obligations provided below applies equally to the trading or exercising of options with the intention of trading shares issued upon the exercise of options of the public issuer.

## Insider Reporting Obligations

Under current Alberta law, a person or Corporation who becomes an insider of the Corporation must file an insider report within 10 days of the date of becoming an insider. In addition, an insider whose direct or indirect beneficial ownership of or control or direction over securities of the Corporation changes, must file an insider report of the change within 5 days of the date of the change.

Generally, securities legislation defines insiders as:

- every director or "senior officer" (as defined below) of a public issuer;
- every director or senior officer of an issuer that is itself an insider of a public issuer, which includes its subsidiaries;
- any person or corporation that:
  - (a) beneficially owns, directly or indirectly, voting securities of a public issuer, or
  - (b) exercised control or direction over voting securities of a public issuer, or
  - (c) beneficially owns, directly or indirectly, certain voting securities of a public issuer and exercises control or direction over certain other voting securities of a public issuer, carrying more than 10% of the voting rights attached to all voting securities of the public issuer for the time being outstanding other than voting securities held by the person or Corporation as underwriter in the course of distribution.

Generally, a “senior officer” is:

- The Chairman or Vice-Chairman of the Board of Directors, the President, Vice-President, Secretary, Controller, Treasurer or General Manager or any other individual who performs functions for the issuer similar to those performed by an individual occupying that office; and
- Each of the 5 highest paid employees of an issuer, including any individual referred to above.

A copy of the insider report may be obtained from the Corporation and is required to be filed electronically on SEDI.

It is each insider’s personal responsibility to ensure that all requisite insider trading reports are filed with the appropriate securities commissions within the statutory time limits.

To assist each of the senior officers (as defined above) specified below to avoid any trade in securities of the Corporation that may contravene or be perceived to contravene applicable securities laws, these individuals are required to notify the Chief Financial Officer, in writing, in advance of any proposed trade of securities of the Corporation (including, but not limited to, exercise of stock options), in order to receive confirmation, in writing, that there is no Inside Information that has not been generally disclosed. In the case of the Chief Financial Officer the pre-clearance should be obtained from the Chief Executive Officer. Pre-cleared transactions not completed within five business days shall require new pre-clearance under the provisions of this paragraph. If clearance is denied, the fact of such denial must be kept confidential by the person requesting such clearance.

### **Blackout Periods**

In order to ensure uniform compliance with securities legislation, the Corporation has made the following provision for blackout periods during which restricted persons, directors, officers and employees who are routinely in possession of undisclosed material information, are prohibited from trading in the Corporation’s securities.

Periodic, Regular Disclosure (Quarterly and Annual Financial Results)

- For each quarter, the blackout period is the seven days immediately preceding the day of the Board or Audit Committee meeting at which the financial statements are to be reviewed and/or approved and terminating at the end of the business day following the release.
- Financial results release dates are approximate and will vary on a yearly basis.

### **Unscheduled Developments**

Unscheduled developments are significant corporate acquisitions, divestitures, contract negotiations, major oil and gas discoveries, asset write downs, or similar transactions that will generally result in a material change in the affairs of the Corporation.

- The blackout period begins as soon as management is aware of the development, and continues until the end of the business day following the release, unless otherwise determined by the Board.
- If you are unsure whether or not you may trade in a given circumstance, you should contact the Chief Executive Officer or Chief Financial Officer to determine if the particular information is or is not material.

**Enforcement**

All directors, officers, employees and consultants of the Corporation and its subsidiaries shall be provided with a copy of this Policy and shall provide a written acknowledgement of compliance with the procedures and restrictions set forth in this Policy. It is a condition of their appointment, employment or engagement that each of these persons at all times abide by the standards, requirements and procedures set out in this Policy unless a written authorization to proceed otherwise is received from the Chief Financial Officer. Any such person who violates this Policy and effects transactions in the Corporation's stock or the stock of other public companies engaged in business transactions with the Corporation (or provides information to enable others to do so) may face disciplinary action up to and including termination of his or her employment or appointment with or engagement by the Corporation without notice. The violation of this Policy may also violate certain securities laws. If it appears that a director, officer, employee or consultant may have violated such securities laws, the Corporation may refer the matter to the appropriate regulatory authorities, which could lead to penalties, fines or imprisonment.

**INSIDER TRADING POLICY  
APPENDIX A  
EXAMPLES OF MATERIAL FACT**

**The following are examples of material facts and should not be considered as an all-inclusive listing of Inside Information:**

- Proposed changes in capital structure including stock splits and stock dividends
- Proposed or pending financings
- Material increases or decreases in the amount of outstanding securities or indebtedness
- Proposed changes in corporate structure including amalgamations and reorganizations
- Proposed acquisitions of other companies including take-over bids or mergers
- Material acquisitions or dispositions of assets
- Material changes or developments in the Corporation's exploration or development programs which would materially affect earnings upwards or downwards
- Material changes in the Corporation's estimates of its oil and gas reserves
- Significant discoveries of oil and gas reserves or unsuccessful drilling results
- Significant seismic results
- Material changes in the business of the Corporation
- Changes in senior management or control of the Corporation
- Bankruptcy or receivership
- Changes in the Corporation's auditors
- The financial condition and results of operations of the Corporation
- Significant impairments or write-offs
- Internal budgets and forecast of financial results
- Projections of future earnings or losses or other earnings guidance
- Earnings that are inconsistent with the consensus expectations of the investment community
- Indicated changes in revenues or earnings upwards or downwards of more than recent average size
- Material legal proceedings
- Defaults in material obligations
- The results of the submission of matters to a vote of security holders
- Transactions with directors, officers or principal security holders
- The granting of options or payment of other compensation to directors or officers