



**ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD JULY 12, 2017**

**NOTICE OF MEETING AND  
MANAGEMENT PROXY AND INFORMATION CIRCULAR**

**JUNE 6, 2017**

**CANACOL ENERGY LTD.**

**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON JULY 12, 2017**

**NOTICE IS HEREBY GIVEN THAT AN ANNUAL GENERAL AND SPECIAL MEETING** (the "**Meeting**") of holders of common shares of Canacol Energy Ltd. (the "**Corporation**") will be held at the Livingston Place Conference Centre, 222 3<sup>rd</sup> Avenue S.W., Calgary, Alberta T2P 0B4, at 10:00 a.m. (Calgary time), on July 12, 2017 for the following purposes:

1. **TO RECEIVE** and consider the financial statements of the Corporation for the financial year ended December 31, 2016 and the report of the auditor thereon;
2. **TO FIX** the number of directors of the Corporation to be elected at the Meeting at eight;
3. **TO ELECT** the Board of Directors of the Corporation for the ensuing year;
4. **TO RE-APPOINT** the auditor of the Corporation for the ensuing year and to authorize the Board of Directors to fix the auditor's remuneration;
5. **TO APPROVE** unallocated options under the Corporation's stock option plan;
6. **TO APPROVE** the new shareholder rights plan of the Corporation; and
7. **TO TRANSACT** such other business as may be properly brought before the meeting or any adjournment thereof.

The Information Circular – Proxy Statement provides information relating to the matters to be addressed at the Meeting and is incorporated into this Notice.

The record date for the determination of shareholders of the Corporation ("**Shareholders**") entitled to receive notice of and to vote at the Meeting (the "**Record Date**") is at the close of business on May 26, 2017. Shareholders whose names have been entered in the register of Shareholders at the close of business on the Record Date will be entitled to receive notice of and vote at the Meeting.

**A Shareholder may attend the Meeting in person or may be represented by proxy. Shareholders who are unable to attend the Meeting, or any adjournment thereof, in person are requested to date, sign and return the enclosed form of proxy for use at the Meeting or any adjournment thereof. A proxy will not be valid unless it is deposited with the Corporation's transfer agent Computershare Trust Company of Canada, (i) by mail using the enclosed return envelope or (ii) by hand delivery to 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1. Alternatively, you may vote by telephone at 1-866-732-VOTE (8683) (toll free within North America) or 1-312-588-4290 (outside North America) or by internet using the 15 digit control number located at the bottom of your proxy at [www.investorvote.com](http://www.investorvote.com). All instructions are listed in the enclosed form of proxy. Your proxy or voting instructions must be received in each case no later than 10:00 a.m. (Calgary time) on July 10, 2017 or, if the Meeting is adjourned, 48 hours (excluding Saturdays and holidays) before the beginning of any adjournment of the Meeting. Late proxies may be accepted or rejected by the Chairman of the Meeting in his discretion, and the Chairman is under no obligation to accept or reject any particular late proxy.**

**The persons named in the enclosed form of proxy are directors and/or officers of the Corporation. Each Shareholder has the right to appoint a proxyholder other than such persons, who need not be a Shareholder, to attend and to act for such Shareholder and on such Shareholder's behalf at the Meeting.**

Beneficial shareholders must seek instructions on how to complete their proxy and vote their shares from their broker, trustee, financial institution or other nominee, as applicable. Beneficial shareholders who purchased their shares through the Bolsa de Valores de Colombia (or the Colombian Stock Exchange) ("**BVC Shareholders**") must seek instructions on how to complete their applicable proxy form and vote their shares from Depósito Centralizado de Valores de Colombia S.A. ("**Deceval**"). All Shareholders should advise the Corporation of any change in their mailing address.

If you have any questions relating to the proxy voting, please contact Computershare Trust Company of Canada by telephone at 1-800-564-6253. BVC Shareholders should contact Deceval should they have any questions or concerns regarding their applicable proxy voting procedures.

**DATED** this 6<sup>th</sup> day of June, 2017.

**BY ORDER OF THE BOARD OF DIRECTORS**

*"Charle Gamba"*

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**Charle Gamba**

**President and Chief Executive Officer**

## CANACOL ENERGY LTD.

Information Circular – Proxy Statement

for the Annual General and Special Meeting  
to be held on July 12, 2017

### SOLICITATION OF PROXIES

**This Information Circular – Proxy Statement is furnished in connection with the solicitation of proxies by the management of CANACOL ENERGY LTD. (the "Corporation") for use at the Annual General and Special Meeting of the shareholders of the Corporation (the "Meeting") to be held on the 12<sup>th</sup> day of July, 2017 at 10:00 a.m. (Calgary time) at the Livingston Place Conference Centre, 222 3<sup>rd</sup> Avenue S.W., Calgary, Alberta T2P 0B4, and at any adjournment thereof, for the purposes set forth in the notice of annual general and special meeting ("Notice of Meeting"). The board of directors of the Corporation (the "Board") has fixed the record date for the Meeting at the close of business on May 26, 2017 (the "Record Date"). Shareholders of the Corporation of record as at the Record Date are entitled to receive notice of the Meeting and to vote those shares included in the list of shareholders entitled to vote at the Meeting prepared as at the Record Date, unless any such shareholder transfers shares after the Record Date and the transferee of those shares, having produced properly endorsed certificates evidencing such shares or having otherwise established that he or she owns such shares, demands, not later than 10 days before the Meeting, that the transferee's name be included in the list of shareholders entitled to vote at the Meeting, in which case such transferee shall be entitled to vote such shares at the Meeting.**

Unless otherwise stated, the information contained in this Information Circular – Proxy Statement is given as at June 6, 2017. Except as otherwise indicated, all dollar amounts in this Information Circular – Proxy Statement are expressed in Canadian dollars.

The instrument appointing a proxy shall be in writing and shall be executed by the shareholder or the shareholder's attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.

**The persons named in the enclosed form of proxy ("Instrument of Proxy") are directors and/or officers of the Corporation. Each shareholder has the right to appoint a proxyholder other than the persons designated, who need not be a shareholder, to attend and to act for the shareholder at the Meeting. To exercise such right, the names of the nominees of management should be crossed out and the name of the shareholder's appointee should be legibly printed in the blank space provided.**

**An Instrument of Proxy will not be valid unless it is deposited with the Corporation's transfer agent Computershare Trust Company of Canada, (i) by mail using the enclosed return envelope or (ii) by hand delivery to 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1. Alternatively, you may vote by telephone at 1-866-732-VOTE (8683) (toll free within North America) or 1-312-588-4290 (outside North America) or by internet using the 15 digit control number located at the bottom of your Instrument of Proxy at [www.investorvote.com](http://www.investorvote.com). All instructions are listed in the Instrument of Proxy. The Instrument of Proxy or voting instructions must be received in each case no later than 10:00 a.m. (Calgary time) on July 10, 2017 or, if the Meeting is adjourned, 48 hours (excluding Saturdays and holidays) before the beginning of any adjournment of the Meeting. Late proxies may be accepted or rejected by the Chairman of the Meeting in his discretion, and the Chairman is under no obligation to accept or reject any particular late proxy.**

## **BENEFICIAL HOLDERS OF SHARES**

The information set forth in this section is provided to beneficial holders of common shares of the Corporation ("**Common Shares**") who do not hold their Common Shares in their own name ("**Beneficial Shareholders**"). Beneficial Shareholders should note that only proxies deposited by shareholders whose names appear on the records of the Corporation as the registered holders of shares can be recognized and acted upon at the Meeting. If shares are listed in an account statement provided to a Beneficial Shareholder by a broker, then in almost all cases those shares will not be registered in the Beneficial Shareholder's name on the records of the Corporation. Such shares will more likely be registered under the name of the Beneficial Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominees for many Canadian brokerage firms). Shares held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, the broker/nominees are prohibited from voting shares for their clients. The Corporation does not know for whose benefit the Common Shares registered in the name of CDS & Co. are held.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their shares are voted at the Meeting. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically provides a scannable voting request form or applies a special sticker to the proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the voting request forms or proxy forms to Broadridge. Often Beneficial Shareholders are alternatively provided with a toll-free telephone number to vote their shares or website address where shares can be voted. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at a meeting. **A Beneficial Shareholder receiving a voting instruction request or a proxy with a Broadridge sticker on it cannot use that instruction request or proxy to vote Common Shares directly at the Meeting as the proxy must be returned as directed by Broadridge well in advance of the Meeting in order to have the Common Shares voted. Accordingly, it is strongly suggested that Beneficial Shareholders return their completed instructions or proxies as directed by Broadridge well in advance of the Meeting.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his or her broker (or agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxyholder for the registered shareholder and vote Common Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the registered shareholder should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

## **BENEFICIAL SHAREHOLDERS IN COLOMBIA**

Most shareholders in Colombia are Beneficial Shareholders and hold their Common Shares through Depósito Centralizado de Valores de Colombia S.A. ("**Deceval**"). Beneficial Shareholder who purchased their Common Shares through the Bolsa de Valores de Colombia (or the Colombian Stock Exchange) ("**BVC Shareholders**") will be provided with the Meeting materials and a form of proxy from Deceval allowing them to direct the voting of the Common Shares they beneficially own. BVC Shareholders should contact Deceval should they have any questions or concerns regarding their applicable proxy voting procedures.

## **REVOCABILITY OF PROXY**

A shareholder who has submitted a proxy may revoke it at any time prior to the exercise thereof. If a person who has given a proxy attends personally at the Meeting at which such proxy is to be voted, such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by the shareholder or the shareholder's attorney authorized in writing deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof, and upon either of such deposits, the proxy is revoked.

## **PERSONS MAKING THE SOLICITATION**

**The solicitation is made on behalf of the management of the Corporation.** The costs incurred in the preparation and mailing of the Instrument of Proxy, Notice of Meeting and this Information Circular – Proxy Statement will be borne by the Corporation. In addition to solicitation by mail, proxies may be solicited by personal interviews, telephone or other means of communication and by directors, officers and employees of the Corporation, who will not be specifically remunerated therefor.

## **EXERCISE OF DISCRETION BY PROXY**

Each shareholder may instruct his proxy how to vote his Common Shares by completing the blanks on the Instrument of Proxy. All Common Shares represented at the Meeting by properly executed proxies will be voted or withheld from voting (including the voting on any ballot), and where a choice with respect to any matter to be acted upon has been specified in the Instrument of Proxy, the Common Shares represented by the proxy will be voted in accordance with such specification.

**In the absence of such specification, the Common Shares will be voted in favour of the matters to be acted upon. The persons appointed under the Instrument of Proxy furnished by the Corporation are conferred with discretionary authority with respect to amendments or variations of those matters specified in the Instrument of Proxy and Notice of Meeting. At the time of printing this Information Circular – Proxy Statement, management of the Corporation knows of no such amendment, variation or other matter.**

## **MATTERS TO BE ACTED UPON AT THE MEETING**

### **Report and Financial Statements**

The Board has approved all of the information in the audited financial statements of the Corporation for the financial year ended December 31, 2016 and the report of the auditor thereon, copies of which are delivered herewith and are also available on [www.sedar.com](http://www.sedar.com) under the Corporation's SEDAR profile. No vote by the shareholders is required to be taken on the financial statements.

### **Election of Directors**

At the Meeting, shareholders will be asked to fix the number of directors to be elected at the Meeting at eight members and to elect eight directors to hold office until the next annual meeting or until their successors are elected or appointed. There are currently eight directors of the Corporation, each of whom retires from office at the Meeting.

Unless otherwise directed, it is the intention of management to vote proxies in the accompanying form in favour of an ordinary resolution fixing the number of directors to be elected at the Meeting at eight members and in favour of the election as directors of the eight nominees hereinafter set forth:

Charle Gamba	Gregory D. Elliot
Michael Hibberd	Francisco Diaz Salazar
Stuart Hensman	Oswaldo Cisneros
David Winter	Alberto Jose Sosa Schlageter

The names and residence of the persons nominated for election as directors, the number of voting securities of the Corporation beneficially owned or controlled or directed, directly or indirectly, the number of stock options of the Corporation ("**Options**") held, the number of restricted share units ("**RSUs**") held, the offices held by each in the Corporation, the period served as director and the principal occupation and background of each are set forth below. The information as to Common Shares beneficially owned or controlled or directed, directly or indirectly, is based upon information furnished to the Corporation by the nominees.

Nominee for Election as Director	Age	Director Since	Common Shares Owned, Controlled or Directed	Options	RSUs
Charle Gamba Bogotá, Colombia  President and Chief Executive Officer  Member of the Reserves Committee	52	October 30, 2008	461,756	1,482,500	150,000
President and Chief Executive Officer of the Corporation. Current director of Horizon Petroleum plc, Miramar Hydrocarbons Ltd. and Ikkuma Resources Corp. Past Vice President of Exploration for Occidental Oil and Gas Company (" <b>Occidental</b> ") in Colombia. Chief Geologist with Occidental in Ecuador and Chief Geoscientist for Occidental in Qatar. Geologist with over 20 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.					
Nominee for Election as Director	Age	Director Since	Common Shares Owned, Controlled or Directed	Options	RSUs
Michael Hibberd Calgary, Alberta, Canada  Chairman  Member of: - Audit Committee <sup>(1)</sup> - Corporate Governance and Compensation Committee	61	October 30, 2008	180,080	268,500	20,000

	<p>Chairman and Chief Executive Officer of MJH Services Inc., a corporate finance advisory business established in 1995. Chairman of Greenfields Petroleum Corporation and Executive Chairman of Sunshine Oilsands Ltd. Current director of Montana Exploration Corp., PanOrient Energy Corp. and PetroFrontier Corp.</p> <p>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.</p>				
<b>Nominee for Election as Director</b>	<b>Age</b>	<b>Director Since</b>	<b>Common Shares Owned, Controlled or Directed</b>	<b>Options</b>	<b>RSUs</b>
<p>Stuart Hensman Toronto, Ontario, Canada</p> <p>Member of: - Corporate Governance and Compensation Committee<sup>(1)</sup> - Audit Committee</p>	68	November 15, 2007	156,252	78,750	15,000
	<p>Chairman of the Board of Governors of CI Funds and a director of RIFCO Inc. 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.</p>				
<b>Nominee for Election as Director</b>	<b>Age</b>	<b>Director Since</b>	<b>Common Shares Owned, Controlled or Directed</b>	<b>Options</b>	<b>RSUs</b>
<p>David Winter Calgary, Alberta, Canada</p> <p>Member of the Reserves Committee<sup>(1)</sup></p>	59	February 6, 2009	5,630	149,500	15,000
	<p>Chief Executive Officer and a director of each of Miramar Hydrocarbons Ltd. and Horizon Petroleum plc. He was a co-founder of the Corporation. Dr. Winter brings over 30 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.</p>				
<b>Nominee for Election as Director</b>	<b>Age</b>	<b>Director Since</b>	<b>Common Shares Owned, Controlled or Directed</b>	<b>Options</b>	<b>RSUs</b>
<p>Gregory D. Elliot Oakdale, Louisiana, United States</p> <p>Member of the Reserves Committee</p>	58	December 21, 2012	1,194,680	147,000	15,000



	<p>President and Founder of Workstrings International, a Superior Energy Services, Inc. (NYSE-SPN) company. Mr. Elliott started his career in 1981 at Chevron serving in various engineering positions both Domestic US and International through 1996. 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 International, currently the second largest oilfield rental tool company in the world. Mr. Elliott was a Charter member of Geoproduction Oil &amp; Gas Company, founded in 2001. Mr. Elliott earned his degree in Petroleum Engineering in 1981 from Louisiana State University.</p>				
<b>Nominee for Election as Director</b>	<b>Age</b>	<b>Director Since</b>	<b>Common Shares Owned, Controlled or Directed</b>	<b>Options</b>	<b>RSUs</b>
<p>Francisco Diaz Salazar Bogotá, Colombia</p> <p>Member of the Audit Committee</p>	55	January 16, 2015	Nil	118,000	15,000
	<p>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.</p> <p>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.</p>				
<b>Nominee for Election as Director</b>	<b>Age</b>	<b>Director Since</b>	<b>Common Shares Owned, Controlled or Directed</b>	<b>Options</b>	<b>RSUs</b>
<p>Alberto Jose Sosa Schlageter Caracas, Venezuela</p> <p>Member of the Corporate Governance and Compensation Committee</p>	59	October 16, 2015	904,774	64,000	15,000
	<p>Senior Advisor to the President 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 C.A. Fábrica Nacional de Vidrio, 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.</p>				

Nominee for Election as Director	Age	Director Since	Common Shares Owned, Controlled or Directed	Options	RSUs
Oswaldo Cisneros Caracas, Venezuela	76	October 16, 2015	Nil <sup>(2)</sup>	64,000	15,000
Member of the Audit Committee	Principal of Cavengas Holdings S.R.L. and President of Corporación Digitel, a telecom company, Maritime Contractors de Venezuela, an oil drilling services company, C.A. Fábrica Nacional de Vidrio, 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.				

**Notes:**

- (1) Denotes Chairman of the committee.
- (2) Mr. Cisneros is the Principal of Cavengas Holdings S.R.L., which owns 32,613,072 Common Shares as at June 6, 2017. Please refer to "INFORMATION CONCERNING THE CORPORATION – Voting Securities and Principal Holders Thereof" for further information.

***Majority Voting for Directors***

The Board has adopted a majority voting policy in director elections that will apply at any meeting of the Corporation's shareholders where an uncontested election of directors is held. Pursuant to this policy, if the number of proxy votes withheld for a particular director nominee is greater than the votes for such director, the director nominee will be required to submit his or her resignation to the Chairman of the Board promptly following the applicable shareholders' meeting. Following receipt of such resignation, the Corporate Governance and Compensation Committee will consider whether or not to accept the offer of resignation and make a recommendation to the Board. Within 90 days following the applicable shareholders' meeting, the Board shall publicly disclose their decision whether to accept the applicable director's resignation or not, including the reasons for rejecting the resignation, if applicable. A director who tenders his or her resignation pursuant to this policy will not be permitted to participate in any meeting of the Board or the Corporate Governance and Compensation Committee at which the resignation is considered.

***Cease Trade Orders, Bankruptcies Penalties or Sanctions***

To our knowledge, other than as disclosed below, no proposed director: (i) is, or has been in the last 10 years before the date hereof, a director, chief executive officer or chief financial officer of a company (including the Corporation) that, (a) while that person was acting in that capacity was the subject of a cease trade order or similar order or an order that denied the company access to any exemptions under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, an "order"), or (b) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; (ii) is, or has been in the last 10 years before the date hereof, a director or executive officer of any company (including the Corporation) that while that person was acting in such capacity or within a year of that person ceasing to act in that 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; (iii) has, within the last 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangements or compromises with creditors, or had a receiver, receiver manager or trustee appointed to hold his or her assets; or (iv) 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 security holder in deciding whether to vote for a proposed director.

Charle Gamba was formerly a director of Solimar Energy Limited ("**Solimar**") from September 12, 2011 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.

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). On September 17, 2009, all common shares of Challenger were exchanged for common shares of Canadian Superior and all creditor claims were fully honoured.

Michael Hibberd was formerly a director of Skope Energy Inc. (a Toronto Stock Exchange ("**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**"), a TSX Venture Exchange listed company, 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.

### **Appointment of Auditors**

Unless otherwise directed, it is management's intention to vote the proxies in favour of an ordinary resolution to appoint the firm of Deloitte LLP, Chartered Professional Accountants, to serve as auditors of the Corporation until the next annual meeting of the shareholders and to authorize the directors to fix their remuneration as such.

### **Approval of Unallocated Options Pursuant to the Stock Option Plan of the Corporation**

The Corporation has a stock option plan (the "**Option Plan**"), which is described under the heading "Statement of Executive Compensation – *Incentive Plan Awards – Share Option Plan*" below. At the Meeting, shareholders will be asked to consider and, if thought fit, pass an ordinary resolution to approve and authorize the unallocated Options issuable pursuant to the Option Plan.

When Options have been granted pursuant to the Option Plan, Common Shares that are reserved for issuance under an outstanding Option are referred to as allocated Options. The Corporation has additional Common Shares that may be issued under the Option Plan, but as they are not subject to current Option grants, they are referred to as unallocated Options.

As at June 6, 2017, the Corporation had Options to purchase 14,452,559 Common Shares (equal to approximately 8.3% of the outstanding Common Shares) outstanding under the Option Plan, leaving unallocated Options to purchase an aggregate of 3,020,072 Common Shares (equal to approximately 1.7% of the outstanding Common Shares) available for future grants under the Option Plan and all other security based compensation arrangements, based on the number of outstanding Common Shares as at the date hereof.

Section 613(a) of the TSX Company Manual provides that every three years after the institution of a security based compensation arrangement, all unallocated rights, options or other entitlements under such arrangement which does not have a fixed maximum number of securities issuable must be approved by a majority of the issuer's directors and by the issuer's securityholders. As the Option Plan is considered to be a security based compensation arrangement and as the maximum number of Common Shares issuable pursuant to the Option Plan is not a fixed number and instead is equal to 10% of the Common Shares outstanding from time to time, approval is being sought at this Meeting to approve the grant of unallocated Options under the Option Plan. If approval is obtained at the Meeting, pursuant to the requirements of the TSX, the Corporation will not be required to seek further approval of the grant of unallocated Options under the Option Plan until July 12, 2020.

If at the Meeting, the shareholders of the Corporation do not approve the unallocated Options under the Option Plan, all currently outstanding Options will be unaffected, however, the Corporation will not issue any further Options under the Option Plan and any outstanding Options that are thereafter cancelled or expire will not be available for re-grant until such time as shareholder approval is obtained. If approval is not obtained at the Meeting, the Corporate Governance and Compensation Committee and the Board will have to consider alternate forms of performance based compensation, including additional cash bonuses, a share appreciation plan or other means in order to attract and retain qualified personnel.

**The Board has unanimously approved, subject to regulatory and shareholder approval, the grant of unallocated Options under the Option Plan.**

At the Meeting, shareholders will be asked to consider and, if thought advisable, pass an ordinary resolution to approve the grant of unallocated Options as follows:

**"BE IT RESOLVED**, as an ordinary resolution of the Corporation that:

1. All unallocated options issuable pursuant to the stock option plan of the Corporation, as amended from time to time, are approved and authorized until July 12, 2020.
2. The Corporation has the ability to continue granting options pursuant to the stock option plan of the Corporation until July 12, 2020, which is the date that is three years from the date of the shareholder meeting at which shareholder approval is being sought.
3. Any director or officer of the Corporation is hereby authorized and directed, acting for, in the name of and on behalf of the Corporation, to execute or cause to be executed, and to deliver or cause to be delivered, such other documents and instruments, and to do or cause to be done all such other acts and things, as may in the opinion of such director or officer be necessary or desirable to carry out the foregoing resolution."

In order for the foregoing resolution to be passed, it must be approved by a simple majority of the votes cast by shareholders who vote in person or by proxy at the Meeting on such resolution.

**In the absence of any instructions to the contrary, the Common Shares represented by proxies received by management will be voted FOR the approval of the ordinary resolution to approve the unallocated Options pursuant to the Option Plan.**

### **Approval of Shareholder Rights Plan**

At the Meeting, shareholders will be asked to vote in respect of an ordinary resolution approving a new shareholder rights plan, which was approved by the Board on June 8, 2017 (the "**Shareholder Rights Plan**"). The current shareholder rights plan was previously approved and ratified by the shareholders on November 1, 2013 (the "**Original Plan**"). In order to remain effective, the terms of the Original Plan required that it be reconfirmed by shareholders at every third annual meeting of shareholders following the meeting at which the Original Plan was initially confirmed. Approval of the new Shareholder Rights Plan is therefore being sought in order to put a comparable plan in place effective the date of the Meeting.

The Shareholder Rights Plan is substantially the same as the Original Plan, with such changes as are necessary to reflect amendments that were made to the securities legislation governing take-over bids in Canada in May 2016 (the "**Legislative Amendments**"), together with certain other updates to reflect current market practice and other amendments of a housekeeping nature. The Legislative Amendments require that all non-exempt takeover bids:

- (a) meet a minimum tender requirement where bidders must receive tenders of more than 50% of the outstanding securities that are subject to the bid and held by disinterested shareholders;
- (b) remain open for a minimum deposit period of 105 days, unless the target board states in a news release an acceptable shorter deposit period of not less than 35 days, or the target board states in a news release that it has agreed to enter into a specific alternative transaction (such as a plan of arrangement) in which case the 35-day period would apply to all concurrent takeover bids; and
- (c) be extended for an additional 10 days after the minimum tender requirement is met and all other terms and conditions of the bid have been complied with or waived.

Under the previous regime, non-exempt takeover bids were only required to remain open for 35 days and were not subject to any minimum tender requirement or an extension requirement once the bidder had taken up deposited securities.

The adoption of the Shareholder Rights Plan is not being recommended in response to or in contemplation of any known take-over bid or other similar transaction. Neither management nor the Board is aware of any pending, threatened or proposed acquisition or take-over bid of the Corporation. The adoption of the Shareholder Rights Plan does not change the duty of the Board to act honestly and in good faith with a view to the best interests of the Corporation. Further, the Shareholder Rights Plan is not intended as a means to prevent a take-over of the Corporation, to secure the continuance of management or the Board in their respective offices, or to deter fair offers for the Common Shares. In the event of a take-over bid or similar transaction, the Board will continue to have the right and responsibility to take such action and to make such recommendations to shareholders as are considered necessary or appropriate. The Shareholder Rights Plan applies to the Common Shares, securities that are convertible into Common Shares, as well as any other shares with voting rights that may be issued by the Corporation. Currently, the Common Shares are the only class of shares issued and outstanding. Should the Corporation issue a new class of voting shares in the future, the Shareholder Rights Plan would apply to those voting shares in the same manner described herein. The Corporation does not have any present intention of issuing any other class of voting shares.

In asking shareholders to approve the Shareholder Rights Plan, the Board considered the legislative framework in Canada governing take-over bids, as modified in May 2016 by the Legislative Amendments. Under provincial securities legislation, a take-over bid generally means an offer to acquire voting securities of a person or persons, where the securities subject to the offer to acquire, together with securities already owned by the bidder and certain related parties, constitute 20% or more of the outstanding securities. The Shareholder

Rights Plan is designed to address certain concerns raised by the existing legislative framework by creating mechanisms to assist in maximizing shareholder value in the face of a take-over bid and encouraging fair and equal treatment of all shareholders.

Notwithstanding the recent Legislative Amendments, there are still concerns related to the potential for unequal treatment of shareholders due to the possibility that control of the Corporation could be acquired pursuant to a private agreement in which one or a small group of shareholders dispose of Common Shares at a premium to market price, which premium is not shared with the other shareholders. In addition, a person may slowly accumulate Common Shares through stock exchange acquisitions which may result, over time, in an acquisition of control without payment of fair value for control or a fair sharing of a control premium among all shareholders. The Shareholder Rights Plan is intended to mitigate the potential for such "creeping" take-over bids. It does so by encouraging a potential bidder to proceed either by way of a Permitted Bid (as described in Schedule "B" hereto), which requires the take-over bid to satisfy certain minimum standards designed to promote fairness, or with the concurrence of the Board.

A summary of the principal terms of the Shareholder Rights Plan is provided in Schedule "B" hereto. The full text of the Shareholder Rights Plan is available under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

**The Board has determined that the Shareholder Rights Plan is in the best interests of the Corporation and the shareholders and unanimously recommends that shareholders vote in favour of the ordinary resolution approving the Shareholder Rights Plan.** In the event the necessary approval is not obtained, the TSX will require that the Shareholder Rights Plan be rescinded or cancelled immediately following the Meeting. Regardless of whether shareholders approve the Shareholder Rights Plan resolution, the Original Plan will expire at the close of business on July 12, 2017.

At the Meeting, shareholders will be asked to consider and, if thought advisable, pass an ordinary resolution to approve the Shareholder Rights Plan as follows:

**"BE IT RESOLVED**, as an ordinary resolution of the Corporation that:

1. The Shareholder Rights Plan, as described in the Information Circular – Proxy Statement dated June 6, 2017, is hereby confirmed and approved.
2. The making on or prior to the date hereof of any amendments to the Shareholder Rights Plan as the Corporation may consider necessary or advisable to satisfy the requirements of any stock exchange is hereby approved.
3. Any one or more directors or officers of the Corporation are hereby authorized, for and on behalf of the Corporation, to take, or cause to be taken, any and all such acts and things and to execute and deliver, under the corporate seal of the Corporation or otherwise, all such agreements, deeds, instruments, notices, consents, acknowledgments, certificates, assurances and other documents (including any documents required under applicable laws or regulatory policies) as any such director or officer in his or her sole discretion may determine to be necessary or desirable to give effect to the foregoing resolutions, such determination to be conclusively evidenced by the taking of any such action or such director's or officer's execution and delivery of any such agreement, deed, instrument, notice, consent, acknowledgement, certificate, assurance or other document.

4. Notwithstanding the passing of this resolution by the shareholders, the Board of Directors may revoke this resolution before it is acted upon, without further approval of the shareholders, if the Board of Directors determines, in its sole discretion."

In order for the foregoing resolution to be passed, it must be approved by a simple majority of the votes cast by shareholders who vote in person or by proxy at the Meeting on such resolution.

**In the absence of any instructions to the contrary, the Common Shares represented by proxies received by management will be voted FOR the approval of the ordinary resolution to approve the Shareholder Rights Plan.**

## **INFORMATION CONCERNING THE CORPORATION**

### **Voting Securities and Principal Holders Thereof**

As at June 6, 2017, there were 174,726,308 Common Shares issued and outstanding, each such share carrying the right to one vote on a ballot at the Meeting. A quorum for the transaction of business at the Meeting will be present if there are not less than two persons present at the Meeting holding or representing by proxy not less than 5% of the shares entitled to be voted at the Meeting. The Board has fixed the record date for the Meeting at the close of business on May 26, 2017.

To the knowledge of the directors and executive officers of the Corporation, as at June 6, 2017, no person or company beneficially owned or controlled or directed, directly or indirectly, voting securities of the Corporation carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation other than as set forth below:

<b>Name</b>	<b>Number of Common Shares Owned or Controlled<sup>(1)</sup></b>	<b>Percent of Outstanding Common Shares<sup>(2)</sup></b>
Cavengas Holdings S.R.L.	32,613,072	18.7%

**Notes:**

- (1) Based on information disclosed in the public filings of the applicable party.
- (2) Based on a total of 174,726,308 Common Shares issued and outstanding as at June 6, 2017.

### **Statement of Executive Compensation**

#### ***Role and Composition of the Corporate Governance and Compensation Committee***

The Corporation's executive compensation program is administered by the Corporate Governance and Compensation Committee of the Board. The Corporate Governance and Compensation Committee's mandate includes reviewing and determining or making recommendations to the Board in respect of compensation matters relating to the executive officers, employees and directors, including the "Named Executive Officers" which are identified in the "Summary Compensation Table" below. The Corporate Governance and Compensation Committee is comprised of Stuart Hensman (Chair), Michael Hibberd and Alberto Jose Sosa Schlageter. Each of these directors are "independent" for the purposes of National Policy 58-201 — *Corporate Governance Guidelines*. The relevant education and experience of each member of the Corporate Governance and Compensation Committee that enables such member to make decisions on the suitability of the Corporation's compensation policies and practice is set forth under the heading "MATTERS TO BE ACTED UPON AT THE MEETING CORPORATION – Election of Directors".

## Compensation Discussion and Analysis

### Executive Compensation Principles

The Corporation's compensation program supports the Corporation's commitment to delivering strong performance for its shareholders. The compensation policies are designed to attract, recruit and retain quality and experienced people, which is critical to the success of the Corporation and to motivate their performance in order to achieve the Corporation's strategic objectives and to align the interests of executive officers and other employees with the long term interests of the Corporation's shareholders and enhancement in share value. The Corporate Governance and Compensation Committee also recognizes that the executive compensation program must be sufficiently flexible in order to adapt to unexpected developments in the oil and gas industry and the impact of internal and market related occurrences from time to time.

Our executive compensation program is comprised of the following components: (a) base salary; (b) short-term incentive compensation comprised of discretionary cash bonuses; and (c) long-term incentive compensation comprised of Options and RSUs (see "*Incentive Plan Awards – Share Option Plan*" and "*Incentive Plan Awards – RSU Plan*"). Together, these components support our long-term growth strategy and are designed to address the following key objectives of our compensation program:

- align executive compensation with shareholders' interests;
- attract and retain highly qualified management;
- focus performance by linking incentive compensation to the achievement of business objectives and financial results; and
- encourage retention of key executives for leadership succession.

### Compensation Review Process

When determining executive compensation, including the assessment of the competitiveness of the Corporation's compensation program, management and the Corporate Governance and Compensation Committee review the compensation practices of various companies. The Corporation selected 14 companies in its peer group, including Colombian producers Gran Tierra Energy Inc. and Parex Resources Inc. The Corporation believes the aforementioned peer group list is comprised of companies that have similar characteristics in common with the Corporation and that would compete for similar executive talent and, as such, provides a good basis for assessing the competitiveness of the Corporation's compensation. Given the nature of the oil and gas industry, the companies reviewed for comparison purposes to the Corporation changes from time to time as companies are acquired and new companies become publicly traded.

In arriving at recommendations for executive compensation, including the assessment of the competitiveness of the Corporation's compensation practices, compensation information reviewed includes that available in the public domain, through private conversation and from widely available compensation surveys and studies. In addition, the Corporation retained the executive compensation consulting firm, Lane Caputo Compensation Inc. ("**Lane Caputo**"), during the year ended December 31, 2016 to assist the Corporation with a review of executive and director compensation. Lane Caputo was originally retained in the year ended June 30, 2011. Additional information in respect to certain positions is also obtained through and during the competitive hiring process of new executives. The following table sets forth information concerning the fees paid to Lane Caputo for the periods presented:

Financial Year Ending	Executive Compensation Related Fees (\$) <sup>(1)</sup>	All Other Fees (\$) <sup>(2)</sup>
December 31, 2016	25,000	Nil
December 31, 2015	Nil	Nil



June 30, 2015	29,000	Nil
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**Notes:**

- (1) "Executive Compensation Related Fees" means the aggregate fees billed by Lane Caputo, or any of its affiliates, for services related to determining compensation for any of the Corporation's directors and executive officers.
- (2) "All Other Fees" means the aggregate fees billed by Lane Caputo, or any of its affiliates, that are not included under "Executive Compensation Related Fees".

In arriving at base salaries and the grant of Options and RSUs for employees, including executive officers of the Corporation, other than the President and Chief Executive Officer, the President and Chief Executive Officer of the Corporation makes recommendations to the Corporate Governance and Compensation Committee. Upon the receipt of the recommendations, the Corporate Governance and Compensation Committee reviews the recommendations and may request the compensation data compiled by the Corporation and determines whether to accept the recommendations or make any changes. The Corporate Governance and Compensation Committee determines its recommendation with respect to compensation of the President and Chief Executive Officer in consultation with the other independent directors. Consultation between the President and Chief Executive Officer and the Corporate Governance and Compensation Committee is customary during this process. This consultation is usually quite informal. In the case of the grant of Options and RSUs, the Corporate Governance and Compensation Committee, in consultation with the President and Chief Executive Officer, makes a recommendation to the Board for consideration and approval.

The Corporation's compensation philosophy has been to encourage the maximization of shareholder value at all levels of the organization by making cash bonuses a component of compensation, taking into consideration performance by both the Corporation and the respective executive officer. Although no formal bonus plan has been implemented, all executive officers are eligible to receive a bonus. The size of the bonus pool is based on the recommendation of the Corporate Governance and Compensation Committee. In determining the bonus pool size, the Corporate Governance and Compensation Committee considers: (i) achievement of goals identified at the beginning of the year; (ii) Common Share price performance; (iii) growth in cash flow and earnings per share; (iv) growth in asset value; and (v) bonus levels at peer companies.

The Board approves corporate performance goals, based on business and performance measures commonly used in the oil and natural gas industry. Corporate goals for 2016 were approved in early 2016 for each of the performance areas. These goals were subjective, based on the view of the Board of key performance requirements for the Corporation, and included: (i) achieving average gas sales of 16,882 boe/d (2016 result: 16,394 boe/d); (ii) the addition of proved plus probable plus possible reserves of 12 million boe (2016 result: proved plus probable plus possible reserves of 17.7 million boe); (iii) the drilling of three wells with a 100% success rate (2016 result: six wells with a 100% success rate); (iv) no lost time accidents for Canacol employees (2016 result: no lost time accidents for Canacol employees); and (v) the reduction of general and administrative expenses by 30% compared to the six-month financial year ended December 31, 2015 (2016 result: 21% reduction).

Bonus levels for the senior executive officers are established by the Corporate Governance and Compensation Committee. Bonus awards for executive officers are discretionary and there are no specified targets or criteria set out, although matters such as changes in the factors set forth above are considered. No maximum bonus has been established for any executive officer. Establishment and payment of bonuses is subject to approval of the Board.

*Elements of our Executive Compensation Program*

Each element of the Corporation's executive compensation program is described in more detail below.

### Base Salaries

The base salary component is intended to provide a fixed level of competitive pay that reflects each executive officer's primary duties and responsibilities. It also provides a foundation upon which performance-based incentive compensation elements are assessed and established. In setting base compensation levels for executive officers, consideration is given to objective factors such as level of responsibility, experience and expertise as well as subjective factors such as leadership.

### Short Term Incentive Compensation – Discretionary Cash Bonuses

In addition to base salaries, the Corporation may award discretionary cash bonuses to employees of the Corporation, including executive officers. The Corporation does not have a formal bonus plan and the amount of bonuses paid is not set in relation to any formula or specific criteria but is a result of a subjective determination based on, in the case of non-executive employees, the employee's contribution in adding share value and reducing costs and the employee's contribution to overall corporate goals. In the case of executive officers, including the President and Chief Executive Officer, bonus awards are discretionary and while there are no specific targets or criteria set out, matters such as achievement of goals, changes in share price, cash flow per share, income per share, net asset value per share, reserve replacement costs and production levels are considered (see "*Compensation Review Process*"). No maximum bonus has been established for any executive officers. The award of cash bonuses has not traditionally been targeted at maintaining the Corporation's cash compensation at any specific level relative to its peer group.

### Long Term Incentive Compensation – Stock Options and RSUs

Options are granted under the Option Plan to directors, executive officers, employees, consultants and other service providers of the Corporation and are intended to align such individual's and shareholder interests by attempting to create a direct link between compensation and shareholder return. Participation in the Option Plan rewards overall corporate performance, as measured through the price of the Common Shares. In addition, the Option Plan enables executives to develop and maintain a significant ownership position in the Corporation.

Options granted under the Option Plan are normally awarded by the Board upon the commencement of an individual's employment with the Corporation based on the level of responsibility within the Corporation. Additional grants may be made periodically to ensure that the number of Options granted to any particular individual is commensurate with the individual's level of ongoing responsibility within the Corporation. In considering additional grants, the Board evaluates the number of Options an individual has been granted, the role the individual plays in the Corporation, the exercise price and value of the Options and the term remaining on those Options. See "*Incentive Plan Awards – Share Option Plan*" for further information.

In addition, the Corporation may grant RSUs to directors, executive officers, employees and consultants of the Corporation pursuant to the RSU Plan, which are also intended to align such individual's and shareholder interests by attempting to create a direct link between compensation and shareholder return. In determining the number of RSUs to be granted under the RSU Plan, the Board takes into consideration an individual's level of responsibility within the Corporation, the role the individual plays in the Corporation, the individual's contribution to shareholder value and previous grants of RSUs. See "*Incentive Plan Awards – RSU Plan*" for further information.

### *Employment Agreements*

As described under "*Termination and Change of Control Benefits*", the Corporation has entered into employment agreements with various executive officers of the Corporation, including each of the Named

Executive Officers. The employment agreements were entered into in order to ensure continuity of management and in consideration for the mutual covenants and agreements contained in the agreements.

*Risk Implications Associated with Compensation Policies and Practices*

The Corporate Governance and Compensation Committee and the Board has considered the implications of the risks associated with the Corporation's compensation policies and practices and has determined that there are no significant areas of risk given the nature of the compensation provided. The reasons for this determination include, without limitation, the following: components of the compensation are awarded on a discretionary basis; the compensation package for Named Executive Officers is reviewed and assessed annually by the Corporate Governance and Compensation Committee and the Board; the compensation program consists of fixed (base salary) and variable (annual cash bonuses and long-term Option and RSU grants) compensation, which is designed to balance the level of risk-taking while also focussing on generating long-term and sustainable value for shareholders; Options and RSUs typically vest over a period of time, which acts to further mitigate against the potential for inappropriate short-term risk-taking; and there are no compensation policies and practices that are significantly different for any Named Executive Officer. The Corporate Governance and Compensation Committee and the Board will continue to monitor compensation risk assessment practices on an ongoing basis to ensure that the Corporation's compensation program is appropriately structured.

*Restrictions on Purchase of Financial Instruments*

The Corporation's Insider Trading and Reporting Policy provides that the practice of selling "short" securities of the Corporation and the practice of buying or selling a "call" or "put" or any other derivative security in respect of any securities of the Corporation (except with respect to securities issued by the Corporation such as warrants or convertible debentures) is not permitted at any time by the directors, officers and employees of the Corporation.

*Share Ownership*

The Corporation does not have a share ownership policy; however, executive officers and directors are encouraged to acquire and hold Common Shares, which is also intended to align such individual's and shareholder interests.

*Summary*

The Corporation's compensation policies have allowed the Corporation to attract and retain a team of motivated professionals and support staff working towards the common goal of enhancing shareholder value. The Corporate Governance and Compensation Committee and the Board will continue to review compensation policies to ensure that they are competitive within the oil and natural gas industry and consistent with the performance of the Corporation.

***Summary Compensation Table***

The following table sets forth for the financial year ended December 31, 2016, the six-month financial year ended December 31, 2015 and the financial year ended June 30, 2015 information concerning the compensation paid to our Chief Executive Officer and Chief Financial Officer and the three most highly compensated executive officers, other than the Chief Executive Officer and Chief Financial Officer, whose total compensation was more than \$150,000, for the financial year ended December 31, 2016 (each a "**Named Executive Officer**" or "**NEO**" and collectively, the "**Named Executive Officers**" or "**NEOs**").

SUMMARY COMPENSATION TABLE											
Name and Principal Position	Year Ended <sup>(1)</sup>	Salary (\$)	Share-Based Awards (\$) <sup>(2)(3)</sup>	Option-Based Awards (\$) <sup>(4)(5)</sup>	Value of in-the-money Option-Based Awards (\$) <sup>(6)</sup>	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$) <sup>(7)</sup>	Total in-the-money Compensation (\$) <sup>(7)</sup>
						Annual Incentive Plans	Long-Term Incentive Plans				
Charle Gamba <sup>(8)</sup> President and Chief Executive Officer	Dec 31, 2016	616,612	787,401	563,600	90,000	Nil	Nil	Nil	671,362 <sup>(11)</sup>	2,638,975	2,165,375
	Dec 31, 2015	297,920	Nil	628,080	98,000	Nil	Nil	Nil	373,740 <sup>(11)</sup>	1,299,740	769,660
	June 30, 2015	523,115	242,628	1,126,682	103,600	Nil	Nil	Nil	393,832 <sup>(11)</sup>	2,286,256	1,263,174
Jason Bednar <sup>(8)(9)</sup> Chief Financial Officer	Dec 31, 2016	353,650	459,285	338,160	54,000	Nil	Nil	Nil	400,289 <sup>(11)</sup>	1,551,384	1,267,224
	Dec 31, 2015	168,405	Nil	376,848	58,800	Nil	Nil	Nil	119,963 <sup>(11)</sup>	665,216	347,168
	June 30, 2015	36,318	Nil	420,928	16,800	Nil	Nil	Nil	52,881 <sup>(12)</sup>	510,127	105,999
Ravi Sharma <sup>(10)</sup> Chief Operating Officer	Dec 31, 2016	463,004	454,805	338,160	54,000	Nil	Nil	Nil	480,313 <sup>(11)</sup>	1,736,281	1,452,121
	Dec 31, 2015	114,096	Nil	443,172	Nil	Nil	Nil	Nil	51,430 <sup>(11)</sup>	608,698	165,526
	June 30, 2015	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Anthony Zaidi Vice President, Business Development and General Counsel	Dec 31, 2016	441,829	434,005	338,160	54,000	Nil	Nil	Nil	528,243 <sup>(11)</sup>	1,742,237	1,458,077
	Dec 31, 2015	215,884	Nil	376,848	58,800	Nil	Nil	Nil	228,929 <sup>(11)</sup>	821,661	503,613
	June 30, 2015	379,069	175,819	728,992	67,200	Nil	Nil	Nil	340,809 <sup>(11)</sup>	1,624,689	962,897
Luis Baena <sup>(8)</sup> Executive Vice President, Business Development	Dec 31, 2016	441,829	434,005	338,160	54,000	Nil	Nil	Nil	470,764 <sup>(11)</sup>	1,684,757	1,400,597
	Dec 31, 2015	215,884	Nil	376,848	58,800	Nil	Nil	Nil	237,765 <sup>(11)</sup>	830,497	512,449
	June 30, 2015	379,069	80,582	415,235	33,600	Nil	Nil	Nil	245,834 <sup>(11)</sup>	1,120,720	739,085

**Notes:**

- (1) The financial year end for the Corporation was changed from June 30 to December 31. The amounts disclosed for the six-month financial year ended December 31, 2015 are for the period from July 1, 2015 to December 31, 2015.
- (2) "Share-Based Award" means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units and stock.
- (3) Based on the number of RSUs granted multiplied by the market price of the underlying Common Shares on the grant date.
- (4) "Option-Based Award" means an award under an equity incentive plan of options, including, for greater certainty, share options, share appreciation rights and similar instruments that have option-like features.
- (5) The "grant date fair value" has been determined by using the Black-Scholes option pricing model. Calculating the value of stock options using the Black-Scholes option pricing model is very different from a simple "in-the-money" value calculation. In fact, stock options that are well out-of-the-money can still have a significant "grant date fair value" based on a Black-Scholes option pricing model, especially where, as in the case of the Corporation, the price of the share underlying the option is highly volatile. Accordingly, caution must be exercised in comparing grant date fair value amounts with cash compensation or an in-the-money option value calculation.
- (6) The aggregate of the difference between the market value of the Common Shares and the exercise price of the Options granted in each respective financial year end. The closing price for the Common Shares as at December 30, 2016 (the last day the Common Shares were traded before the fiscal year end) was \$4.58 which was used for each calculation.

- (7) "Total Compensation" includes the grant date fair value of the Options granted during the financial year end and "Total in-the-money Compensation" means the actual compensation received by the NEO, which amount includes the in-the-money value of the Options granted during the financial year rather than the grant date fair value.
- (8) Mr. Gamba did not receive any additional compensation for serving as a director of the Corporation. Mr. Bednar did not receive any additional compensation for serving as a director of the Corporation during the six-month financial year ended December 31, 2015 or during the financial year ended December 31, 2016. Mr. Baena did not receive any additional compensation for serving as a director of the Corporation during the financial year ended June 30, 2015.
- (9) Mr. Bednar was appointed interim Chief Financial Officer of the Corporation on June 1, 2015 following the leave of absence of George Gramatke. Mr. Bednar was appointed the permanent Chief Financial Officer of the Corporation effective December 2, 2015.
- (10) Mr. Sharma was appointed Chief Operating Officer of the Corporation on October 1, 2015.
- (11) This amount represents the aggregate amount of perquisites, other personal benefits and bonuses paid to the Named Executive Officer. The amount included for bonus payments represent the NEO's bonus for the applicable financial year end notwithstanding that such amount was paid to the NEO during the following financial year end.
- (12) This amount represents the director fees paid to Mr. Bednar during the financial year ended June 30, 2015.

### ***Incentive Plan Awards***

#### *Share Option Plan*

The Option Plan permits the granting of Options to purchase Common Shares to directors, executive officers, employees, consultants and other service providers of the Corporation. The Option Plan limits the total number of Common Shares that may be issued on exercise of Options outstanding at any time under the Option Plan, together with all other security based compensation arrangements of the Corporation, to 10% of the number of Common Shares outstanding, subject to the following additional limitations:

- (a) the aggregate number of Common Shares reserved for issuance to any one person under the Option Plan, together with all other security based compensation arrangements of the Corporation, must not exceed 5% of the then outstanding Common Shares (on a non-diluted basis);
- (b) in the aggregate, no more than 10% of the issued and outstanding Common Shares (on a non-diluted basis) may be reserved at any time for insiders under the Option Plan, together with all other security based compensation arrangements of the Corporation;
- (c) the number of securities of the Corporation issued to insiders, within any 12 month period, under all security based compensation arrangements, cannot exceed 10% of the issued and outstanding Common Shares;
- (d) Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Common Shares in any 12 month period to any one consultant of the Corporation (or any of its subsidiaries); and
- (e) Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Common Shares in any 12 month period to persons employed to provide investor relations activities. Options granted to consultants performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than  $\frac{1}{4}$  of the Options vesting in any three month period.

The Option Plan does not impose a maximum term for the duration of an Option. Notwithstanding the foregoing, a participant's Options shall expire within 90 days after a participant ceases to act for the Corporation, other than by reason of death, subject to adjustment at the discretion of the Board. Options of a participant that provides investor relations activities will expire 30 days after the cessation of the participant's services to the Corporation. Under the Option Plan, in the event of the death of a participant, the participant's estate shall have 12 months in which to exercise the outstanding Options.

Pursuant to the Option Plan, the exercise price shall be fixed by the Board at the time that the Option is granted; however, no Option shall be granted with an exercise price at a discount to the market price. The market price shall be the closing price of the Common Shares on the TSX on the first day preceding the date of grant. The Option Plan also provides that the Board may, in its sole discretion, determine the time during which Options shall vest and the method of vesting, subject to any vesting restrictions imposed by the TSX.

On September 22, 2014, the Option Plan was amended by the Board, pursuant to the terms of the Option Plan and without the need for shareholder approval, so as to enable the Corporation to assist participants to pay for the income tax withholdings upon the exercise of an Option. Specifically, subject to applicable law, the Corporation may, in its sole discretion, arrange for the Corporation to make loans to assist participants to pay for the income tax withholdings upon the exercise of an Option so granted and/or to assist the participants. Any loans granted by the Corporation to assist participants to purchase Common Shares upon the exercise of an Option shall be full recourse to the participant, and shall be at such rates of interest, if any, and on such other terms as may be determined by the Corporation.

The Option Plan includes a black out provision. Pursuant to the policies of the Corporation respecting restrictions on trading, there are a number of periods each year during which directors, officers and certain employees are precluded from trading in the Corporation's securities. These periods are referred to as "black out periods". A black out period is designed to prevent a person from trading while in possession of material information that is not yet available to other shareholders. The TSX recognizes these black out periods might result in an unintended penalty to employees who are prohibited from exercising their Options during that period because of their company's internal trading policies. As a result, the TSX provides a framework for extending Options that would otherwise expire during a black out period. The Option Plan includes a provision that should an Option expiration date fall within a black out period or immediately following a black out period, the expiration date will automatically be extended for 10 business days following the end of the black out period.

Based on the policies of the TSX, the Option Plan specifies the types of amendments to the Option Plan and the Options granted thereunder that can be made by the Board without the approval of the shareholders. The Option Plan allows the Board to terminate or discontinue the Option Plan at any time without the consent of the Option holders provided that such termination or discontinuance shall not alter or impair any Option previously granted under the Option Plan. The only amendments to the Option Plan that would be subject to shareholder approval are amendments that would:

- (a) reduce the exercise price of an Option held by an insider of the Corporation;
- (b) extend the expiry date of an Option held by an insider of the Corporation (subject to such date being extended by virtue of the black out provision noted above);
- (c) amend the limitations on the maximum number of Common Shares reserved or issued to insiders;
- (d) increase the maximum number of Common Shares issuable pursuant to the Option Plan; or
- (e) amend the amendment provisions of the Option Plan.

Pursuant to the Option Plan, all benefits, rights and options accruing to any participant are not transferable or assignable unless in the event of the death of a participant.

As at June 6, 2017, the Corporation had Options to purchase 14,452,559 Common Shares (equal to approximately 8.3% of the outstanding Common Shares) outstanding under the Option Plan, leaving unallocated Options to purchase an aggregate of 3,020,072 Common Shares (equal to approximately 1.7% of

the outstanding Common Shares) available for future grants under the Option Plan and all other security based compensation arrangements, based on the number of outstanding Common Shares as at the date hereof.

Pursuant to the requirements of the TSX, the grant of unallocated Options pursuant to the Option Plan is required to be approved by shareholders every three years after the institution of the Option Plan and such approval is being sought at the Meeting. See "MATTERS TO BE ACTED UPON AT THE MEETING CORPORATION – Approval of Unallocated Options Pursuant to the Stock Option Plan of the Corporation".

#### *RSU Plan*

On March 22, 2016, the Board approved the restricted share unit plan (the "**RSU Plan**"). The following is a summary of certain provisions of the RSU Plan.

The RSUs are substantially like "phantom" shares, the implied value of which will rise and fall in value based on the fair market value of the Common Shares and are redeemable, at the discretion of the Corporation, for cash, Common Shares purchased on the open market or Common Shares from treasury ("**Equity Based RSUs**"), on the vesting dates determined by the Board. The fair market value of the Common Shares, on a particular date, is determined based on the closing price for the Common Shares on the TSX for the trading day on which the Common Shares traded immediately preceding such date.

The key features of the RSU Plan are as follows:

- (a) the eligible participants are directors, officers, employees and consultants of the Corporation or a subsidiary of the Corporation;
- (b) RSUs may, in the Corporation's sole and absolute discretion, be settled by any of the following methods or by a combination of such methods: (i) payment in cash; (ii) payment in Common Shares acquired by the Corporation on the open market; or (iii) payment in Common Shares issued from the treasury of the Corporation. A holder of RSUs does not have any right to demand, be paid in, or receive Common Shares as settlement for the RSUs or any portion thereof;
- (c) the RSU Plan limits the total number of Common Shares that may be issued from treasury upon redemption of Equity Based RSUs outstanding at any time under the RSU Plan, together with all other security based compensation arrangements of the Corporation, to 10% of the number of Common Shares outstanding, subject to the following additional limitations:
  - (i) the aggregate number of Common Shares reserved for issuance to any one person under the RSU Plan, together with all other security based compensation arrangements of the Corporation, must not exceed 5% of the then outstanding Common Shares (on a non-diluted basis);
  - (ii) in the aggregate, no more than 10% of the issued and outstanding Common Shares (on a non-diluted basis) may be reserved at any time for insiders under the RSU Plan, together with all other security based compensation arrangements of the Corporation;
  - (iii) the number of securities of the Corporation issued to insiders, within any one year period, under all security based compensation arrangements, cannot exceed 10% of the issued and outstanding Common Shares; and
  - (iv) Equity Based RSUs shall not be settled if the redemption thereof would result in the issuance of more than 2% of the issued Common Shares in any 12 month period to any one consultant of the Corporation (or any of its subsidiaries);

- (d) the Board has the discretion to determine the vesting date for each RSU or any other vesting requirements provided that no such vesting condition for a RSU granted to an officer or employee shall extend beyond December 15 of the third calendar year following the year in which the RSUs were granted;
- (e) subject to the terms of the RSU Plan, the Board may determine other terms or conditions of any RSUs, relating to: (a) the market price of the Common Shares; (b) the return to holders of Common Shares, with or without reference to other comparable companies; (c) the financial performance or results of the Corporation; (d) the operational performance criteria (reserves growth, production growth, etc.) relating to the Corporation; (e) any other terms and conditions the Board may in its discretion determine with respect to vesting or the acceleration of vesting; and (f) the vesting date;
- (f) unless otherwise determined by the Board, in its sole discretion, or specified in the applicable RSU agreement:
  - (i) upon the termination for cause of a participant, all of the participant's RSUs which remain unvested shall be forfeited without any entitlement to such participant;
  - (ii) upon the retirement or death of a participant, all of the participant's RSUs which remain unvested shall vest immediately; and
  - (iii) upon termination without cause, all of the participant's RSUs which remain unvested shall continue to vest (and be paid out) in accordance with their terms;
- (g) upon the occurrence of a Change of Control (as defined in the RSU Plan), all outstanding RSUs at that time shall vest in full and become payable;
- (h) the assignment or transfer of RSUs, or any other benefits under the RSU Plan, is not permitted, except through devolution by death or incompetency or, in the case of non-residents of Canada, to a holding company or trust controlled by such holder, subject to certain conditions set forth in the RSU Plan; and
- (i) the RSU Plan may be amended at any time by the Board in whole or in part, without the consent of the holders of RSUs, provided that such amendment shall not alter or impair any RSU previously granted under the RSU Plan. In addition, the only amendments to the RSU Plan that would be subject to shareholder approval and, if required, TSX approval are amendments that would: (i) increase the maximum number of Common Shares issuable from treasury pursuant to the RSU Plan; (ii) remove or amend the limitations contained in the RSU Plan; (iii) remove or amend the amendment provisions of the RSU Plan; or (iv) in any other circumstances where TSX and shareholder approval is required by the TSX.

As at December 31, 2016, the Corporation had 654,468 RSUs outstanding with reference prices ranging from \$2.28 to \$4.22 per Common Share. A portion of the RSUs vest as to one-half in 12 months and one-half in 24 months from the grant date and a portion vest as to one-half in six months and one-half in 12 months from the grant date.

The RSU Plan is meant to complement the Option Plan to offer, through combinations of these equity-based incentive programs, optimal alignment of the interest of management and employees of the Corporation to that of its shareholders. The choice of implementing a RSU Plan was taken by the Board after an analysis of various alternative equity-based plans. Of the potential equity-based plans considered, a combination of the Option Plan together with the RSU Plan was considered to provide the best balance between alignment with shareholder interests, protection against downside risk, share price volatility protection and employee retention.



*Outstanding Share-Based Awards and Option-Based Awards*

The following table sets forth for each Named Executive Officer all awards outstanding at the end of the financial year ended December 31, 2016, including awards granted before the most recently completed financial year.

Name and Title	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Options <sup>(1)(2)</sup> (\$)	Number of Shares or Units of Shares that have not vested (#)	Market or Payout Value of Share-Based Awards that have not vested (\$)	Market or Payout Value of vested Share-Based Awards not paid out or distributed (\$)
Charle Gamba President and Chief Executive Officer	95,000	8.70	February 14, 2017	Nil	115,454	528,779	Nil
	22,500	4.50	July 17, 2017	1,800			
	175,000	3.38	January 30, 2018	210,000			
	125,000	6.66	February 14, 2019	Nil			
	185,000	2.21	January 5, 2020	438,450			
	125,000	3.21	January 21, 2020	171,250			
	200,000	2.28	August 18, 2020	460,000			
	250,000	3.01	November 27, 2020	392,500			
	250,000	4.22	August 24, 2021	90,000			
Jason Bednar Chief Financial Officer	15,000	8.70	February 14, 2017	Nil	67,344	308,436	Nil
	3,750	4.50	July 17, 2017	300			
	15,000	3.38	January 30, 2018	18,000			
	20,000	6.66	February 14, 2019	Nil			
	30,000	2.21	January 5, 2020	71,100			
	20,000	3.21	January 21, 2020	27,400			
	150,000	3.05	May 25, 2020	229,500			
	120,000	2.28	August 18, 2020	276,000			
	150,000	3.01	November 27, 2020	235,500			
150,000	4.22	August 24, 2021	54,000				
Ravi Sharma Chief Operating Officer	200,000	3.26	October 16, 2020	264,000	66,687	305,426	Nil
	66,000	3.01	November 27, 2020	103,620			
	150,000	4.22	August 24, 2021	54,000			
Anthony Zaidi Vice President, Business Development and General Counsel	40,000	8.70	February 14, 2017	Nil	63,637	291,457	Nil
	12,500	4.50	July 17, 2017	1,000			
	120,000	3.38	January 30, 2018	144,000			
	80,000	6.66	February 14, 2019	Nil			
	120,000	2.21	January 5, 2020	284,400			
	80,000	3.21	January 21, 2020	109,600			
	120,000	2.28	August 18, 2020	276,000			
	150,000	3.01	November 27, 2020	235,500			
	150,000	4.22	August 24, 2021	54,000			

Name and Title	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Options <sup>(1)(2)</sup> (\$)	Number of Shares or Units of Shares that have not vested (#)	Market or Payout Value of Share-Based Awards that have not vested (\$)	Market or Payout Value of vested Share-Based Awards not paid out or distributed (\$)
Charle Gamba President and Chief Executive Officer	95,000	8.70	February 14, 2017	Nil	115,454	528,779	Nil
	22,500	4.50	July 17, 2017	1,800			
	175,000	3.38	January 30, 2018	210,000			
	125,000	6.66	February 14, 2019	Nil			
	185,000	2.21	January 5, 2020	438,450			
	125,000	3.21	January 21, 2020	171,250			
	200,000	2.28	August 18, 2020	460,000			
	250,000	3.01	November 27, 2020	392,500			
	250,000	4.22	August 24, 2021	90,000			
Jason Bednar Chief Financial Officer	15,000	8.70	February 14, 2017	Nil	67,344	308,436	Nil
	3,750	4.50	July 17, 2017	300			
	15,000	3.38	January 30, 2018	18,000			
	20,000	6.66	February 14, 2019	Nil			
	30,000	2.21	January 5, 2020	71,100			
	20,000	3.21	January 21, 2020	27,400			
	150,000	3.05	May 25, 2020	229,500			
	120,000	2.28	August 18, 2020	276,000			
	150,000	3.01	November 27, 2020	235,500			
150,000	4.22	August 24, 2021	54,000				
Ravi Sharma Chief Operating Officer	200,000	3.26	October 16, 2020	264,000	66,687	305,426	Nil
	66,000	3.01	November 27, 2020	103,620			
	150,000	4.22	August 24, 2021	54,000			
Anthony Zaidi Vice President, Business Development and General Counsel	40,000	8.70	February 14, 2017	Nil	63,637	291,457	Nil
	12,500	4.50	July 17, 2017	1,000			
	120,000	3.38	January 30, 2018	144,000			
	80,000	6.66	February 14, 2019	Nil			
	120,000	2.21	January 5, 2020	284,400			
	80,000	3.21	January 21, 2020	109,600			
	120,000	2.28	August 18, 2020	276,000			
	150,000	3.01	November 27, 2020	235,500			
	150,000	4.22	August 24, 2021	54,000			
Luis Baena Executive Vice President, Business Development	40,000	8.70	February 14, 2017	Nil	63,637	291,457	Nil
	12,500	4.50	July 17, 2017	1,000			
	80,000	6.66	February 14, 2019	Nil			
	30,000	2.21	January 5, 2020	71,100			
	70,000	3.21	January 21, 2020	95,900			
	60,000	2.28	August 18, 2020	138,000			
	75,000	3.01	November 27, 2020	117,750			
	150,000	4.22	August 24, 2021	54,000			

**Notes:**

- (1) Unexercised "in-the-money" options refer to the options in respect of which the market value of the underlying securities as at the financial year end exceeds the exercise or base price of the option.
- (2) The aggregate of the difference between the market value of the Common Shares as at December 30, 2016 (the last day the Common Shares were traded before the fiscal year end), being \$4.58 per Common Share, and the exercise price of the Options.

See "Statement of Executive Compensation – *Compensation Discussion and Analysis*" for discussion of the process that the Corporation uses in the grant of Options and RSUs.

*Incentive Plan Awards – Value Vested or Earned During the Year*

The following table sets forth for each Named Executive Officer, the value of option-based awards and the value of share-based awards which vested during the financial year ended December 31, 2016. No non-equity incentive plan compensation was earned during the financial year ended December 31, 2016 by the Named Executive Officers.

Name and Title	Option-Based Awards - Value vested during the year (\$) <sup>(1)</sup>	Share-Based Awards - Value vested during the year (\$) <sup>(2)</sup>
Charle Gamba President and Chief Executive Officer	410,550	497,611
Jason Bednar Chief Financial Officer	236,875	290,253
Ravi Sharma Chief Operating Officer	140,905	287,421
Anthony Zaidi Vice President, Business Development and General Counsel	253,375	274,275
Luis Baena Executive Vice President, Business Development	249,950	274,275

**Notes:**

- (1) Based on the difference between the market price of the Options at the vesting date and the exercise price.
- (2) Based on the number of RSUs multiplied by the market price of the underlying Common Shares on the vesting date.

***Pension Plan Benefits***

The Corporation does not have a pension plan or similar benefit program.

***Termination and Change of Control Benefits***

The Corporation is not a party to any contract, agreement, plan or arrangement that provides for payments to a Named Executive Officer at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Corporation, its subsidiaries or affiliates or a change in a Named Executive Officer's responsibilities, other than as follows:

1. Charle Gamba, the President and Chief Executive Officer of the Corporation, has entered into an executive employment agreement with the Corporation which provides for payment of (a) two times the sum of (i) his current annual base salary, plus (ii) an amount equal to the average amount of the annual bonus payments, if any, paid to Mr. Gamba by the Corporation for the two full calendar years prior to the termination date (pro-rated to the full year equivalent for bonuses

paid in respect of periods covering less than a year), and (b) a lump sum payment of US\$40,000 representing compensation for the loss of other benefits and perquisites, in the event of a "change of control" of the Corporation or termination "without cause";

2. Jason Bednar, the Chief Financial Officer of the Corporation, has entered into an executive employment agreement with the Corporation which provides for payment of (a) two times the sum of (i) his current annual base salary, plus (ii) an amount equal to the average amount of the annual bonus payments, if any, paid to Mr. Bednar by the Corporation for the two full calendar years prior to the termination date (pro-rated to the full year equivalent for bonuses paid in respect of periods covering less than a year), and (b) a lump sum payment of \$40,000 representing compensation for the loss of other benefits and perquisites, in the event of a "change of control" of the Corporation or termination "without cause";
3. Ravi Sharma, the Chief Operating Officer of the Corporation, has entered into an executive employment agreement with the Corporation which provides for payment of (a) two times the sum of (i) his current annual base salary, plus (ii) an amount equal to the average amount of the annual bonus payments, if any, paid to Mr. Sharma by the Corporation for the two full calendar years prior to the termination date (pro-rated to the full year equivalent for bonuses paid in respect of periods covering less than a year), and (b) a lump sum payment of US\$40,000 representing compensation for the loss of other benefits and perquisites, in the event of a "change of control" of the Corporation or termination "without cause";
4. Anthony Zaidi, Vice President, Business Development and General Counsel of the Corporation, has entered into an executive employment agreement with the Corporation which provides for payment of (a) two times the sum of (i) his current annual base salary, plus (ii) an amount equal to the average amount of the annual bonus payments, if any, paid to Mr. Zaidi by the Corporation for the two full calendar years prior to the termination date (pro-rated to the full year equivalent for bonuses paid in respect of periods covering less than a year), and (b) a lump sum payment of US\$40,000 representing compensation for the loss of other benefits and perquisites, in the event of a "change of control" of the Corporation or termination "without cause"; and
5. Luis Baena, Executive Vice President, Business Development of the Corporation, has entered into an executive employment agreement with the Corporation which provides for payment of (a) two times the sum of (i) his current annual base salary, plus (ii) an amount equal to the average amount of the annual bonus payments, if any, paid to Mr. Baena by the Corporation for the two full calendar years prior to the termination date (pro-rated to the full year equivalent for bonuses paid in respect of periods covering less than a year), and (b) a lump sum payment of US\$40,000 representing compensation for the loss of other benefits and perquisites, in the event of a "change of control" of the Corporation or termination "without cause".

"Change of control" in these employment agreements means: (i) any persons acting jointly or in concert, whether directly or indirectly, acquiring beneficial ownership of more than 40% of the Common Shares; (ii) an amalgamation, arrangement or other form of business combination of the Corporation with another corporation that results in the holders of voting securities of that other corporation holding, in the aggregate, more than 50% of the Common Shares; (iii) the sale, lease or exchange of all or substantially all of the property of the Corporation to another person, other than in the ordinary course of business of the Corporation or to a subsidiary or an affiliate of the Corporation; (iv) a change in the composition of the Board over any 12 month period such that more than 50% of the persons who were directors of the Corporation at the beginning of such period are no longer directors at the end of the period, unless such change is a consequence of normal attrition; and (v) any determination by the majority of incumbent members of the Board that a change of control has occurred or is about to occur. The executive will be not entitled to any payment pursuant to these agreements if after the change of control event the executive remains in the same position with the Corporation.

For the financial year ended December 31, 2016, the NEOs would have been entitled to the following payments in the event of a "change of control" of the Corporation or termination "without cause": Charle Gamba – US\$1,595,594, Jason Bednar – \$1,307,760, Ravi Sharma – US\$1,156,560, Anthony Zaidi – US\$1,105,495 and Luis Baena – US\$1,105,495.

### Director Compensation

The Corporation currently has eight directors, one of whom, Charle Gamba, is also a Named Executive Officer. For a description of the compensation paid to the Named Executive Officers who also acted as directors of the Corporation, see "Statement of Executive Compensation".

### Directors' Summary Compensation Table

The following table sets forth for the financial year ended December 31, 2016, information concerning the compensation paid to the directors other than directors who are also Named Executive Officers.

Name	Fees Earned (\$)	Share-Based Awards (\$) <sup>(1)(2)</sup>	Option-Based Awards (\$) <sup>(3)(4)</sup>	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
Michael Hibberd	92,000	93,506	103,702	Nil	Nil	Nil	289,209
Stuart Hensman	60,000	49,351	54,106	Nil	Nil	Nil	163,456
David Winter	48,000	49,351	54,106	Nil	Nil	Nil	151,456
Gregory D. Elliot	43,000	38,961	54,106	Nil	Nil	Nil	136,067
Francisco Diaz Salazar	48,000	38,961	54,106	Nil	Nil	Nil	141,067
Alberto Jose Sosa Schlageter	38,000	38,961	54,106	Nil	Nil	Nil	131,067
Oswaldo Cisneros	41,365	38,961	54,106	Nil	Nil	Nil	134,432

#### Notes:

- (1) "Share-Based Award" means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units and stock.
- (2) Based on the number of RSUs granted multiplied by the market price of the underlying Common Shares on the grant date.
- (3) "Option-Based Award" means an award under an equity incentive plan of options, including, for greater certainty, share options, share appreciation rights and similar instruments that have option-like features.
- (4) The "grant date fair value" has been determined by using the Black-Scholes option pricing model. Calculating the value of stock options using the Black-Scholes option pricing model is very different from a simple "in-the-money" value calculation. In fact, stock options that are well out-of-the-money can still have a significant "grant date fair value" based on a Black-Scholes option pricing model, especially where, as in the case of the Corporation, the price of the share underlying the option is highly volatile. Accordingly, caution must be exercised in comparing grant date fair value amounts with cash compensation or an in-the-money option value calculation.

### Directors' Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth, for each person who was a director of the Corporation during the last completed financial year of the Corporation, other than directors who are also Named Executive Officers, all awards outstanding at the end of the financial year ended December 31, 2016, including awards granted before the most recently completed financial year.

Name	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Options <sup>(1)(2)</sup> (\$)	Number of Shares or Units of Shares that have not vested (#)	Market or Payout Value of Share-Based Awards that have not vested (\$)	Market or Payout Value of vested Share-Based Awards not paid out or distributed (\$)
Michael Hibberd	18,000 4,500 18,000 24,000 36,000 24,000 40,000 46,000 46,000	8.70 4.50 3.38 6.66 2.21 3.21 2.28 3.01 4.22	February 14, 2017 July 17, 2017 January 30, 2018 February 14, 2019 January 5, 2020 January 21, 2020 August 18, 2020 November 27, 2020 August 24, 2021	Nil 360 21,600 Nil 85,320 32,880 92,000 72,220 16,560	13,710	62,791	Nil
Stuart Hensman	10,000 2,500 2,500 7,000 21,000 14,000 24,000 24,000 24,000	8.70 4.50 3.38 6.66 2.21 3.21 2.28 3.01 4.22	February 14, 2017 July 17, 2017 January 30, 2018 February 14, 2019 January 5, 2020 January 21, 2020 August 18, 2020 November 27, 2020 August 24, 2021	Nil 200 3,000 Nil 49,770 19,180 55,200 37,680 8,640	7,236	33,140	Nil
David Winter	10,000 2,500 10,000 14,000 21,000 14,000 24,000 24,000 24,000	8.70 4.50 3.38 6.66 2.21 3.21 2.28 3.01 4.22	February 14, 2017 July 17, 2017 January 30, 2018 February 14, 2019 January 5, 2020 January 21, 2020 August 18, 2020 November 27, 2020 August 24, 2021	Nil 200 12,000 Nil 49,770 19,180 55,200 37,680 8,640	7,236	33,140	Nil
Gregory D. Elliot	10,000 14,000 21,000 14,000 24,000 24,000 24,000	3.38 6.66 2.21 3.21 2.28 3.01 4.22	January 30, 2018 February 14, 2019 January 5, 2020 January 21, 2020 August 18, 2020 November 27, 2020 August 24, 2021	12,000 Nil 49,770 19,180 55,200 37,680 8,640	5,713	26,165	Nil
Francisco Diaz Salazar	30,000 24,000 24,000 24,000	3.21 2.28 3.01 4.22	January 21, 2020 August 18, 2020 November 27, 2020 August 24, 2021	41,100 55,200 37,680 8,640	5,713	26,165	Nil

Alberto Jose Sosa Schlageter	24,000 24,000	3.01 4.22	November 27, 2020 August 24, 2021	37,680 8,640		5,713	26,165	Nil
Oswaldo Cisneros	24,000 24,000	3.01 4.22	November 27, 2020 August 24, 2021	37,680 8,640		5,713	26,165	Nil

**Notes:**

- (1) Unexercised "in-the-money" options refer to the options in respect of which the market value of the underlying securities as at the financial year end exceeds the exercise or base price of the option.
- (2) The aggregate of the difference between the market value of the Common Shares as at December 30, 2016 (the last day the Common Shares were traded before the fiscal year end), being \$4.58 per Common Share, and the exercise price of the Options.

***Directors' Incentive Plan Awards – Value Vested or Earned During the Year***

The following table sets forth for each person who was a director of the Corporation during the last completed financial year of the Corporation, other than directors who are also Named Executive Officers, the value of option-based awards and the value of share-based awards which vested during the financial year ended December 31, 2016. No non-equity incentive plan compensation was earned during the financial year ended December 31, 2016 by the directors.

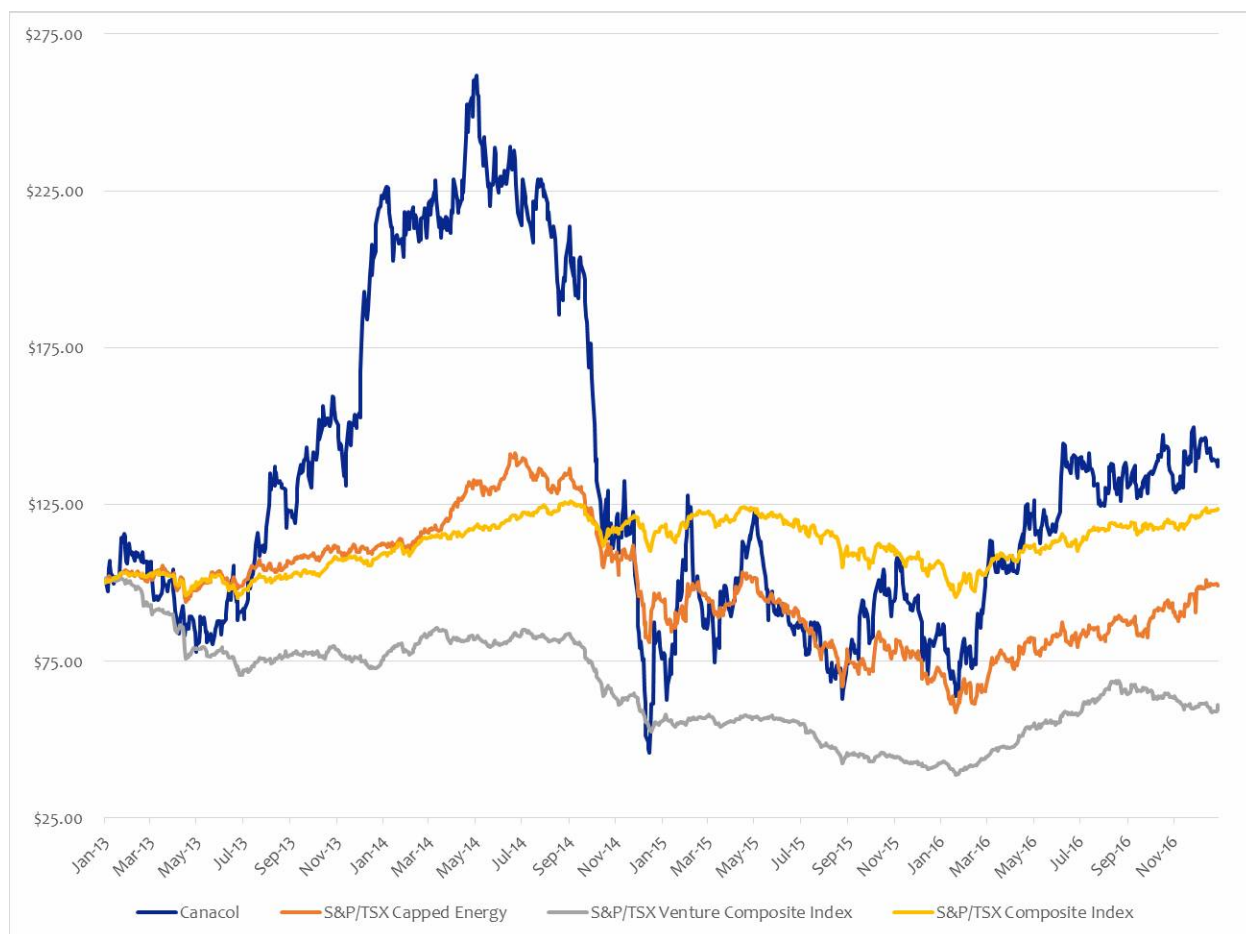
Name and Title	Option-Based Awards - Value vested during the year (\$) <sup>(1)</sup>	Shares-Based Awards - Value vested during the year (\$) <sup>(2)</sup>
Michael Hibberd	78,885	59,094
Stuart Hensman	44,778	31,187
David Winter	44,778	31,187
Gregory D. Elliot	44,778	24,623
Francisco Diaz Salazar	37,815	24,623
Alberto Jose Sosa Schlageter	13,740	24,623
Oswaldo Cisneros	13,740	24,623

**Notes:**

- (1) Based on the difference between the market price of the options at the vesting date and the exercise price.
- (2) Based on the number of RSUs multiplied by the market price of the underlying Common Shares on the vesting date.

***Performance Graph***

The following graph compares the change in the cumulative total shareholder return over the periods indicated of a \$100 investment in the Common Shares with the cumulative total return of the S&P/TSX Composite Index, the S&P/TSX Capped Energy Index and the S&P/TSX Venture Composite Index, assuming the reinvestment of dividends, where applicable, for the comparable period.



The trend in the performance graph does not correlate to the trend of the compensation paid to the Named Executive Officers. As described under "*Compensation Discussion and Analysis*", base salaries reflect each executive officer's primary duties and responsibilities and are set at levels based on responsibility, experience and expertise as well as subjective factors such as leadership. The Corporation has concluded that management must be compensated based on competitive market conditions and the value of the services provided, irrespective of Common Share price movements. Options granted pursuant to the Option Plan and RSUs granted pursuant to the RSU Plan each form a significant portion of compensation, and therefore total compensation for the Named Executive Officers is affected by increases or decreases in the price of the Common Shares as the value of such Options and RSUs changes as the Corporation's share price changes.

#### **SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following sets forth information in respect of securities authorized for issuance under the equity compensation plans as at December 31, 2016.



Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) <sup>(1)</sup>
Equity compensation plans approved by security holders	17,435,881	\$3.85	4,319,752
Equity compensation plans not approved by security holders	Nil	N/A	Nil
<b>Total</b>	<b>17,435,881</b>	<b>\$3.85</b>	<b>4,319,752</b>

**Note:**

- (1) Based on 174,358,808 outstanding Common Shares as at December 31, 2016 and the number of Options and Equity Based RSUs outstanding at December 31, 2016. As at December 31, 2016, there were a total of 13,116,129 Options outstanding and no Equity Based RSUs outstanding, leaving a total of 4,319,752 remaining available for issue under the Option Plan and the RSU Plan. Pursuant to the Option Plan and the RSU Plan, the maximum number of Common Shares that may be subject to Options or Equity Based RSUs granted and outstanding thereunder at any time shall not exceed 10% of the outstanding Common Shares.

**INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

No director, executive officer, employee or former executive officer, director or employee of the Corporation or any of its subsidiaries, or any associate of any such director, officer or employee is, or has been at any time since the beginning of the most recently completed financial year of the Corporation, indebted to the Corporation or any of its subsidiaries in respect of any indebtedness that is still outstanding, nor, at any time since the beginning of the most recently completed financial year of the Corporation has, any indebtedness of any such person been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

**CORPORATE GOVERNANCE PRACTICES**

The Corporation's disclosure with respect to Corporate Governance Practices is set forth in Schedule "A" hereto.

**INTEREST OF MANAGEMENT AND INFORMED PERSONS IN MATERIAL TRANSACTIONS**

There were no material interests, direct or indirect, of directors, proposed directors or executive officers of the Corporation, of any shareholder who beneficially owns or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares, or any other informed person (as defined in National Instrument 51-102 — *Continuous Disclosure Obligations*) or any known associate or affiliate of such persons, in any transaction since the commencement of the most recently completed financial year of the Corporation or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

**INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

Management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or nominee for director, or executive officer of the Corporation or anyone who has held office as such since the beginning of the Corporation's last financial year or of any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting other than the election of directors.

## MANAGEMENT CONTRACTS

During the most recently completed financial year, no management functions of the Corporation were to any substantial degree performed by a person or company other than the directors or executive officers (or private companies controlled by them, either directly or indirectly) of the Corporation.

## ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information of the Corporation's most recently completed financial year is provided in the Corporation's comparative financial statements and management discussion and analysis available on SEDAR.

Also see "Audit Committee Information" in the Corporation's annual information form for the financial year ended December 31, 2016, which is available on SEDAR at [www.sedar.com](http://www.sedar.com), for information relating to the Audit Committee, including its mandate and composition and fees paid to the Corporation's auditors.

A shareholder may contact the Corporation at Suite 4500, 525 - 8<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 1G1, Attention: Chief Financial Officer, to obtain a copy of the Corporation's most recent financial statements, management discussion and analysis and annual information form.

## GENERAL

**Unless otherwise directed, it is management's intention to vote proxies in favour of the resolutions set forth herein.** All ordinary resolutions require, for the passing of the same, a simple majority of the votes cast at the Meeting by the holders of Common Shares. All special resolutions, if any, to be brought before the Meeting require, for the passing of the same, a two-thirds ( $\frac{2}{3}$ ) majority of the votes cast at the Meeting by the holders of Common Shares. All approvals by disinterested shareholders, if any, require the approval of the shareholders not affected by, or interested in, the matter to be approved.

## OTHER MATTERS

Management knows of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any other matter properly comes before the Meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person or persons voting the proxy.

## APPROVAL

The contents and sending of this Information Circular – Proxy Statement has been approved by the Board.

DATED June 6, 2017.

## SCHEDULE "A"

### CANACOL ENERGY LTD. CORPORATE GOVERNANCE DISCLOSURE

National Instrument 58-101, entitled "Disclosure of Corporate Governance Practices" ("NI 58-101") requires that if management of an issuer solicits proxies from its security holders for the purpose of electing directors that certain prescribed disclosure respecting corporate governance matters be included in its management information circular. The TSX also requires listed companies to provide, on an annual basis, the corporate governance disclosure which is prescribed by NI 58-101.

The prescribed corporate governance disclosure for the Corporation is that contained in Form 58-101F1 which is attached to NI 58-101 ("**Form 58-101F1 Disclosure**").

Set out below is a description of the Corporation's current corporate governance practices, relative to the Form 58-101F1 Disclosure.

#### 1. Board of Directors

**(a) Disclose the identity of directors who are independent.**

The following seven directors of the Corporation are independent (for purposes of NI 58-101):

Michael Hibberd  
Stuart Hensman  
David Winter  
Gregory D. Elliot  
Francisco Diaz Salazar  
Alberto Jose Sosa Schlageter  
Oswaldo Cisneros

**(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.**

Charle Gamba is not independent as he is the President and Chief Executive Officer of the Corporation.

**(c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the board) does to facilitate its exercise of independent judgement in carrying out its responsibilities.**

A majority of the current directors of the Corporation (seven of the eight) are independent. All of the current directors of the Corporation are being nominated for election to the Board at the Meeting. Assuming all of the proposed director nominees are elected at the Meeting, a majority of the directors of the Corporation (seven of the eight) will be independent.

**(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.**

The following directors are presently directors of other issuers that are reporting issuers (or the equivalent):

Director	Other Reporting Issuers
Charle Gamba	Horizon Petroleum plc. Ikkuma Resources Corp.
Michael Hibberd	Greenfields Petroleum Corporation Montana Exploration Corp. Pan Orient Energy Corp. PetroFrontier Corp. Sunshine Oilsands Ltd.
Stuart Hensman	CI Funds RIFCO Inc.
David Winter	Horizon Petroleum plc.
Alberto Jose Sosa Schlageter	C.A. Fábrica Nacional de Vidrio
Oswaldo Cisneros	C.A. Fábrica Nacional de Vidrio

- (e) **Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.**

At the end of or during each meeting of the Board, the members of management of the Corporation and the non-independent directors of the Corporation who are present at such meeting leave the meeting in order for the independent directors to meet. Eight meetings of independent directors were held during the financial year ended December 31, 2016. In addition, other meetings of the independent directors may be held from time to time if required.

- (f) **Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.**

Michael Hibberd is the current Chairman of the Board and is an independent director. In accordance with the mandate of the Chairman, the Chairman presides at all meetings of the Board and, unless otherwise determined, at all meetings of shareholders and is to, among other things, oversee all aspects of Board direction and administration, provide leadership to the Board and foster ethical and responsible decision making. The Chairman is to endeavour to fulfill his Board responsibilities in a manner that will ensure that the Board is able to function independently of management and is to consider, and allow for, when appropriate, a meeting of independent directors, so that Board meetings can take place without management being present. The Chairman is also to endeavour to ensure that reasonable procedures are in place to allow directors to engage outside advisors at the expense of the Corporation in appropriate circumstances.

**(g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.**

The attendance record of each of the directors of the Corporation for meetings and committee meetings held during the financial year ended December 31, 2016 was as follows:

Name	Board Meetings Attended / Held	Audit Committee Meetings Attended / Held	Reserves Committee Meetings Attended / Held	Corporate Governance and Compensation Committee Meetings Attended / Held
Charle Gamba	8/8	N/A	3/3	N/A
Michael Hibberd	8/8	6/6	N/A	3/3
Stuart Hensman	8/8	6/6	N/A	3/3
David Winter	7/8	N/A	3/3	N/A
Gregory D. Elliot	7/8	N/A	3/3	N/A
Francisco Diaz Salazar	7/8	6/6	N/A	N/A
Alberto Jose Sosa Schlageter	6/8	N/A	N/A	3/3
Oswaldo Cisneros <sup>(1)</sup>	6/8	2/4	N/A	N/A
Jason Bednar <sup>(2)</sup>	2/2	N/A	N/A	N/A

**Note:**

- (1) Mr. Cisneros was appointed to the Audit Committee on April 29, 2016.
- (2) Mr. Bednar did not stand for re-election to the Board at the Corporation's annual general and special meeting of shareholders held on April 29, 2016.

**2. Board Mandate – Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.**

The mandate of the Board is attached hereto as Appendix "A".

**3. Position Descriptions**

**(a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.**

The Board has developed written position descriptions for the Chairman and for the chair of each of the Audit Committee, Corporate Governance and Compensation Committee and the Reserves Committee.

**(b) Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.**

The Board, with the input of the President and Chief Executive Officer of the Corporation, has developed a written position description for the President and Chief Executive Officer.

#### 4. **Orientation and Continuing Education**

- (a) **Briefly describe what measures the board takes to orient new directors regarding (i) the role of the board, its committees and its directors, and (ii) the nature and operation of the issuer's business.**

While the Corporation does not currently have a formal orientation and education program for new recruits to the Board, the Corporation has historically provided such orientation and education on an informal basis. As new directors have joined the Board, management has provided these individuals with corporate policies, historical information about the Corporation, as well as information on the Corporation's performance and its strategic plan with an outline of the general duties and responsibilities entailed in carrying out their duties. The Board believes that these procedures have proved to be a practical and effective approach in light of the Corporation's particular circumstances, including the size of the Corporation, limited turnover of the directors and the experience and expertise of the members of the Board.

- (b) **Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.**

No formal continuing education program currently exists for the directors of the Corporation. The Corporation encourages directors to attend, enrol or participate in courses and/or seminars dealing with financial literacy, corporate governance and related matters and has agreed to pay the cost of such courses and seminars. Each director of the Corporation has the responsibility for ensuring that he maintains the skill and knowledge necessary to meet his obligations as a director.

#### 5. **Ethical Business Conduct**

- (a) **Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:**

The Corporation has adopted a Code of Business Conduct for directors, officers and employees (the "Code").

- (i) **disclose how a person or company may obtain a copy of the code;**

Each director, officer and employee of the Corporation has been provided with a copy of the Code and a copy of the Code may be obtained from Jason Bednar, Chief Financial Officer of the Corporation, at (403) 561-1648.

- (ii) **describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and**

The Board monitors compliance with the Code by requiring that each of the employees and consultants of the Corporation affirm in writing on an annual basis

his or her agreement to abide by the Code, his or her ethical conduct during the year and disclosure with respect to any conflicts of interest. In addition, management is required to provide reports on compliance with the Code to the Board on a regular basis.

- (iii) **provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.**

There have been no material change reports filed since the beginning of the Corporation's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the Code.

- (b) **Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.**

In accordance with the *Business Corporations Act* (Alberta), directors who are a party to, or are a director or an officer of a person which is a party to, a material contract or material transaction or a proposed material contract or proposed material transaction are required to disclose the nature and extent of their interest and not to vote on any resolution to approve the contract or transaction. In addition, in certain cases, an independent committee of the Board may be formed to deliberate on such matters in the absence of the interested party.

- (c) **Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.**

In addition to the Code, the Board has also adopted a "Whistleblower Policy" wherein employees and consultants of the Corporation are provided with the mechanisms by which they may raise concerns with respect to falsification of financial records, unethical conduct, harassment and theft in a confidential, anonymous process.

## 6. Nomination of Directors

- (a) **Describe the process by which the board identifies new candidates for board nomination.**

The Board has not appointed a nominating committee. The Board determines new nominees to the Board although no formal process has been adopted. The nominees are generally the result of recruitment efforts by the Board members including both formal and informal discussions among the Board members and officers. It is anticipated that new candidates will be identified having regard to: (i) the competence and skills that the Board considers to be necessary for the Board, as a whole, to possess; (ii) the competence and skills that the Board considers each existing director to possess; (iii) the competencies and skills that each new nominee will bring to the boardroom; and (iv) whether or not each new nominee can devote sufficient time and resources to his or her duties as a member of the Board. See also items 11 and 12 below.

- (b) **Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.**

The Board has not appointed a nominating committee. The Board as a whole is responsible for selecting nominees for election to the Board. The Board intends to periodically review the objectivity of the nomination process.

- (c) **If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.**

See item 6(a) above.

## 7. **Compensation**

- (a) **Describe the process by which the board determines the compensation for the issuer's directors and officers.**

See "INFORMATION CONCERNING THE CORPORATION – Statement of Executive Compensation – *Compensation Discussion and Analysis*" in respect of the officers of the Corporation and "INFORMATION CONCERNING THE CORPORATION – Director Compensation" in respect of the directors of the Corporation.

- (b) **Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.**

The Corporate Governance and Compensation Committee is comprised of three independent directors.

- (c) **If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.**

The Corporate Governance and Compensation Committee has the responsibility for reviewing matters relating to the human resource policies and compensation of the directors, officers and employees of the Corporation and its subsidiaries in the context of the budget and business plan of the Corporation. As part of the mandate and responsibility of the Corporate Governance and Compensation Committee, it is responsible for formulating and making recommendations to the Board in respect of compensation issues relating to directors and employees of the Corporation. Without limiting the generality of the foregoing, the Corporate Governance and Compensation Committee has the following duties:

- (i) assisting the Board in establishing and monitoring the Corporation's corporate governance policies and practices to ensure they comply with applicable rules or guidelines provided by the securities regulators;
- (ii) preparing the Corporation's response to applicable securities laws or stock exchange rules when required, and explaining as required any differences between the Corporation's governance system and policies and the recommended governance standards by securities regulators;
- (iii) proposing changes as necessary from time to time to respond to particular governance recommendations or guidelines from regulatory authorities as well as changes in the Corporation's business environment and ensuring that all appropriate or necessary governance systems remain in place and are periodically reviewed for effectiveness;



- (iv) assisting the Board with an annual review of the Board and committee structure;
- (v) ensuring that all members of the Board have been informed of and are aware of their duties and responsibilities as directors of the Corporation;
- (vi) ensuring that the Corporation has in effect adequate policies and procedures to allow the Corporation to meet all of its continuous disclosure as well as its communication and confidentiality requirements;
- (vii) ensuring that the Corporation has in effect adequate policies and procedures to identify and manage the principal risks of the Corporation's business;
- (viii) developing and monitoring the Corporation's policies relating to trading in securities of the Corporation by insiders;
- (ix) annually reviewing areas of potential personal liability of directors and ensuring reasonable protective measures are in place;
- (x) causing the Board to annually review its definition of an "independent" director and establishing formal processes for determining the independence of the Board members as well as dealing with conflict of interest situations;
- (xi) developing written corporate governance guidelines and mandate for the Board in which it explicitly acknowledges responsibility for the stewardship of the Corporation and considers (i) measures for receiving feedback from stakeholders and (ii) expectations and responsibilities of directors, including basic duties and responsibilities with respect to attendance at Board meetings and advance review of meeting materials;
- (xii) overseeing the development of terms of references for the committees of the Board and reviewing, or arranging for the review by appropriate committees, of such terms of references on an annual basis, and, in consultation with the other committees as appropriate, making recommendations to the Board as to changes to improve such terms of references;
- (xiii) developing clear position descriptions for the Chairman of the Board and the chair of each Board committee, and together with the CEO, developing a clear position description for the CEO, delineating roles and responsibilities between the Board and the executive officers;
- (xiv) assessment of the Board, its committees and each individual director in respect of effectiveness and contribution;
- (xv) developing a comprehensive orientation and continuing education program for all directors;
- (xvi) monitoring the process for developing annual meeting planners for the Board and its committees to ensure compliance with the requirements of the Board's mandate and the committees' terms of references, respectively;
- (xvii) developing a written code of business conduct and ethics that is applicable to all directors, officers and employees of the Corporation;

- (xviii) considering the appointment of a nominating committee in respect of the recruitment of prospective directors (or the establishment of a nominating function within an existing Board committee) and if thought appropriate, developing a written charter or terms of reference for such committee in developing a process for selecting, recruiting and evaluating the performance of new directors;
- (xix) assisting the Board with the disclosure of the Corporation's corporate governance policies and practices in the Corporation's disclosure documents;
- (xx) reviewing and making recommendations with respect to the Corporation's overall human resources and compensation strategies including incentive-based and equity-based compensation plans and any material changes therein;
- (xxi) developing and making recommendations to the Board with respect to the appropriate compensation strategy for the non-executive members of the Board and annually reviewing the adequacy and form of the compensation strategy of non-executive directors to ensure that it properly aligns the interests of directors with the long-term interests of the Corporation and shareholders and that it realistically reflects the responsibilities and risks involved in being an effective director of the Corporation. The Corporate Governance and Compensation Committee shall report and make recommendations to the Board accordingly;
- (xxii) assisting the Board with the selection and appointment of the CEO of the Corporation;
- (xxiii) providing oversight to the appointment and termination of other executive officers of the Corporation;
- (xxiv) developing recommendations for the Board's approval of the framework or broad policy for the compensation of the CEO and other executive officers (including base compensation, short and long-term incentive-based compensation, equity-based-plans, benefit plans, pension and other retirement benefits);
- (xxv) considering and making recommendations to the Board in respect of the terms of the service contracts of the CEO and other executives and any proposed changes to these contracts and ensuring that contractual terms on termination, and any payments made, are fair to the individual and the Corporation, that poor performance is not rewarded and that the duty to mitigate loss is fully recognised;
- (xxvi) reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives and determining the CEO's compensation level based on this evaluation;
- (xxvii) monitoring the performance of other executive officers versus the approved strategies and objectives and provide oversight to the determination of the compensation of executive officers particularly with respect to incentive-based and equity-based compensation plans;
- (xxviii) as part of the annual review of the performance of the CEO and other executive officers, satisfying itself as to the integrity of the executive officers and the contribution of the executive officers in creating a culture of integrity throughout the organization, and reporting those determinations to the Board;

- (xxix) reviewing of executive compensation disclosure before the Corporation publicly discloses such information; and
- (xxx) assisting the Board in overseeing that succession planning programs are in place, including programs to appoint, set objectives, train, develop and monitor the performance of the officers and other key employees of the Corporation.

Pursuant to the mandate of the Corporate Governance and Compensation Committee, it is to be comprised of at least three directors of the Corporation and all of such members shall be independent. The Board is from time to time to designate one of the members of the Corporate Governance and Compensation Committee to be the Chair of the Corporate Governance and Compensation Committee. The Chairman of the Corporate Governance and Compensation Committee is Stuart Hensman.

The Corporate Governance and Compensation Committee meets at least two times per year and at such other times as the Chairman of the Corporate Governance and Compensation Committee determines.

**8. Other Board Committees – If the board has standing committees other than the audit, compensation and nominating committees identify the committees and describe their function.**

Other than the Audit and Corporate Governance and Compensation Committees, the Corporation has established a Reserves Committee.

The Reserves Committee is responsible for various matters relating to reserves of the Corporation that may be delegated to the Reserves Committee pursuant to National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"), including:

- (a) review, with reasonable frequency, the procedures relating to the disclosure of information with respect to reserves and related oil and gas activities and the procedures for complying with the disclosure requirements and restrictions of NI 51-101;
- (b) review the appointment of the independent evaluator ("**Independent Evaluator**") under NI 51-101 and in the case of any proposed changes in such appointment, determine the reasons for the proposed changes and whether there have been disputes between the appointed Independent Evaluator and management;
- (c) in order to preserve the independence of the Independent Evaluator:
  - (i) recommend to the Board the Independent Evaluator to be engaged after considering their expertise, qualifications and independence;
  - (ii) recommend to the Board the compensation of the Independent Evaluator; and
  - (iii) meet with the Independent Evaluator in camera to discuss any issues arising from the evaluation process and their interaction with management;
- (d) review the scope of the annual review of the reserves by the Independent Evaluator considering industry practice and regulatory requirements;
- (e) evaluate the performance of the Independent Evaluator;

- (f) review, with reasonable frequency, the Corporation's procedures for providing information to the Independent Evaluator who reports on reserves data (as defined in NI 51-101 and hereinafter referred to as "**Reserves Data**") for the purposes of NI 51-101;
- (g) before approving the filing of the Reserves Data and the annual filings required by NI 51-101, meet with management and the Independent Evaluator in order to (i) determine whether any restrictions placed by management affect the ability of the Independent Evaluator to report on the Reserves Data without reservation; and (ii) review the Reserves Data and the report of the Independent Evaluator thereon;
- (h) review the annual filings required by NI 51-101 ("**Annual Filings**") and recommend approval of the contents and the filing of the Annual Filings to the Board;
- (i) review all disclosure made by or on behalf of the Corporation, which the Corporation knows or ought reasonably to know, is or will become available to the public and any document filed with a securities regulatory authority to ensure compliance with NI 51-101;
- (j) review with management press releases, as well as the substance of oil and gas reserves information provided to analysts and ratings agencies, which discussions may be general discussions of the type of information to be disclosed or the type of presentation to be made; and
- (k) consider and review with management, outside counsel, as appropriate, and, in the judgment of the Committee, such special counsel and other consultants and advisors as the Committee deems appropriate, any correspondence with regulators or governmental agencies and any published reports that raise material issues regarding the Corporation's oil and gas reserves.

**9. Assessments – Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.**

The Corporation has a formal process in place for assessing the Board, its committees and individual Board members. As part of such process, each Board member is required to complete, on an annual basis, an interview with either the Chairman of the Board or the Corporate Governance and Compensation Committee or a detailed questionnaire related to the performance of the Board, its committees and the members thereof.

**10. Director Term Limits and Other Mechanisms of Board Renewal.**

The Board does not believe that fixed term limits or mandatory retirement ages are in the best interest of the Corporation. Therefore, it has not specifically adopted term limits or other mechanisms for Board renewal.

However, when considering nominees for the Board, the Board reviews the skills and experience of the current directors with the objective of recommending a group of directors that can best perpetuate the Corporation's success and represent shareholder interests through the exercise of sound judgment and the application of its diversity of experience. The Board also considers both the term of service and age of individual directors, the average term of the Board as a whole and turnover of directors over the prior years when proposing nominees for election of the directors of the Corporation. In addition, the Board also assesses the knowledge, experience and character of all nominees to the

Board and other factors such as independence of the directors to ensure that the Board is operating effectively and independently of management. The Board also considers whether the individual will enhance the diversity of views and experiences available to the Board in its deliberations.

**11. Policies Regarding the Representation of Women on the Board.**

The Board has adopted a written discrimination and diversity policy (the "**Diversity Policy**"). The Corporation recognizes and embraces the benefits of having a diverse Board, and sees increasing diversity at the Board level as an essential element in maintaining its competitive advantage. A truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, gender and other qualities of directors. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All appointments to the Board are made on merit, in the context of the skills and experience the Board as a whole requires to be effective. The Corporate Governance and Compensation Committee oversees the conduct of the annual review of Board effectiveness and monitors compliance with the Diversity Policy.

**12. Consideration of the Representation of Women in the Director Identification and Selection Process.**

In reviewing Board composition, the Corporate Governance and Compensation Committee considers the benefits of all aspects of diversity including, but not limited to, those described in item 11 above, in order to maintain an appropriate range and balance of skills, experience and background on the Board. In identifying suitable candidates for appointment to the Board, the Corporate Governance and Compensation Committee considers candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board. As part of the annual performance evaluation of the effectiveness of the Board, committees of the Board and individual directors, the Corporate Governance and Compensation Committee considers the balance of skills, experience, independence and knowledge of the Corporation on the Board and the diversity of the Board.

**13. Consideration Given to the Representation of Women in Executive Officer Appointments.**

The Board encourages the consideration of women who have the necessary skills, knowledge, experience and character when considering new potential candidates for executive officer positions.

**14. Issuer's Targets Regarding the Representation of Women on the Board and in Executive Officer Positions.**

The Corporation has not imposed quotas or targets regarding the representation of women on the Board and in executive officer positions. The Board believes that imposing quotas or targets regarding the representation of women in executive officer positions would compromise the principles of meritocracy and its overall philosophy of equal opportunity and diversity. However, the Board does understand and appreciate the importance of gender equality and diversification and considers this when recruiting for a Board appointment or executive officer position.

**15. Number of Women on the Board and in Executive Officer Positions.**

Presently, there are no women serving on the Board or in executive officer positions.

## APPENDIX "A"

### CANACOL ENERGY LTD. MANDATE OF THE BOARD OF DIRECTORS

The Board of Directors (the "**Board**") of Canacol Energy Ltd. (the "**Corporation**"), is responsible under law to supervise the management of the business and affairs of the Corporation and its subsidiaries (collectively, "**Canacol**"). The Board has the statutory authority and obligation to protect and enhance the assets of Canacol.

The principal mandate of the Board is to oversee the management of the business and affairs of Canacol, and monitor the performance of management.

In keeping with generally accepted corporate governance practices and the recommendations contained in National Policy 58-201 — *Corporate Governance Guidelines* adopted by the Canadian Securities Administrators, and the requirements of any stock exchange on which the Corporation's securities are listed, the Board assumes responsibility for the stewardship of Canacol and, as part of the overall stewardship responsibility, explicitly assumes responsibility for the following:

#### **1. Independence**

In that the Board must develop and voice objective judgment on corporate affairs, independently of the management, practices promoting Board independence will be pursued. This includes constituting the Board with a majority of independent and unrelated directors. Certain tasks suited to independent judgments will be delegated to specialized committees of the Board that are comprised exclusively of outside directors and at least a majority of unrelated directors.

The Board shall establish formal processes for determining the independence of its members as well as dealing with any conflict of interest situations. Directors shall recuse themselves from a particular matter where there may be a perception of conflict or a perception that they may not bring objective judgment to the consideration of the matter.

The independent directors shall hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance.

Except for Directors who are also officers of the Corporation, no Director shall receive from the Corporation 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. Such fees may be paid in cash and/or shares, options or other in-kind consideration ordinarily available to Directors. Directors who are also officers of the Corporation shall not be entitled to receive any Directors' fees or other compensation in respect of their duties as directors.

The Board will evaluate its own performance in a continuing effort to improve. For this purpose, the Board will establish criteria for Board and Board member performance, and pursue a self-evaluation process for evaluating both overall Board performance and contributions of individual directors.

#### **2. Nomination of Directors**

The Board retains the responsibility for managing its own affairs, including planning its composition, selecting its Chairman and/or Lead Director, appointing Board committees and determining directors' compensation. While it is appropriate to confer with the management on the selection of candidates to be nominated as members of the Board, the ultimate selection shall be determined by the existing independent members of the Board.

In connection with the nomination or appointment of individuals as directors, the Board is responsible for:

- (a) Considering what competencies and skills the Board, as a whole, should possess
- (b) Assessing what competencies and skills each existing director possesses
- (c) Considering the appropriate size of the Board, with a view to facilitating effective decision making.

### **3. Election and Resignation of Directors**

In accordance with new policies published by the Toronto Stock Exchange (the "TSX"), the Board has adopted a majority voting policy in director elections that will apply at any meeting of the Corporation's shareholders where an uncontested election of directors is held. Pursuant to this policy, which was effective as of December 31, 2012, if the number of proxy votes withheld for a particular director nominee is greater than the votes for such director, the director nominee will be required to submit his or her resignation to the Chairman of the Board promptly following the applicable shareholders' meeting.

The Corporate Governance and Compensation Committee shall be responsible for implementing and maintaining the majority voting policy for the election of uncontested directors and disclose Canacol's approach to the election and resignation of directors in public disclosure documents.

### **4. Leadership in Corporate Strategy**

The Board ultimately has the responsibility to oversee the development and approval of the mission of Canacol, its goals and objectives, and the strategy by which these objectives will be reached. In guiding the strategic choices of Canacol, the Board must understand the inherent prospects and risks of such strategic choices.

While the leadership for the strategic planning process comes from the management of Canacol, the Board shall bring objectivity and a breadth of judgment to the strategic planning process and will ultimately approve the strategy developed by management as it evolves.

The Board is responsible for monitoring management's success in implementing the strategy and monitoring Canacol's progress to achieving its goals; revising and altering direction in light of changing circumstances.

The Board has the responsibility to ensure congruence between the strategic plan and management's performance.

### **5. Ethical Standards**

The Board shall adopt a Code of Ethics and Business Conduct applicable to Directors, officers and employees of the Corporation and shall establish the appropriate "tone at the top". To the extent feasible, the Board shall satisfy itself as to the integrity of the CEO and other members of senior management and that the CEO and other members of senior management create a culture of integrity throughout the organization. Any waivers from the Code that are granted for the benefit of the Corporation's directors or executive officers should be granted by the Board only.

The Board shall ensure that there are adequate procedures for it to be apprised on a timely basis and in sufficient detail of all concerns raised by employees, officers and directors of the Corporation and external

parties regarding instances of misconduct including illegal or unethical behaviour, fraudulent activities, and violation of company policies, particularly with respect to accounting, internal accounting controls or auditing matters and that such concerns are properly received, reviewed, investigated, documented and brought to an appropriate resolution.

## **6. Management of Risk**

The Board shall understand the principal risks of all aspects of the business in which Canacol is engaged, recognizing that business decisions require the incurrence of risk. The Board is responsible for providing a balance between risks incurred and the potential returns to shareholders of the Corporation. This requires that the Board ensure that systems are in place to effectively monitor and manage risks with a view to the long-term viability of Canacol and its assets, and conduct an annual review of the associated risks.

## **7. Approach to Corporate Governance**

Canacol is committed to effective practices in corporate governance. Canacol consistently assesses and adopts corporate governance measures. The Corporate Governance and Compensation Committee shall be responsible for disclosing Canacol's approach to corporate governance in public disclosure documents.

## **8. Oversight of Management**

As the Board functions, the Board must ensure the execution of plans and operations are of the highest caliber. The key to the effective discharge of this responsibility is the approval of the appointment of the senior officers of the Corporation and the assessment of each senior officer's contribution to the achievement of the Corporation's strategy. In this respect, performance against objectives established by the Board is important, as is a formal process for determining the senior officers' compensation, in part, by using established criteria and objectives for measuring performance.

The Board shall also develop formal Authority Guidelines delineating authority retained by the Board and authority delegated to the CEO and the other members of senior management. The Authority Guidelines shall also clearly state matters which should be presented to the Board and its Committees. These matters shall include significant changes to management structure and appointments; strategic and policy considerations; major marketing initiatives; significant agreements, contracts and negotiations; significant finance related and other general matters.

## **9. Succession Planning**

On a regular basis, the Board shall review a succession plan, developed by management, addressing the policies and principles for selecting a successor to the CEO and other key senior management positions, both in an emergency situation and in the ordinary course of business. The succession plan should include an assessment of the experience, performance, skills, training and planned career paths for possible successors to the CEO currently in the Corporation's senior management.

## **10. Expectations of Board Members**

### **(a) Commitment and Attendance**

All members of the Board should make every effort to attend all meetings of the Board and meetings of committees of which they are members. Although attendance in person is encouraged, members may attend by telephone to mitigate schedule conflicts.



(b) Participation in Meetings

Each member of the Board should be sufficiently familiar with the business of Canacol, including its financial statements and capital structure, and the risks and competition it faces, to facilitate active and effective participation in the deliberations of the Board and of each committee on which he or she serves.

(c) Financial Knowledge

One of the most important roles of the Board is to monitor financial performance. Each member of the Board must know how to read financial statements, and should understand the use of financial ratios and other indices for evaluating financial performance.

(d) Other Directorships

The Corporation values the experiences Board members bring from other boards on which they serve, but recognizes that those boards may also present demands on a member's time and availability, and may also present conflicts of interest or other legal issues. Members of the Board should advise the Chair of the Corporate Governance and Compensation Committee before accepting any new membership on other boards of directors or any other significant commitment involving an affiliation with other related businesses or governmental units.

(e) Contact with Management

All members of the Board are invited to contact the CEO at any time to discuss any aspect of Canacol's business. While respecting organizational relationships and lines of communication, members of the Board have complete access to other members of management. There shall be afforded frequent opportunities for members of the Board to meet with the CEO, CFO and other members of management in Board and committee meetings and in other formal or informal settings.

(f) Confidentiality

The proceedings and deliberations of the Board and its committees are confidential. Each member of the Board shall maintain the confidentiality of information received in connection with his or her services.

## **11. Monitoring of Financial Performance and Other Financial Reporting Matters**

(a) The Board, through the Audit Committee, shall be responsible for approving the Corporation's financial statements, Management's Discussion & Analysis, Annual Information Form and earnings press releases prior to their public disclosure

(b) The Board shall approve the annual budget and periodically shall receive an analysis of actual results versus approved budgets.

(c) The Board is responsible for reviewing and approving material transactions outside the ordinary course of business and those matters which the Board is required to approve under the Corporation's governing statute, including the payment of dividends, issuance, purchase and redemptions of securities, acquisitions and dispositions of material capital assets and material capital expenditures as outlined in the Corporation's General Authority Guidelines.

## **12. Shareholder Communications and Disclosure**

The Board is responsible to ensure that the Corporation has policies in place to ensure effective and timely communication and disclosure to the shareholders of the Corporation, other stakeholders and the public in general. This communication and disclosure policy must effectively and fairly present the operations of Canacol to shareholders and should accommodate feedback from shareholders, which should be considered into future business decisions.

The Board has the responsibility for ensuring that the financial performance of Canacol is reported to shareholders on a timely and regular basis and for ensuring that such financing results are reported fairly, in accordance with generally accepted accounting principles.

The Board has the responsibility for ensuring that procedures are in place to effect the timely reporting of any developments that have a significant and material impact on the value of shareholder assets.

The Board has the responsibility for reporting annually to shareholders on its stewardship for the preceding year.

## **13. Integrity of Corporate Control and Management Information Systems**

To effectively discharge its duties, the Board shall ensure that Canacol has in place effective control and information systems so that it can track those criteria needed to monitor the implementation of the Canacol's strategy.

Similarly, in reviewing and approving financial information, the Board shall ensure that Canacol has an audit system, which can inform the Board of the integrity of the data and compliance of the financial information with generally accepted accounting principles.

The Board's management of the important areas of corporate conduct, such as the commitment of Canacol's assets to different businesses or material acquisitions, shall also be supported by effective control and information systems.

## **14. Legal Requirements**

The Board is responsible for ensuring that routine legal requirements, documents, and records have been properly prepared, approved and maintained by Canacol.

## **15. Environmental and Safety Matters**

The Board shall consider reports and recommendations of management with respect to the Corporation's environmental and safety policies and procedures and any issues relating to environmental and safety matters and management's response thereto.

## **16. Board Delegation to Committees**

The Board may delegate specific responsibilities to committees of the Board in order to effectively manage the affairs of Canacol.

### **17. Authority**

Individual members of the Board may engage outside, legal, accounting or other advisers, at the expense of the Corporation, to obtain advice and assistance in respect of matters relating to their duties, responsibilities and powers as Directors, provided such engagement is first approved by the Chair.

The Board shall have access to such officers and employees of the Corporation and to the Corporation's external auditors, and to such information respecting the Corporation, as it considers being necessary or advisable in order to perform its duties and responsibilities.

### **18. Limitation**

The foregoing is (i) subject to and without limitation of the requirement that in exercising their powers and discharging their duties, the members of the Board act honestly and in good faith with a view to the best interests of the Corporation; and (ii) subject to, and not in expansion of the requirement, that in exercising their powers and discharging their duties the members of the Board exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

## SCHEDULE "B"

### CANACOL ENERGY LTD. SUMMARY OF THE SHAREHOLDER RIGHTS PLAN

The shareholder rights plan (the "**Shareholder Rights Plan**") has the terms set out in the shareholder rights agreement dated as of June 8, 2017 (the "**Rights Agreement**") between Canacol Energy Ltd. (the "**Corporation**") and Computershare Trust Company of Canada, as rights agent (the "**Rights Agent**").

The following summary of terms of the Shareholder Rights Plan is qualified in its entirety by reference to the text of the Rights Agreement, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **Term**

The Shareholder Rights Plan must be ratified at the time that the annual general and special meeting to be held on July 12, 2017 (the "**Meeting**") terminates (the "**Effective Date**") to remain in effect, and will expire at the time and on the date that the annual meeting of shareholders to be held in 2020 terminates, subject to earlier termination or expiration of the Rights (as defined herein) as set out in the Shareholder Rights Plan.

#### **Issuance of Rights**

The Shareholder Rights Plan provides that one right (a "**Right**") will be issued by the Corporation pursuant to the Rights Agreement in respect of each Voting Share (as defined herein) outstanding as of the close of business (Calgary time) (the "**Record Time**") on the Effective Date.

"**Voting Shares**" include the Common Shares and any other shares in the capital of the Corporation entitled to vote generally in the election of all directors of the Corporation which may be issued from time to time. One Right will also be issued for each additional Voting Share issued after the Record Time and prior to the earlier of the Separation Time (as defined below) subject to the earlier termination or expiration of the Rights as set out in the Rights Agreement.

As of the date hereof, the only Voting Shares outstanding are the common shares of the Corporation ("**Common Shares**"). The issuance of the Rights is not dilutive and will not affect reported earnings or cash flow per share until the Rights separate from the underlying Common Shares and become exercisable or until the exercise of the Rights. The issuance of the Rights will not change the manner in which shareholders currently trade their Common Shares.

#### **Certificates and Transferability**

Prior to the Separation Time (as defined herein), the Rights will be evidenced by a legend imprinted on certificates for Common Shares issued from and after the Record Time. Certificates issued for Common Shares while the shareholder rights plan dated November 1, 2013 (the "**Original Plan**") was in place may have a legend referencing the Original Plan, which will be deemed to reference the new Shareholder Rights Plan instead. Notwithstanding the foregoing, certificates representing Common Shares that were issued prior to the Effective Date do not require a legend to evidence the Rights, although Rights are also attached to such Common Shares. Prior to the Separation Time, Rights will trade together with the Common Shares and will not be exercisable or transferable separately from the Common Shares. From and after the Separation Time, the Rights will become exercisable, will be evidenced by Rights Certificates (as defined herein) and will be transferable separately from the Common Shares.

## Separation of Rights

The Rights will become exercisable and begin to trade separately from the associated Common Shares at the "**Separation Time**" which is generally (subject to the ability of the board of directors of the Corporation (the "**Board**") to defer the Separation Time) the close of business on the 10<sup>th</sup> trading day after the earliest to occur of:

- (a) a public announcement that a person or group of affiliated or associated persons or persons acting jointly or in concert has become an "Acquiring Person" meaning that such person or group has acquired Beneficial Ownership (as defined in the Shareholder Rights Plan) of 20% or more of the outstanding Voting Shares other than as a result of (i) a reduction in the number of Voting Shares outstanding; (ii) a Permitted Bid (as defined herein) or Competing Permitted Bid (as defined herein); (iii) acquisitions of Voting Shares in respect of which the Board has waived the application of the Rights Agreement; (iv) other specified exempt acquisitions and pro rata acquisitions in which shareholders participate on a pro rata basis; or (v) an acquisition by a person of Voting Shares upon the exercise, conversion or exchange of a security convertible, exercisable or exchangeable into a Voting Share received by a person in the circumstances described in (ii), (iii) or (iv) above;
- (b) the date of commencement of, or the first public announcement of an intention of any person (other than the Corporation or any of its subsidiaries) to commence a takeover bid (other than a Permitted Bid or a Competing Permitted Bid) where the Voting Shares subject to the bid owned by that person (including affiliates, associates and others acting jointly or in concert therewith) would constitute 20% or more of the outstanding Voting Shares; and
- (c) the date upon which a Permitted Bid or Competing Permitted Bid ceases to qualify as such.

As soon as practicable following the Separation Time, separate certificates evidencing rights ("**Rights Certificates**") will be mailed to the holders of record of the Voting Shares as of the Separation Time and the Rights Certificates alone will evidence the Rights. Unless the context otherwise requires, the term "**Rights Certificate**" shall include any other document or written acknowledgement that is evidence of registered ownership of the applicable securities as may be adopted from time to time by the Corporation, including without limitation a Direct Registration Advice.

## Rights Exercise Privilege

After the Separation Time, each Right entitles the holder thereof to purchase one Common Share at an initial exercise price equal to three times the market price at the Separation Time (provided that a Flip $\square$ in Event (as defined herein) has not occurred). The "**Market Price**" is defined as the average of the daily closing prices per share of such securities on each of the 20 consecutive trading days through and including the trading day immediately preceding the Separation Time. Following a transaction which results in a person becoming an Acquiring Person (a "**Flip $\square$ in Event**"), the Rights entitle the holder thereof to receive, upon exercise, such number of Common Shares which have an aggregate market value (as of the date of the Flip $\square$ in Event) equal to twice the then exercise price of the Rights. In such event, however, any Rights beneficially owned by an Acquiring Person (including affiliates, associates and other acting jointly or in concert therewith), or a transferee of any such person, will be null and void. A Flip $\square$ in Event does not include acquisitions approved by the Board or acquisitions pursuant to a Permitted Bid or Competing Permitted Bid.

### **Permitted Bid Requirements**

A bidder can make a takeover bid and acquire Voting Shares without triggering a Flip $\square$ in Event under the Shareholder Rights Plan if the takeover bid qualifies as a Permitted Bid. The requirements of a "**Permitted Bid**" include the following:

- (a) the takeover bid must be made by means of a takeover bid circular;
- (b) the takeover bid is made to all holders of Voting Shares, other than the offeror;
- (c) no Voting Shares are taken up or paid for pursuant to the takeover bid unless more than 50% of the Voting Shares held by Independent Shareholders (as defined in the Shareholder Rights Plan): (i) have been deposited or tendered pursuant to the takeover bid and not withdrawn; and (ii) have previously been or are taken up at the same time;
- (d) no Voting Shares are taken up or paid for pursuant to the takeover bid prior to the close of business on the date that is no earlier than the earlier of: (i) 105 days following the date of the takeover bid; and (ii) the last day of the initial deposit period that the offeror must allow securities to be deposited under the takeover bid pursuant to National Instrument 62 $\square$ 104 –*Take $\square$ Over Bids and Issuer Bids*;
- (e) Voting Shares may be deposited pursuant to such takeover bid at any time during the period of time between the date of the takeover bid and the date on which Voting Shares may be taken up and paid for and any Voting Shares deposited pursuant to the takeover bid may be withdrawn until taken up and paid for; and
- (f) if on the date on which Voting Shares may be taken up and paid for under the takeover bid, more than 50% of the Voting Shares held by Independent Shareholders have been deposited or tendered pursuant to the takeover bid and not withdrawn, the offeror makes a public announcement of that fact and the takeover bid is extended to remain open for deposits and tenders of Voting Shares for not less than 10 Business Days from the date of such public announcement.

The Shareholder Rights Plan also allows for a competing Permitted Bid (a "**Competing Permitted Bid**") to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all of the requirements of a Permitted Bid except that it must remain open for acceptance until the last day on which the takeover bid must be open for acceptance after the date of that takeover bid under applicable Canadian provincial securities legislation.

### **Permitted Lock-Up Agreements**

A person will not become an Acquiring Person by virtue of having entered into an agreement (a "**Permitted Lock $\square$ Up Agreement**") with a shareholder whereby the shareholder agrees to deposit or tender Voting Shares to a takeover bid (the "**Lock $\square$ Up Bid**") made by such person, provided that the agreement meets certain requirements including:

- (a) the terms of the agreement are publicly disclosed and a copy of the agreement is publicly available not later than the date of the Lock $\square$ Up Bid or, if the Lock $\square$ Up Bid has not been made prior to the date on which such agreement is entered into, not later than the first business day following the date of such agreement;

- (b) the shareholder who has agreed to tender voting shares to the Lock-Up Bid made by the other party to the agreement is permitted to terminate its obligation under the agreement, and to terminate any obligation with respect to the voting of such Voting Shares, in order to tender Voting Shares to another takeover bid or transaction where: (i) the offer price or value of the consideration payable under the other takeover bid or transaction is greater than the price or value of the consideration per share at which the shareholder has agreed to deposit or tender voting shares to the Lock-Up Bid, or is equal to or greater than a specified minimum which is not more than 7% higher than the price or value of the consideration per share at which the shareholder has agreed to deposit or tender voting shares under the Lock-Up Bid; and (ii) if the number of Voting Shares offered to be purchased under the Lock-Up Bid is less than all of the Voting Shares held by shareholders (excluding shares held by the offeror), the number of Voting Shares offered to be purchased under the other takeover bid or transaction (at an offer price not lower than in the Lock-Up Bid) is greater than the number of Voting Shares offered to be purchased under the Lock-Up Bid or is equal to or greater than a specified number which is not more than 7% higher than the number of voting shares offered to be purchased under the Lock-Up Bid; and
- (c) no break-up fees, top-up fees, or other penalties that exceed in the aggregate the greater of 2.5% of the price or value of the consideration payable under the Lock-Up Bid and 50% of the increase in consideration resulting from another takeover bid or transaction shall be payable by the shareholder if the shareholder fails to deposit or tender voting shares to the Lock-Up Bid.

### **Waiver and Redemption**

If a potential offeror does not desire to make a Permitted Bid, it can negotiate with, and obtain the prior approval of, the Board to make a takeover bid by way of a takeover bid circular sent to all holders of Voting Shares on terms which the Board considers fair to all shareholders. In such circumstances, the Board may waive the application of the Shareholder Rights Plan thereby allowing such bid to proceed without dilution to the offeror. Any waiver of the application of the Shareholder Rights Plan in respect of a particular takeover bid shall also constitute a waiver of any other takeover bid which is made by means of a takeover bid circular to all holders of voting shares while the initial takeover bid is outstanding. The Board may also waive the application of the Shareholder Rights Plan in respect of a particular Flip-in Event that has occurred through inadvertence, provided that the Acquiring Person that inadvertently triggered such Flip-in Event reduces its beneficial holdings to less than 20% of the outstanding Voting Shares within 14 days or such earlier or later date as may be specified by the Board. With the prior consent of the holders of Voting Shares, the Board may, prior to the occurrence of a Flip-in Event that would occur by reason of an acquisition of Voting Shares otherwise than pursuant to the foregoing, waive the application of the Shareholder Rights Plan to such Flip-in Event.

The Board may, with the prior consent of the holders of Voting Shares, at any time prior to the occurrence of a Flip-in Event, elect to redeem all but not less than all of the then outstanding Rights at a redemption price of \$0.00001 per Right. Rights are deemed to be redeemed following completion of a Permitted Bid, a Competing Permitted Bid or a takeover bid in respect of which the Board has waived the application of the Shareholder Rights Plan.

### **Protection Against Dilution**

The exercise price, the number and nature of securities which may be purchased upon the exercise of Rights and the number of Rights outstanding are subject to adjustment from time to time to prevent dilution in the event of stock dividends, subdivisions, consolidations, reclassifications or other changes in the outstanding Common Shares, pro rata distributions to holders of Common Shares and other circumstances where adjustments are requirement to appropriately protect the interests of the holders of Rights.

### **Exemptions for Investment Advisors**

Investment advisors (for client accounts), trust companies (acting in their capacity as trustees or administrators), statutory bodies whose business includes the management of funds (for employee benefit plans, pension plans, or insurance plans of various public bodies) and administrators or trustees of registered pension plans or funds acquiring greater than 20% of the Voting Shares are exempted from triggering a Flip<sup>in</sup> Event, provided they are not making, either alone or jointly or in concert with any other person, a takeover bid.

### **Duties of the Board**

The adoption of the Shareholder Rights Plan will not in any way lessen or affect the duty of the Board to act honestly and in good faith with a view to the best interests of the Corporation. The Board, when a takeover bid or similar offer is made, will continue to have the duty and power to take such actions and make such recommendations to Shareholders as are considered appropriate.

### **Amendment**

The Corporation may, ~~prior to the date of the Meeting, without the approval of the holders of Rights or Common Shares, supplement, amend, vary or delete any of the provisions of the Rights Agreement and may, after the date of the Meeting (provided the Rights Agreement is approved by shareholders at such meeting)~~ with the prior approval of shareholders (or the holders of Rights if the Separation Time has occurred), supplement, amend, vary or delete any of the provisions of the Rights Agreement. The Corporation may make amendments to the Rights Agreement at any time to correct any clerical or typographical error or, subject to confirmation at the next meeting of shareholders, make amendments which are required to maintain the validity of the Rights Agreement due to changes in any applicable legislation, regulations or rules.



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