

Canacol Energy Ltd.
(Formerly BrazAlta Resources Corp.)

Management Discussion and Analysis

Three and Nine Months Ended March 31, 2009

June 1, 2009

CAUTIONARY NOTE

This Management's Discussion and Analysis ("MD&A") for Canacol Energy Ltd. ("Canacol" or the "Corporation") (formerly BrazAlta Resources Corp. ("BrazAlta")) of the financial results and related data is reported in Canadian dollars, has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"), and should be read in conjunction with interim financial statements for the three and nine months ended March 31, 2009 as well as the audited consolidated financial statements for the year ended June 30, 2008 and the respective notes thereto. Additional information relating to the Corporation is on SEDAR at www.sedar.com.

Information provided herein in respect of barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Certain information set forth in this document contains forward-looking statements. All statements other than historical fact contained herein are forward-looking statements, including, without limitation, statements regarding the future financial position, business strategy, production rates, and plans and objectives of or involving the Corporation. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Corporation's control, including the impact of general economic conditions, industry conditions, governmental regulation, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. In particular to forward-looking comments in this MD&A readers are cautioned that there can be no assurance that: the Corporation will be able to attain sufficient capital and financing to fund its current and expected obligations; that the Corporation will be able to increase production in Brazil, Colombia, or Guyana and achieve expected variable cost efficiencies and an overall reduction of costs on a per barrel basis; that hydrocarbon based royalties assessed by the Brazilian and Colombian governments will remain consistent or that the Brazilian royalties will continue to be applied on a sliding scale basis downward as production increases on any one block. The Corporation's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits the Corporation will derive there from.

In addition to historical information, the MD&A contains forward-looking statements that are generally identifiable as any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events of performance (often, but not always, through the use of words or phrases such as "will likely result," "expected," "is anticipated," "believes," "estimated," "intends," "plans," "projection" and "outlook"). These statements are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in such forward-looking statements. Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. Such factors include, but are not limited to: general economic, market and business conditions; fluctuations in oil and gas prices; the results of exploration and development drilling and related activities; fluctuation in foreign currency exchange rates; the uncertainty of reserve estimates; changes in environmental and other regulations; risks associated with oil and gas operations, timing of completion of the Monterrey facility and expected trucking cost savings and other factors, many of which are beyond the control of the Company. Accordingly, there is no representation by Canacol that actual results achieved during the forecast period will be the same in whole or in part as those forecasted. Except to the extent required by law, Canacol assumes no obligation to publicly update or revise any forward-looking statements made in this MD&A or otherwise, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements, whether written or oral, attributable to Canacol or persons acting on the Company's behalf, are qualified in their entirety by these cautionary statements.

Readers are further cautioned not to place undue reliance on any forward-looking information or statements.

Unless otherwise stated, all dollar amounts presented in this MD&A are in thousands of Canadian dollars (unaudited). All references to C\$ or \$ are to Canadian dollars, references to US\$ are United States (U.S.) dollars, references to BRL\$ are to Brazilian Real, and references to COP\$ are to Colombian Pesos.

As At and For the Three and Nine Months Ended	Three Months Ended March 31,		Nine Months Ended March 31,						
	2009	2008	2009	2008					
FINANCIAL RESULTS									
<i>(\$000s), except share data</i>									
Petroleum and natural gas sales, net									
Colombia ⁽²⁾	1,200	-	2,071	-					
Brazil	767	1,487	2,942	3,285					
Canada	-	8	70	106					
	1,967	1,495	5,083	3,391					
Tariff revenue	1,069	-	2,039	-					
Interest and other	123	101	490	232					
Total revenue, recurring operations	3,159	1,596	7,612	3,623					
Cash from (used in) recurring operating activities	(2,446)	27	1,736	(1,665)					
Per share - basic and diluted	(0.02)	0.00	0.02	(0.00)					
Net loss from continuing operations	(5,050)	(2,620)	(16,542)	(6,173)					
Per share - basic and diluted	(0.04)	(0.03)	(0.16)	(0.07)					
Capital expenditures									
Colombia ⁽²⁾	1,597	-	4,411	-					
Brazil	40	1,370	1,804	7,227					
Canada	15	(15)	(513)	276					
	1,652	1,355	5,702	7,503					
Total assets	87,958	49,861	87,958	49,861					
Total long-term liabilities	13,828	2,986	13,828	2,986					
Weighted average shares outstanding									
Basic and diluted (000s)	117,041	90,031	103,562	83,580					
OPERATING RESULTS									
	Three Months Ended March 31,			Nine Months Ended March 31,					
	2009	2008	2009	2008	2009	2008			
Production	Colombia ⁽²⁾	Brazil	Canada ⁽³⁾	Brazil	Canada	Brazil	Canada ⁽³⁾	Brazil	Canada
Crude oil and NGLs (bbl/d)	318	133	-	201	-	134	1	159	1
Natural gas (mcf/d)	-	-	-	-	19	-	48	-	66
Total (boe per day)	318	133	-	201	3	134	9	159	12
Total tariff production (bbl/d)	1,157	-	-	-	-	-	-	-	-
Average sale prices									
Crude oil (\$/bbl)	47.87	71.79	-	96.86	-	90.98	-	88.92	-
Natural gas (\$/mcf)	-	-	-	-	11.23	-	-	-	9.86
Oil equivalent (\$/boe)	-	71.79	-	96.86	67.38	90.98	46.82	88.92	54.23
Operating netback (\$/boe)									
Commodity sales revenue	47.87	71.79	-	96.86	67.38	90.98	46.82	88.92	54.23
Tariff revenue	10.27	-	-	-	-	-	-	-	-
Non-refundable sales taxes	-	(1.78)	-	(7.81)	-	(3.59)	-	(7.40)	-
Realized gain (loss) on financial derivative	-	44.90	-	(7.90)	-	57.29	-	(6.17)	-
Royalties	(3.83)	(6.05)	-	(7.59)	(39.84)	(7.54)	(5.17)	(6.60)	(15.21)
Transportation & processing ⁽⁴⁾	(4.75)	(23.59)	-	(12.46)	-	(21.63)	-	(12.54)	-
Well workover & repair	(0.03)	(2.38)	-	(7.85)	-	(2.12)	-	(8.60)	-
MEP work unit provision	-	(4.61)	-	(32.40)	-	(4.56)	-	(13.49)	-
Operating expenses ⁽³⁾	(10.11)	(37.41)	-	(20.76)	(61.41)	(36.79)	(11.48)	(26.55)	(23.67)
Netback ⁽¹⁾	39.42	40.87	-	0.09	(33.87)	72.04	30.17	7.57	15.35

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

⁽²⁾ Colombian operations commenced in October 30, 2008

⁽³⁾ Colombian operating expenses relate to both tariff and non-tariff oil production volumes

⁽⁴⁾ Colombian transportation and processing charges relate to non-tariff production

⁽⁵⁾ The majority of the Canadian producing properties were sold January 1, 2009.

HIGHLIGHTS FROM Q3-F2009

- On January 2, 2009, Canacol announced that it completed the sale of its remaining interest in BCH Ltd. to Allis-Chalmers Energy Inc. Total debt in BCH Ltd. as of the date of the sale was approximately US\$63,500 including a US\$23,500 term debt facility with Standard Bank (the “lender”) convertible debenture. In addition, Allis-Chalmers paid a cash consideration of US\$5,000 to Canacol. Cash proceeds from the sale of US\$5,000 were applied to the outstanding US\$6,600 mezzanine loan facility with the lender associated with the purchase of the Rancho Hermoso exploration and producing assets in Colombia thus reducing the outstanding remaining balance to US\$1,600 at December 31, 2008. As at March 31, 2009, the Corporation repaid US\$267 on its Rancho Hermoso mezzanine debt facility to reduce the outstanding balance to US\$1,333. Following the end of the quarter, the Corporation repaid the outstanding balance on the mezzanine facility in full.
- Following shareholder approval at the annual general meeting on February 6, 2009, BrazAlta Resources Corp. changed its name to Canacol Energy Ltd. (“Canacol”) effective February 12, 2009. Canacol continues to trade on the TSX Venture Exchange and has changed its trading symbol from (TSX-V: BRX) to (TSX-V: CNE).
- At the annual general meeting on February 6, 2009, Canacol announced the appointment of a new board of directors. The board of directors now consists of the following members: Dr. Charle Gamba, Mr. Michael Hibberd, Mr. Jason Bednar, Mr. Stuart Hensman, Mr. Alvaro Barrera, Dr. Luis Baena, and Dr. David Winter. Additional information regarding the backgrounds of these individuals may be found in the January 8, 2009 press release filed on Sedar at www.sedar.com.
- On March 6, 2009, the Corporation announced that Mr. Brian Hearst joined the Corporation as Chief Financial Officer. Additional information regarding his background may be found in the March 6, 2009 press release on Sedar at www.sedar.com. In addition, the Corporation also announced that, subject to regulatory approval, it intends to grant a total of 760,000 in stock options to a selected officer and employees and consultants of the Corporation. The options will have an exercise price of \$0.10, with a five year term to expiry.
- On January 8, 2009, the Corporation also announced, subject to regulatory approval, a grant of 3,370,000 stock options to selected directors and officers of the Corporation. In addition, a total of 2,180,000 options were granted to selected employees and consultants of the Corporation for a total grant of 5,550,000. The options have an exercise price of \$0.10, with a five year term to expiry.
- For the quarter ended March 31, 2009, Colombian oil production averaged 318 boe/d net of government royalty, down 17 boe/d from 335 boe/d during Q2 2009. In addition, the Corporation had tariff oil production for the period of 1,157 bbl/day relating to its Colombian operations, down 197 boe/d from 1,354 boe/d during Q2 2009. Additional details regarding the Corporation’s tariff oil production are outlined in company overview and background section. Colombian production commenced during Q2 2009 and averaged 325 boe/d (non-tariff) and 1,236 boe/d (tariff) over the two quarters.
- Brazilian net production in Q3-F2009 averaged 133 boe/d, an increase of 5 boe/d from 128 boe/d during Q2-F2009. Production during the nine months ended March 31, 2009 was 134 boe/d as compared to boe/d during nine months ended March 31, 2008. The year-over-year decrease from average daily production in the three and nine months ended March 31, 2009 is a result general declines in production volumes.
- There was no Canadian production during the quarter due to the sale of the Canadian producing properties effective January 1, 2009. Q2 production from these properties averaged 11 boe/d. Production for the nine months ended March 31, 2009 averaged 9 boe/d. During Q2-F2008 production averaged 15 boe/d and production for the nine months ended March 31, 2008 totalled 18 boe/d.

SUBSEQUENT EVENTS DURING Q3-F2009

- On April 14, 2009, Canacol provided the results of its mid-year reserves update for Rancho Hermoso SA, effective December 31, 2008. The Corporation operates two producing oil fields, Rancho Hermoso and Entrerrios, located in the Llanos Basin, Colombia. Each field has two contracts governing the production. The Corporation's share of gross production is 1,650 boe/d, comprised of 1,300 boe/d of tariff production, and 350 boe/d of net after royalty production. The majority of the net after royalty oil production is currently hedged at a floor of US\$55 and a ceiling of US\$83 per barrel until late 2011 under a contact with the lender.
- On April 6, 2009, Canacol provided an update of its exploration and appraisal drilling program to date on its Ombu E&P contract in Colombia. As of April 6, 2009, 5 wells have been drilled and 1 further well is being drilled and completed. The accumulation has a mapped area of approximately 89 square kilometers (22,000 acres). Following the environmental permitting of the northern half of the structure, the operator plans further delineation drilling.

The 5 wells tested to date have flowed heavy oil in the range of 9 to 11° API gravity at individual well rates of up to 345 boe/d under cold flow conditions. Extended production testing of the Capella 1, 2, and 3 wells in February yielded stable production rates of 400 boe/d, with the water cut for the field steadily reducing to a level of approximately 6%. The operator plans to complete extended production testing of all the wells as part of the appraisal of the southern part of the Capella structure. The field production rate is currently constrained by oil trucking and sales capacity, with the crude being sold to local markets. The operator is also planning to commence a cyclic steam injection pilot in one of the vertical wells this year in order to investigate the effects of thermal methods on increasing rate and recovery efficiency.

- On May 14, 2009, Canacol announced that it has completed the first closing of its \$6,000 private placement financing. Canacol, through Canaccord Capital Corporation, issued a total of 34,820,000 units at a price of \$0.125 per Unit for gross proceeds of \$4,352 in this initial closing. Each Unit issued pursuant to the private placement, consisted of one common share of the Corporation and one-half of one common share purchase warrant, with each whole Warrant entitling the holder to acquire one Common Share at a price of \$0.20 until May 14, 2011. The securities issued pursuant to the private placement are subject to a four-month hold period. A second closing is scheduled to occur on or about May 28, 2009 with respect to the remaining \$1,647 in subscriptions. These funds, together with the US\$9,000 to be advanced by Gemini Oil and Gas Advisors, will be used to execute the Corporation's development drilling and workover activities in Colombia, which will boost oil production and cash flow in 2009. A portion of the funds will also be used to advance exploration projects in Guyana and Brazil for 2010 seismic acquisition and drilling. Following the completion of the private placement, Canacol has 165,560,489 Common Shares issued and outstanding.

- On April 17, 2009, Canacol announced that it had executed a series of agreements with Gemini Oil and Gas Fund II, L.P., the Jersey, Channel Island based oil and gas investment fund, whereby Gemini will, subject to certain preconditions, invest up to US\$ 9,000 to be used to fund a portion of the Corporation's development and appraisal programs on its producing assets in Colombia in 2009. The Corporation also announced that the default on the senior credit agreement in Brazil with the lender had been remedied, resulting in the elimination of the Corporation's debt facility in Brazil.

Under the terms the agreements, Gemini will invest:

- Up to US\$3,000 towards the drilling of a development well and the workover of 2 existing wells in Entrerrios Field;
- Up to US\$3,000 towards the drilling of 2 development wells and the workover of one existing well in Rancho Hermoso Field; and
- Up to US\$3,000 towards the drilling of additional delineation wells in the Capella Field, its new heavy oil discovery on Ombu E&P contract.

In return Gemini will be entitled to receive payment equivalent to a percentage of Canacol's gross revenue from production. Gemini has indicated that at its discretion the total investment may be increased up to maximum of US\$12,000.

Management anticipates that this activity will add an initial 3,150 gross boe/d (1,050 net boe/d) of net after royalty production and an initial 4,000 gross boe/d of new tariff production. These anticipated volumes may increase the Corporation's share of production from the current 1,650 boe/d to 6,700 boe/d, which would consist of 1,400 boe/d net after royalty production and 5,300 boe/d of tariff production. Total net cost of the activity is anticipated to be US\$11,500. The remaining up to US\$3,000 will be utilized towards drilling additional delineation wells in the Capella Field in Colombia.

In addition, Brazalta Norte Comercializacao de Petroleo Ltda. ("Brazalta Brazil"), a wholly owned subsidiary of the Corporation, and W.Washington Petroleo S.A. ("W.Washington") the borrower under the credit facility dated June 29, 2007 to which the Corporation is a guarantor, have reached an agreement for the repayment of the Brazil Facility in full. As a result the corporation and W.Washington have satisfied the default and paid the amount owing of US\$7,100 in full. Following this transaction, the Corporation's lending relationship with the lender is in good standing and the Corporation no longer cross guarantees the debt of W.Washington on the Brazil Facility. Pursuant to the joint venture Brazalta Brazil was obligated to pay approximately US\$3,300, i.e., 47.5% of the outstanding US\$7,100 and W.Washington was liable for repayment for the remaining 52.5%. These amounts have been now been paid in full.

In connection with the repayment of the Brazilian Facility, the Corporation increased its debt on its senior loan facility with the lender in Colombia by \$3,500. As part of this process the Colombia mezzanine facility was repaid in full from its original amount of US\$11,600 in August 2008. The increase in the senior facility was accomplished as a result of increased proven reserves in Colombia.

- On May 15, 2009, Canacol announced that it has entered into a conditional share purchase agreement to acquire from Groundstar Resources Limited ("Groundstar" or the "Vendor") all of the shares of a Guyana company which holds the 7,800 square kilometre Petroleum Prospecting Licence ("PPL") in the Takutu Basin, onshore Guyana (the "Transaction"). In connection with the closing of the Transaction, the Vendor would be granted a 10% carried interest which will be carried by the Corporation to first commercial production on the PPL, and be repaid commencing with first production. The closing of the Transaction remains conditional on the consent and approval of the Guyanese Government to: (a) an extension of the PPL to July 2012 in exchange for additional work commitments acceptable to Canacol; (b) the transfer of the shares of the Guyana company holding the PPL to Canacol; and (c) such other parts of the Transaction which require government consent. In addition, the Transaction remains subject to the consent of the TSX Venture Exchange and ordinary closing conditions.

The consideration to be paid at closing, which is expected to occur in June 2009, is US\$3,450. The Corporation intends to seek a partner and is currently in advanced negotiations with an international oil and gas company for a potential reduction of the Corporation interest immediately following the closing of the Transaction.

COMPANY OVERVIEW AND BACKGROUND

Canacol Energy Ltd. ("Canacol" or the "Corporation") formerly BrazAlta Resources Corp. ("BrazAlta") (TSX-Venture: CNE) is a Canadian-based independent oil exploration company operating primarily in Brazil, Colombia, and Guyana. The Corporation also maintains non-core exploration programs in Canada and Northern Ireland. Up to December 31, 2008, Canacol had a subsidiary, BCH Ltd. ("BCH"), which had established itself as a leading onshore provider of both drilling and service rigs in Brazil on several long-term contracts with Petrobras, Brazil's state-owned petroleum company, to provide rigs and services. Effective December 31, 2008, Canacol's remaining interest in BCH Ltd. was sold to Allis-Chalmers Energy Inc.

Colombia E&P

Rancho Hermoso

In Colombia, the Corporation operates 2 producing oil fields located in the Llanos Basin under risked service contracts for Ecopetrol S.A. ("Ecopetrol"). Ecopetrol is a Mixed Economy Company, with a commercial orientation, organized as an "Anonymous Society" (equivalent to a Corporation), under the Ministry of Mines and governed by the Social Statutes. Ecopetrol carries out hydrocarbon exploration, production, and transportation activities in Colombia both directly and through participation agreements with other companies operating in Colombia. The two fields operated by Canacol are the Rancho Hermoso Field (100% working interest) and the Entrerrios Field (60% working interest). Gross production from the 2 fields is approximately 2,800 *boe/d*. The Corporation's share of production is 1,700 *boe/d*, comprised of 350 *boe/d* net of government royalty, and 1,350 *boe/d* of tariff production. The majority of the net oil production is currently hedged at a floor of US\$55.00 and a ceiling of US\$80.25 per barrel until late 2011. For the tariff oil production, the Corporation receives an operating tariff per gross produced barrel of oil from Ecopetrol. The average tariff price for 2009 is approximately US\$9.63 per gross barrel, and is insensitive to West Texas Intermediate oil price fluctuation. Under an existing agreement with Ecopetrol the tariff will increase through a series of steps each year to approximately US\$17.36 per gross barrel in 2012 for the duration of life of field. The average tariff price for 2010 will be approximately US\$12.04 per barrel.

The Corporation plans to drill three development wells and work over three existing oil producers in the Entrerrios and Rancho Hermoso fields commencing in June 2009.

Ombu E&P Contract - Capella Oil Discovery Appraisal

The Corporation, under a farm out agreement entered into in July 2008, earned a 10% working interest, subject to approval by the ANH, in the recently announced Capella conventional heavy oil discovery operated by Emerald Energy Plc on the Ombu E&P contract, where the operator plans to continue its appraisal drilling project in 2009.

The field is a large seismically defined structure at the Mirador reservoir interval. The southern part of the field, approximately 89 square kilometres in area, is currently being appraised. Six wells have been drilled to date. The Capella 1 and 2 wells tested 240 and 345 gross *boe/d* from the Mirador Formation. The Capella 3 well, the first deviated well to be drilled in the block, has a surface location adjacent to the Capella 1 vertical well and penetrates the reservoir approximately 340 metres away. The Capella 4 vertical well was drilled approximately 1.6 kilometres to the southwest of the Capella 1 location. The Capella 3 and Capella 4 wells both encountered the target Cretaceous Mirador reservoirs with net hydrocarbon pay intervals similar to those encountered in Capella 1 and 2. The rig has now completed drilling the Capella 5 vertical well, located some 3.4 kilometres to the northeast of Capella 1. Testing of this well is currently underway. The Capella 6 is a vertical well, located 4.2 kilometres to the southwest of Capella 1, that is currently being drilled and completed. The operator plans to drill 1 additional appraisal well, Capella 7, which is planned to be a horizontal well. All 7 wells will be put on early production, with production shipped to sales points within Colombia.

La Sierra E&P Contract

The Corporation also operates the La Sierra E&P contract (51% working interest) located in the Middle Magdalena Basin, awarded by the ANH in 2007. The contract contains the La Sierra 1 oil discovery, which was drilled in 1992 and recovered 23 barrels of 17 API oil from 10 feet of net pay in the Tertiary Honda Formation at 1,400 feet measured depth. The Corporation acquired 33 km of 2D seismic on the contract in Q3, 2008. The Corporation is currently acquiring 46 square kilometres of 3D seismic, at a net cost of US\$1,100. The seismic will allow for the Corporation to target the reservoir with a great deal more precision with an exploration well in 2010, and also allows the Corporation to eliminate drilling related expenses of US\$1,900 net in 2009. The exploration well will target the Tertiary Honda reservoir in close proximity to the existing La Sierra 1 well, which tested oil from this formation. The well may be production tested with a progressive cavity pump to improve deliverability from the reservoir, with possible follow up using cyclic steam injection to increase recovery.

Brazil E&P

Effective January 5, 2006, Canacol entered into a Consortium and Joint Operating Agreement with W. Washington Empreendimentos E. Participações Ltda, who subsequently has changed its name to W. Washington Petróleo S.A. ("W. Washington") for the creation and operation of a Brazilian domiciled joint venture entity ("Brazil Joint Venture") to hold, explore, develop, and produce hydrocarbons in Brazil. Canacol holds a 47.5% interest and W. Washington holds a 52.5% interest in the Brazil Joint Venture and W. Washington acts as the operator in Brazil.

Canacol's E&P operations are primarily engaged in the exploration, development, and production of oil and gas in the Recôncavo, Sergipe, Espírito Santo, and Tucano basins of Brazil. Canacol has a platform of basic infrastructure to position the Corporation for growth. To date, the bulk of activity has been undertaken jointly by Canacol and W. Washington in the Recôncavo and Sergipe basins and has been higher risk and exploratory in nature with minimal success achieved, which has resulted in no appreciable increase in oil production or significant addition of reserves.

Canacol holds a 47.5% working interest and W. Washington holds a 52.5% interest in the four main production concessions in Recôncavo, from which over 90% of Canacol's current Brazilian production originates. The concession contracts were originally awarded to W. Washington by the Agência Nacional do Petróleo, Gás Natural e Biocombustível ("ANP"), Brazil's national regulator, and Canacol subsequently registered its 47.5% interest on these contracts directly with the ANP. Rights to produce hydrocarbons on these four producing blocks run until 2025. As operator W. Washington sells all of the produced oil to Petrobras in Recôncavo at prices based on North Sea Brent less costs for transportation and processing.

Guyana E&P

In May 2008, the Corporation negotiated a farm-in to a 7,800 sq km exploration contract located in the Takutu Basin, onshore Guyana adjacent to the border with Brazil, awarded to Groundstar Resources Ltd. ("Groundstar") in July 2005 for a four year period. The operator was successful recently in extending the term of the contract to July 2012 with a commitment to drill 2 wells by July 2010. The block contains the Karanambo discovery made by Home Oil in 1982. The Karanambo 1 well tested 411 boe/d (42-degree API) from a sub-salt reservoir during a five-hour drill stem test proving the existence of a light oil hydrocarbon system within this frontier basin. Based on a report prepared by Gaffney, Cline & Associates dated July 2008 the mean contingent resources associated with the Karanambo discovery are 100 million barrels gross (55 million barrels net). The block also contains 2 exploration prospects, Pirara and Rewa High, with mean prospective resources of 71 million barrels (39 million barrels net) and 153 million barrels gross (84 million barrels net) respectively. Civil works and location construction are currently underway in preparation of drilling the Karanambo offset well and one additional exploration well in 2010. Under the terms of the farm-in agreement, Canacol will fund the first US\$12,000 of costs in order to earn a 55% working interest in the contract. The Corporation recently announced that it has entered into a Share Purchase Agreement to acquire 35% of Groundstar's 45% remaining working interest in the concession for a consideration of US\$3.45 mm. Under the terms of the agreement, the Corporation will carry Groundstar's 10% remaining working interest until first commercial oil production.

Canada and Ireland E&P

Operations in Canada are considered to be non-core. Canadian properties at December 31, 2008 were non-operated and at December 31, 2008 include: five natural gas wells (1.70 net) located in Sylvan Lake, Alberta, and royalty income from six wells in the Lochend area of Alberta. Following the completion of the quarter, the Corporation completed a sale of the majority of its Canadian petroleum properties for proceeds of \$122. Following the sale, the Corporation continues to hold interests in some non-producing properties and is seeking to dispose of its interest in these remaining properties during 2009. However, the Corporation does not expect to receive any significant proceeds. Exploration in Ireland is considered to be non-core and high risk and includes oil and natural gas exploration and the potential for development of salt cavern gas storage. The Corporation is currently reviewing and will likely discontinue future activity in Ireland.

FINANCIAL HIGHLIGHTS AND SUMMARY OF RESULTS - RECURRING OPERATIONS

Unless otherwise stated, amounts presented in this MD&A are in thousands of Canadian dollars (unaudited). All discussions under the financial highlights section relate to the recurring operations of the Corporation and exclude the operations of BCH Ltd. Recurring operations of the Corporation relate to the oil and gas exploration and production operations of the Corporation. Detailed discussion on the discontinued operations of BCH for the nine month period ended March 31, 2009 is discussed as part of Discontinued Operations section. The Colombian and Guyana operations of the acquired Canacol Energy Inc. are for the period of October 31, 2008 through March 31, 2009.

Quarterly Information - Recurring Operations (\$000s, except production data)	2009		2008				2007	
	Q3	Q2 ⁽¹⁾	Q1	Q4	Q3	Q2	Q1	Q4 ⁽²⁾
Petroleum and natural gas sales								
Colombia ⁽¹⁾	1,200	871	-	-	-	-	-	-
Brazil	767	862	1,313	1,515	1,487	993	806	728
Canada ⁽³⁾	-	33	37	33	8	42	56	122
Total production revenue	1,967	1,766	1,350	1,548	1,495	1,035	862	850
Tariff revenue	1,069	970	-	-	-	-	-	-
Total operating revenue	3,036	2,736	1,350	1,548	1,495	1,035	862	850
Total production (boe)	40,635	32,216	13,637	15,146	18,543	14,932	14,128	14,001
Total tariff production (bbl)	104,101	82,600	-	-	-	-	-	-
Cash used in (from) operating activities	(2,446)	5,673	(1,491)	(3,813)	27	(546)	(1,146)	(52)
Per share ⁽¹⁾	(0.02)	0.01	(0.02)	(0.04)	0.00	(0.00)	(0.01)	(0.01)
Net (loss) gain	(5,050)	(8,847)	(2,645)	3,176	(2,620)	(2,163)	(1,390)	2,077
Per share ⁽¹⁾	(0.04)	(0.08)	(0.03)	0.04	(0.03)	0.03	(0.02)	0.31
Total assets	87,958	89,106	48,299	42,703	49,861	27,530	45,000	22,768
Total long term liabilities	13,828	47,640	48,456	21,892	16,165	10,238	21,600	37,301

⁽¹⁾ Colombian operations commenced October 30, 2008

⁽²⁾ Certain of the prior year figures have been reclassified to conform with the current year's presentation. Transportation and processing charges were historically presented

⁽³⁾ The majority of the Canadian producing properties were sold January 1, 2009.

Petroleum and Natural Gas Sales (Net of Royalties)

Total operating revenue from continuing operations for the three months ended March 31st totalled \$3,159 (2008 - \$1,596) while total operating revenue from continuing operations for nine months ended March 31, 2009 was \$7,612 (2008 - \$3,623). The respective year-over-year increases can be attributed to the fact that for the three month period ended March 31, 2009, operating revenue includes the operations related to the Canacol Energy Inc. acquisition which are not reflected in prior year comparative balances.

During Q3-F2009, production revenue totalled \$1,967 (2008 - \$1,495) while for the nine months ended March 31, 2009, revenue was \$5,083 (2008 - \$3,391). The respective increase on a quarter-over-quarter basis and year-to-date basis is primarily a result of the addition of Colombian oil sales revenue.

In Colombia, production volumes during Q3-F2009 totalled 28,635 bbls (318 boe/d) (Q2 - 20,462 bbls (335 boe/d)) of crude oil. The average price achieved in Colombia in the Q3-F2009 was \$47.87/bbl compared to 42.64/bbl for Q2. In Colombia, tariff production volumes during Q3-F2009 totalled 104,101 (1,157 boe/d) (Q2: 82,600 bbls (1,354 boe/d)). The average tariff price for 2009 is approximately US\$8.66/bbl.

Brazil production volumes during Q3-F2009 totalled 12,000 bbls (133 boe/d) (2008 - 14,285 bbls (159 boe/d)) of light oil. Year-to-date production from Brazil has totalled 36,847 bbls (134 boe/d) (2008 - 43,849 bbls (487 boe/d)). The average price achieved per bbl in Brazil in the Q3-F2009 was \$71.79/bbl compared to \$77.65/bbl during Q2-2009 and \$96.86/bbl Q3-2008.

In Canada, production consisted of oil, natural gas, and natural gas liquids from the Corporation's properties in Alberta. During Q2-F2009, production totalled 1,035 boe (11 boe/d) (2008 - 291 boe (3 boe/d)). Year-to-date production from Canada has totalled 1,685 boe (9 boe/d) (2008 - 3,754 boe (42 boe/d)).

As noted above, effective January 1, 2009, the Corporation sold the remainder of its producing properties in Canada.

Production Volumes				
(boe)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2009	2008	2009	2008
Colombia *	28,635	-	49,097	-
Brazil	12,000	18,252	36,741	43,849
Canada**	-	291	1,685	3,754
Total net production	40,635	18,543	87,523	47,603
Tariff production	104,101	-	186,701	-
Total	144,736	18,543	274,224	47,603

* Colombian operations commenced October 30, 2008

** The majority of the Canadian producing properties were sold on January 1, 2009.

Royalties as a percentage of gross petroleum and natural gas revenues by geographic region for the three and nine months ended March 31, 2009 and respective prior period comparable are shown in the table below. The current base royalty regime in Brazil averages between 5% and 11% of gross production revenue. The actual rate the Corporation achieved in the nine months ended March 31, 2009 in Brazil was 9.5% compared to 7.4% during the same period last year. In Brazil, royalty rates are based on a sliding scale on incremental production over and above certain production thresholds on a block by block basis. Therefore, if aggregate production on any one block increases above the contracted thresholds the royalty on that block should decline over time. In Colombia, royalties are taken in kind and at a rate of approximately 8%. During Q3-2009 Colombian royalties averaged 8%.

Royalties				
	Three Months Ended March 31,		Nine Months Ended March 31,	
	2009	2008	2009	2008
Colombia *	8.0%	-	8.0%	-
Brazil	9.5%	7.8%	9.5%	7.4%
Canada**	0.0%	59.1%	11.0%	33.5%

* Colombian operations commenced October 30, 2008

** The majority of the Canadian producing properties were sold on January 1, 2009.

Brazil oil sales are subject to non-refundable sales taxes. This totalled \$132 during the nine months ended March 31, 2009 (2008 - \$325). This has been recorded and netted against revenue for the nine months ended March 31, 2009.

Interest and Other Income

During the nine months ended March 31, 2009 interest and other income of \$490 (2008 - \$232) was recorded. During the three months ended March 31, 2009 interest and other income of \$123 (2008 - \$101) was earned.

Operating Expenses and Netback - Petroleum and Natural Gas

For the three months ended March 31, 2009, operating expenses totalled \$2,368 (2008 - \$1,359) and for the nine months ended March 31, 2009 overall operating expense totalled \$5,666 (2008 - \$2,772). The Colombian operating expenses relate to both tariff and non-tariff oil production. Details by operating segment are outlined in the table below.

Operating Expenses				
	Three Months Ended March 31,		Nine Months Ended March 31,	
(\$000s)	2009	2008	2009	2008
Operating expenses				
Colombia ⁽²⁾	1,616	-	3,159	-
Brazil ⁽¹⁾	245	383	1,116	1,169
Canada ⁽³⁾	-	18	20	89
	1,861	401	4,295	1,258
Colombia transportation & processing charges	136	-	322	-
Colombia well workover & repair	4	-	6	-
Brazil transportation & processing charges	283	226	797	549
Brazil well workover & repair	29	139	78	373
MEP work unit provision	55	593	168	592
	2,368	1,359	5,666	2,772
Operating expenses per boe				
Colombia ⁽²⁾	12.17	-	13.40	-
Brazil ⁽¹⁾	20.42	20.98	30.37	26.66
Canada ⁽³⁾	-	61.41	12.07	23.67
Weighted Average	18.76	21.61	29.57	26.25

⁽¹⁾ Expenditures related to the planned non-routine enhancement workover program undertaken during the year are presented separately and excluded from the calculation of ongoing operating costs. Transportation and processing charges and MEP work unit provision are also shown separately.

⁽²⁾ Colombian operations commenced October 30, 2008. Colombian operating expenses relate to both tariff and non-tariff oil production volumes.

⁽³⁾ The majority of the Canadian producing properties were sold on January 1, 2009.

In Brazil, Canacol maintains a platform for growth and recognizes that its current production levels result in its operating costs not yet realizing the benefit of economies of scale. Approximately one-third of operating costs represents fixed costs that are expected to be scalable to approximately 2,000-3,000 gross *boe/d*. Therefore, if the company experiences future increases in production it is expected the operating expense per boe will be reduced from current levels.

Depletion, Depreciation, and Accretion (DD&A)

During Q3-F2009, DD&A from recurring operations totalled \$1,362 (2008 - \$876) while for the nine months ended March 31, 2009, overall DD&A expense was \$4,118 (2008 - \$1,839). The respective increase on a quarter-over-quarter basis and year-to-date basis is a result of an increase in the amount of proven properties included in the depletion calculation for Brazil plus the addition of Colombian properties.

General and Administrative

During Q3-F2009, general and administrative (G&A) expenses from recurring operations were \$1,696 (2008 - \$962) while G&A expenses from recurring operations were for the nine months ended March 31, 2009 totalled \$4,967 (2008 - \$2,795). General and administrative expenses are incurred in Canada, Colombia, and Brazil and primarily consist of management and advisory fees, professional fees, travel, and other administrative expenses needed to support the corporation's operations. Canacol did not capitalize any indirect overhead costs. Following the conclusion of the acquisition of Canacol Energy Inc. and the disposition of BCH during the quarter, Canacol is currently in the process of completing a detailed review of its operations and administrative functions in order to reduce inefficiencies and better integrate operations in order to reduce the overall operating and administrative cost structures.

Interest and Financial Expenses

During Q3-F2009, interest and financial expenses were \$838 (2008 - \$214). For the nine months ended March 31, 2009, interest and financial expenses were \$1,947 (2008 - \$573). Interest and financial expense is comprised of interest on the Corporation's long-term debt facilities, capital leases, and non-cash interest charges. Non-cash interest charges relate to the accretion of the deferred financing charges incurred on the Corporation's debt facilities. Non-cash interest charges for Q3-F2009 totalled \$254 (2008 - \$123). Non-cash interest charges for the nine months ended March 31, 2009 totalled \$591 (2008 - \$285).

Foreign Exchange

The Corporation's activities in Brazil use the Brazilian Real (BRL\$) and the Corporation's activities in Colombia used the Colombian Peso (COP\$) as its functional currency and therefore it is exposed to the risk of fluctuations in foreign exchange rates. The Corporation's sales purchase contracts for the oil produced in Brazil and Colombia are based on US dollar reference prices but paid in Brazilian Real in Brazil and a combination of US dollars and Colombian Pesos in Colombia. The Corporation's long-term debt facilities are denominated in US\$ while the Corporation's line of credit facilities are denominated in COP\$.

During Q3-F2009, the Corporation incurred a net foreign exchange loss of \$1,355 (2008 - loss of \$101) and for the nine months ended March 31, 2009 had a foreign exchange loss of \$2,220 (2008 - gain of \$428). The foreign exchange loss during the nine month period ended March 31, 2009 is a result of the depreciation of the Canadian dollar relative to the US dollar and the corresponding impact on the Corporation's US dollar denominated debt balances as well as the foreign exchange loss on translation as a result of the depreciation of the Brazilian Real relative to the Canadian dollar during the quarter.

The Corporation currently has not entered into any foreign currency derivative contracts to manage its exposure to the Brazilian Real, Colombian Peso, or the US Dollar. Refer to the Risk Factors Section below for additional details.

Financial Derivatives

During the nine months ended March 31, 2009, the Corporation had one financial derivative in place. This included WTI oil financial option collar. The Corporation has not designated any of these embedded derivatives as hedges and has therefore recorded the unrealized gain on these contracts on the balance sheet with changes in the their fair value recorded in the net earnings for the period.

During March, 2009, Canacol, with its joint venture partner, W. Washington Petroleo S.A., sold its Financial Brent oil collar agreement entered with its joint venture partner on June 29, 2007 for the net proceeds of US\$313. The gross proceeds of US\$604 (net US\$287) were used to reduce the outstanding credit facility of US\$7,100 (net US\$3,373) with the lender.

During December 2008, Canacol closed a transaction with the lender and sold the initial hedge agreement ("Initial Hedge") associated with its net oil production in Colombia for net consideration of US\$5,000 resulting in a realized derivative gain for the period ended December 31, 2008. A new hedge agreement ("New Hedge") was simultaneously entered into which involves the same production volumes as the Initial Hedge, however, the oil collar floor was reduced from USD\$100.00 to USD\$55.00 and the cap reduced from an average of USD\$136.67 per barrel to USD \$80.25 per barrel. Refer to the Risk Factors section for specific details of the current financial derivative contracts that remain outstanding as of December 31, 2008.

As March 31, 2009, the Corporation had a total net financial derivative asset of \$101 (June 30, 2008 -liability of \$724) relating to the outstanding Brent and WTI oil financial option collars.

During the nine months ended March 31, 2009, the Corporation had a net realized financial derivative gain of \$4,123 (2008 - loss of \$271). For the three months ended March 31, 2009, the Corporation had a net realized financial derivative gain of \$2,131 (2008 - loss of \$145) on its oil collar hedges. During the nine months ended March 31, 2009, the Corporation had a net unrealized financial derivative gain of \$101 (2008 - loss of \$583). For the three months ended March 31, 2009, the Corporation had a net unrealized financial derivative loss of \$1,783 (2008 - gain of \$2) on its oil collar hedges.

Stock Based Compensation

During the nine months ended March 31, 2009, a total of \$377 (2008 - \$1,391) was expensed relating to the vesting of stock options, of which \$214 (2008- \$561) related specifically to the three months ended March 31, 2009. The year-over-year decline can primarily be attributable to a combination of the relative timing of option grants during the year and a lower overall value on those options issued during the current period.

Income Taxes

Canacol is subject to taxation in Canada, Brazil, and Colombia. The current income tax expense for Q3-F2009 was \$103 and for the nine month period ended March 31, 2009 was a recovery of \$173 (2008 - \$Nil) relating to Colombian income taxes. Due to operating losses in Brazil and Canada, the Corporation is currently not subject to income taxes in these jurisdictions.

A future income tax asset is not recognized for the Corporation's Canadian net-capital losses, non-capital loss, or other tax pool balances. Further a future income tax asset has not been recognized on the Corporation's Brazilian tax losses or other tax pools. A valuation allowance has conservatively been applied to the remainder of the future income tax assets in the entity due to the uncertainty of realization.

As at March 31, 2009, the Company had deferred income tax liability relating to the book value in excess of the tax basis value on its petroleum and natural gas assets acquired through the acquisition of Canacol Energy Inc. The future income tax liability that was recorded in conjunction with the acquisition totalled \$11,382. During the period, future income tax expense of \$30 resulting in an outstanding future income tax liability of \$11,369 at March 31, 2009 (June 30, 2008 - \$Nil).

Impairment on long-term assets

During the nine month period ended March 31, 2009, the Corporation recorded impairment on long-term assets and assets held for sale of \$4,146. The impairment relates to non-core assets which the Corporation is seeking to sell. The impairment charges recorded by the Corporation relate to the Corporation's Canadian petroleum and natural gas properties the majority of which were sold during the prior quarter, the remaining drilling rig held by the Corporation following the sale of BCH Ltd., and a provision for the Corporation's Ireland properties. Management determined that given the dramatic decline in commodity prices and current financial crisis, it would not likely be able to realize the carrying value of the assets in future periods. The impairment recorded was to adjust the carrying value of these long-term assets to the expected value to be realized.

The dramatic drop in commodity prices has had a negative impact to the overall valuation of the Corporation's petroleum and natural gas reserves. At March 31, 2009, the Corporation has reviewed the carrying value of the Corporation's remaining petroleum and natural gas assets in Colombia, Brazil, and Guyana based on prevailing prices at March 31, 2009 and assessed that there was no impairment.

Goodwill Impairment

During the period, the Corporation recorded an impairment on the goodwill that had been recorded relating to its purchase of Canacol Energy Inc. of \$5,123. Following the rapid decline in commodity prices and significant changing economic circumstances as a result of the global financial crisis, Management determined that the goodwill recorded upon the acquisition of Canacol Energy Inc. was impaired and therefore recorded a provision for the period ended March 31, 2009.

CASH FLOWS FROM OPERATING, FINANCING, AND INVESTING ACTIVITIES - RECURRING OPERATIONS

Operating

During Q3-F2009, the cash flow from recurring operating activities totalled an outflow of \$2,446 (2008 - inflow of \$27) while for the nine months ended March 31, 2009 totalled an outflow of \$1,736 (2008 - outflow of \$1,665). For the three months period, cash flow from operating activities before changes in non-cash working capital totalled an outflow \$879 (2008 - outflow of \$934). Changes in non-cash working capital relating to operating activities totalled an outflow of \$1,567 (2008 inflow of \$961). The change in non-cash working capital during Q3-F2009 reflects collection of accounts receivable balances and an increase of \$394 relating to the proceeds on the sale of the derivative in excess of realized derivative gain.

Financing

During nine months ended March 31, 2009, the Corporation recorded net cash outflow from financing activities of \$11,557 (2008 - inflow \$12,974) and outflow of \$486 (2008 - \$11) for the three months ended March 31, 2009. For the nine months ended March 31, 2009, cash outflow from financing activities primarily relates to the repayment of net US\$903 on the W. Washington reserves based facility and US\$10,266 on the Rancho Hermoso reserves based facility.

Investing

During the nine months ended March 31, 2009, cash flows from investing activities totalled outflow \$4,811 (2008 - inflow of \$8,703) and inflow of \$1,652 (2008 - inflow of \$20,447) for the three months ended March 31, 2009. During Q3-F2009, capital expenditures primarily related to the Corporation's Colombian operations which totalled \$1,597 of the total \$1,652 in capital expenditures during the quarter.

DISCONTINUED OPERATIONS - BCH LTD.

Effective October 1, 2008, BCH Ltd. completed a non-brokered private placement of 4,474,999 BCH Common Shares at a price of US\$4.163 per BCH Common Share for aggregate gross proceeds of US\$18,629. Canacol acquired 1,717,093 BCH Common Shares for consideration of US\$7,148 in conversion of loans receivable from BCH. Allis-Chalmers Energy Inc. acquired 2,192,750 BCH Common Shares in the financing for consideration of US\$3,500 in conversion of accrued interest payable on the debenture and cash proceeds of US\$5,628. Following the completion of the private placement, BCH had 13,909,843 BCH Common Shares issued and outstanding of which Canacol owned 11,717,093 BCH Common Shares or 84.2%. As discussed above, effective December 31, 2008, Canacol sold its remaining 11,717,093 BCH Common Shares to Allis Chalmers for proceeds of US\$5,000.

Under the terms of the transaction, Allis Chalmers assumed the US\$23.5 million long-term debt facility with the lender and the US\$40 million convertible debenture owed to Allis Chalmers by BCH.

Included in net earnings and gain from discontinued operations (net of tax) in the consolidated financial statements of Canacol a gain was recognized totalling \$27,120 relating to the sale of its remaining interest in BCH.

Specific operational and financial highlights from BCH's operations for the three and six month periods ended December 31, 2008 include:

During the period, BCH was awarded and has started work on its sixth contract with Petroleo Brasileiro ("Petrobras"). The contract is for the provision of one on-shore single drilling rig and related crew and is for the period of one year.

BCH-05, a 3,200 meter diesel electric double, which had suffered a mast failure and had been out of operation since July 8, 2008 recommenced operations shortly following the end of Q2-F2009. The total estimated repair costs were US\$2,000 and it is expected that the majority of repair cost will be fully funded by insurance proceeds. Lost revenue days as a result of the incident totalled 176 days which represents gross receipts of approximately US\$4,576 being foregone during the period.

Drilling Services Revenue

As noted above, BCH has discontinued its operations on December 31, 2008. Thus, during Q3-F2009, the total drilling services segment revenue, before inter-company consolidation eliminations, was \$Nil (2008 - \$7,862) while for the nine months period ended March 31, 2009, total drilling services segment revenue, before inter-company consolidation eliminations, was \$20,083 (2008 - \$16,199). This represents a year-over-year increase of 23% in revenues for nine months. The year-over-year increases are attributable to increased activity days as a result of the fleet expansion and reduced intercompany activity. External third party revenue was significantly higher as percentage of overall drilling revenue as a result of greater amount of drilling and work-over services were being performed for third parties which weren't subject to inter-company elimination. The year-over-year increases are reflective of a larger overall operating rig fleet on a year-over-year comparison. The drilling services unit generated net third party revenue of \$20,038 during the nine months ended March 31, 2009 (2008 - \$16,199). During the nine month period ended March 31, 2009, one-time mobilization revenue of US\$277 (2008 - \$2,487) was recorded relating to the mobilization of BCH-06 to begin a one year contract.

Drilling Services Revenue				
	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
(\$000s)	2009	2008	2009	2008
Drilling services segment revenue	-	7,862	20,083	16,199
Less: Inter-segment sales ⁽¹⁾	-	(458)	(44)	(1,968)
Less: Sales taxes	-	(401)	(1,328)	(968)
Drilling services revenue	-	7,003	18,711	13,263

⁽¹⁾ Inter-segment revenue and profit have been netted against exploration and production capital expenditures on consolidation.

Operating Expenses and Operating Margin

Drilling services operating costs for Q3-F2009 totalled \$Nil (2008 - \$5,132) and for the nine months ended March 31, 2009 totalled \$13,854 (2008 - \$9,463). The respective year-over-year increases in operation expenses are attributable to the increased size of the drilling fleet and corresponding operations. Operating margin for Q3-F2009 was \$Nil (2008 - \$1,871) and for nine months ended March 31, 2009 was \$4,857 (2008 - \$3,800).

Depreciation

During Q3-F2009, depreciation expense relating to the operations of BCH totalled \$Nil (2008 - \$634) while for the nine months ended March 31, 2009, depreciation expense relating to the operations of BCH totalled \$2,102 (2008 - \$1,086). The respective year-over-year increases in depreciation expense relative to last year for BCH is primarily attributable to the increased size of the drilling fleet and overall increased utilization.

General and Administrative

During Q3-F2009, general and administrative (G&A) expenses related to BCH were \$Nil (2008 - \$501) while (G&A) expenses related to BCH for the nine months ended March 31, 2009 totalled \$2,445 (2008 - \$2,373). The respective year-over-year increases are attributable to the expanded administrative operations of BCH required to support and higher rig total general and administrative expenses were incurred in Canada and Brazil and primarily consist of management and advisory fees, professional fees, travel, and other administrative expenses needed to support operations. BCH did not capitalize any indirect overhead costs.

Income Taxes

BCH is subject to taxation in Canada and Brazil. The current income tax expense for the nine months ended March 31, 2009 was \$1,380 (2008 - \$1,301) relating to Brazilian withholding taxes on the lease portion of BCH's drilling rig contracts which is paid to Canadian entity. The respective year-over-year increase is a result of the increased revenues earned on the lease portion of BCH's drilling contracts. During nine months future income tax recovery was \$3,877 (2008 - recovery of \$1,686). For the nine months ended March 31, 2009, the net tax recovery was \$2,497 (2008 - recovery of \$385). BCH recognizes a future income tax asset on the withholding tax amounts paid as the Corporation receives a business foreign tax credit in Canada related to these amounts. BCH has also recognized a future income tax asset for various timing differences arising between the book value and tax value of its capital assets. The large recovery during the current year-to-date period is primarily a result of foreign exchange losses on BCH's debt reducing BCH's taxable income.

Stock Based Compensation

Included in discontinued operations, for the nine months ended March 31, 2009, stock compensation expense of \$17 (2008- \$153) was recognized relating to stock options issued by BCH.

Interest and Financial Expenses

During Q3-F2009, interest and financial expenses were \$Nil (2008 - \$2,162). For the nine months ended March 31, 2009, interest and financial expenses were \$6,079 (2008 - \$3,113). Interest and financial expense is comprised of interest on the Corporation's long-term debt facilities, convertible debenture, capital leases, and non-cash interest charges. Non-cash interest charges relate to the accretion of the deferred financing charges incurred on the Corporation's debt facilities as well as accretion of the convertible debenture. Non-cash interest charges for Q3-F2009 totalled \$Nil (2008 - \$868). Non-cash interest charges for the nine months ended March 31, 2009 totalled \$1,404 (2008 - \$1,345).

Foreign Exchange

BCH's activities in Brazil used the Brazilian Real (BRL\$) as its functional currency and therefore it was exposed to the risk of fluctuations in foreign exchange rates. BCH's drilling services contracts are based on a US\$ price with a portion paid in BRL\$ and a portion of which is paid in US\$. Both BCH's long-term debt facilities and its Convertible Debenture are denominated in US\$.

BCH incurred a foreign exchange loss of \$Nil in Q3-F2009 (2008 - loss of \$1,381) and loss of \$11,609 (2008 - loss of \$510) during the nine months ended March 31, 2009. The foreign exchange gain during the nine months is a result of the depreciation of the Canadian dollar relative to the US dollar and the corresponding impact on the Corporation's US denominated debt balances as well as the foreign exchange loss on translation as a result of the depreciation of the Brazilian Real relative to the Canadian dollar during the quarter.

Derivatives

BCH had two types of derivative contracts in place; three foreign currency derivative contracts and an embedded derivative associated with the Corporation's drilling contracts. The Corporation has not designated any of these embedded derivatives as hedges and has therefore recorded the unrealized gain on these contracts on the balance sheet with changes in their fair value recorded in the net earnings for the period. Details of the outstanding foreign currency contract are as follows:

Period	Notional Balance	Type	Settlement	Average BRL/US Exchange Rate
June 2008 - April 2009	US\$500,000 / month	Non-Deliverable Forward	Financial	1.7621
July 2008 - April 2009	US\$200,000 / month	Deliverable Forward	Physical Delivery	1.7306
July 2008 - April 2009	US\$100,000 / month	Deliverable Forward	Physical Delivery	1.7570

During the nine months ended March 31, 2009, BCH had a net realized financial derivative loss of \$640 (2008 - Nil). For the three months ended March 31, 2009, BCH had a net realized financial derivative of \$Nil (2008 - Nil). During the nine months ended March 31, 2009, BCH had a net unrealized financial derivative loss of \$1,498 (2008 - loss of \$9). For the three months ended March 31, 2009, BCH had a net unrealized financial derivative of \$Nil (2008 - gain of \$34).

LIQUIDITY AND CAPITAL RESOURCES

As outlined in the financial statements and in additional detail below, due to the Corporation's negative working capital situation and notice of an Event of Default from the lender in accordance with provisions of the W. Washington credit facility there is a risk regarding the Corporation's ability to continue as a going concern. The accompanying financial statements for the three and nine month period ended March 31, 2009 do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Corporation be unable to continue in business and therefore be unable to realize its assets and discharge its liabilities in the normal course of business. Such adjustments could be material.

Working Capital

Funding for the Corporation's expenditures during the nine months ended March 31, 2009 was provided through a combination of operating revenue and surplus cash balances. At March 31, 2009 the Corporation had a working capital deficiency of \$27,854 (\$9,783 excluding the reclassified portion of Canacol's long term debt) June 30, 2008 - \$17,521 (\$1,265 excluding the reclassified portion of BCH's long-term debt). In order help remediate the Corporation's working capital deficiency; the Corporation had one asset sale following the completion of the quarter for net proceeds of \$122 relating to the disposition of the majority of its Canadian petroleum and natural gas properties. The Corporation is also seeking to dispose of other non-core assets, namely the drilling rig still owned by the Corporation following its sale of BCH Ltd. in order to help improve its working capital situation. In addition, as discussed in more detail below, the Corporation is reviewing alternative financing arrangements to meet help remediate its working capital deficiency and help fund its current and ongoing obligations.

As at the date of these financial statements, the Corporation has remedied the default on the senior credit agreement in Brazil with the lender, resulting in the elimination of the Corporation's debt facility in Brazil. The Corporation paid approximately US\$3,300 or 47.5% of the outstanding US\$7.1 million and W. Washington was liable for the remaining 52.5%. As at the date of these financial statements, this amount has been paid in full. In connection with the repayment of the Brazilian Facility, the Corporation increased by \$3,500 its debt on its senior loan facility with the lender in Colombia.

The Corporation has also closed a private placement financing of \$6,000. The Corporation entered into an agreement with Canaccord Capital Corporation ("Canaccord") to issue, on a private placement \$6,000 at a price of 0.125.

Cash Flow From Operating Activities

As discussed above, during Q3-F2009, the cash outflow from recurring operating activities totalled \$2,446 (2008 - inflow of \$27) while for the nine months ended March 31, 2009 inflow totalled \$1,736 (2008 - outflow of \$1,665). The Corporation has generally had a history of negative cash flow from operating activities and may not be able to generate sufficient cash flow to fund operating activities in order to finance operations and other requirements. Following the conclusion of the acquisition of Canacol Energy Inc. and the disposition of BCH during the quarter, Canacol is currently in the process of completing a detailed review of its operations and administrative functions in order to reduce inefficiencies and better integrate operations in order to reduce its overall operating and administrative cost structure.

Debt Facilities

The Corporation has been seeking to reduce its overall debt levels. On December 31, 2008, Canacol announced that it has completed the sale of its remaining interest in BCH Ltd. to Allis-Chalmers Energy Inc. Under the terms of the transaction, Allis Chalmers assumed outstanding US\$23,500 long-term debt facility with the lender and its outstanding US\$40,000 convertible debenture. Further, the proceeds of sale which were received of US\$5,000 went towards debt reduction of the Corporation's outstanding mezzanine facility.

As noted earlier, the Corporation further reduced its outstanding debt balances by monetizing a forward commodity contract for proceeds of US\$5,000 which was also used towards repayments of the Corporation's outstanding mezzanine debt facility.

Following the sale of BCH on December 31, 2008, the Corporation currently has two outstanding debt facilities in place; the W. Washington reserves based revolving line credit facility and the Rancho Hermoso reserves based revolving line credit facility.

Rancho Hermoso reserves based revolving line credit facility

In August 2008, a debt facility was jointly put in place between Canacol Energy Ltd (Formerly Brazalta Resources Corp.) and Canacol Energy Inc. in order to finance the acquisition of Rancho Hermoso S.A. with the lender for a total of US\$25,600. The loan is comprised of two credit facilities:

- 1) a US\$50,000 three year senior secured borrowing base revolving credit facility with an initial availability of US\$14,000; and
- 2) a US\$11,600 mezzanine facility.

The security package and terms for the lender's Loan comprises a lien on the shares of Rancho Hermoso S.A., a guarantee from each of Canacol Energy Ltd. and Canacol Energy Inc., and a hedge of a percentage of Rancho Hermoso S.A. production. In addition, Canacol issued to the lender warrants to acquire 10,000,000 Canacol Common Shares at a price of C\$0.80 per Canacol Common Share for a period of five years, and cancelled the 3,500,000 warrants previously issued to the lender at US\$2.00 last year as part of the W. Washington Brazilian reserves based lending line.

The revolving credit facility is payable in full on August 27, 2011 and the mezzanine facility was payable in six equal semi-annual payments beginning on February 27, 2009. As noted above, during the nine month period ended March 31, 2009, a total of US\$10,266 has been repaid on the mezzanine facility to reduce the balance outstanding to US\$1,333 as at March 31, 2009. Following the end of the quarter, the Corporation repaid this loan in full. The revolving credit facility bears interest at LIBOR plus 4.00% while the mezzanine facility bore interest at LIBOR plus 12.00%. As detailed in the accompanying financial statements, the Corporation's debt covenants relating to the senior secured facility did not take effect until periods ending on or after March 31, 2009. There is, however, a risk that economic or other circumstances such as low commodity prices could create a situation in which the Corporation would not be able to meet its financial or non-financial covenants in upcoming periods. Failure to meet the covenants could, at the discretion of the lender, constitute an event of default giving the lender the right to demand repayment of some, or all, of the loan, such as which occurred under the W. Washington facility (see below), which was successfully resolved and repaid. Management reviews such situations with the lender and may need to request a modification or waiver from the lender, or address any deficiencies as required by the lender. The Corporation is currently working with the lender for approval to obtain the Gemini investment, which will require modification or waiver of financial covenants.

W. Washington reserves based revolving line credit facility Canacol and its Brazil Joint Venture partner, W. Washington Petroleo S.A. ("W. Washington") had entered into a reserves based revolving line of credit facility of up to US\$50,000. The facility limit was based on the lender's evaluation of reserves estimates, and had a maximum draw of gross US\$4,000 (net US\$1,900). As of December 31, 2008, there was a gross draw of US\$7,100 (net US\$3,373) on the facility. The Corporation and its joint venture partner W. Washington received a notice of an Event of Default from the lender.

The reserves based revolving line of credit facility was secured by a first charge on all of W. Washington's assets, as well as W. Washington's and Canacol's interests in oil and gas concession contracts in Brazil and the receivables from any corresponding oil sales. In addition, the shares of BrazAlta Brasil Norte Comercializacao de Petroleo Ltda. ("BrazAlta Norte") owned by Canacol were pledged as security. Furthermore, the loan was guaranteed by Canacol and BrazAlta Norte. The facility was cross guaranteed by Canacol as a 47.5% joint-interest partner.

During nine months ended March 31, 2009, W. Washington and Canacol repaid gross US\$1,900 (net US\$903) of the principal outstanding on its joint reserves based lending facility leaving an unpaid principal balance of US\$7,100 (US\$3,373 net) as of March 31, 2009. The remaining portion of the facility was repaid in full subsequent to March 31. The Corporation has thus remedied the default on the senior credit agreement in Brazil with the lender, resulting in the elimination of the Corporation's debt facility in Brazil. The Corporation paid approximately US\$3,300 (47.5%) of the outstanding US\$7,100 and W. Washington paid the remaining 52.5%.

In connection with the repayment of the Brazilian Facility, the Corporation increased its debt on its senior loan facility with Standard Bank Plc. in Colombia by US\$3.5M. As part of this process the Colombia mezzanine facility was repaid in full from its original amount of US\$11,600 in August 2008. The increase in the senior

facility was accomplished as a result of increased proven reserves in Colombia since the initial establishment of the Colombia facilities.

Capital program commitments

In Colombia and Guyana, the Corporation has non-discretionary work program commitments totalling approximately \$10,585 for calendar 2009 and \$1,260 in calendar 2010. The dramatic drop in commodity prices combined with the current economic environment has had a negative impact on junior oil and gas companies' abilities to access capital to fund development of capital expenditure programs. The Corporation is reviewing its existing portfolio of projects and will seek to post-pone discretionary exploration projects and programs to future periods. Towards this end, the Corporation has been successful with the operator in deferring its exploration drilling program in Guyana from 2009 to 2010. The Corporation was also successful in replacing its 2 well exploration well commitment (US\$2,200 net) on its operated La Sierra E&P contract in Colombia with a 46 square kilometre 3D seismic acquisition program (US\$1,100 net), as approved by the Agencia Nacional de Hidrocarburos ("ANH"), the Colombian regulatory authority in February 2009, a net cost savings to the corporation of US\$1,100. The Corporation will focus its efforts in 2009 on its operated development programs in Colombia, and its non-operated appraisal project at the Capella discovery, to provide operating cash flow, and seek to reduce its exposure to its non-operated production and exploration operations in Brazil. The majority of the Corporations committed and discretionary development drilling programs in Colombia focus on increasing oil production from the tariff oil reservoir at the Rancho Hermoso Field in which the Corporation receives a fixed price per barrel of oil production. These drilling projects are insensitive to WTI price volatility. Further, the Corporation is seeking to discontinue non-core operations in Canada and Ireland and focus its capital on Colombia, Guyana, and Brazil. The Corporation intends to finance these commitments through a combination of cash flow from operations, sale of non-core assets namely the outstanding drilling rig owned by the Corporation, and through additional financing alternatives (as discussed in greater detail below). The Corporation is also actively seeking additional farm-in partners to its exploration projects in Brazil.

Other

As at March 31, 2009, the Corporation continues to assess its requirements for capital on an on-going basis and it is likely that the Corporation will be required to obtain additional capital to finance its operations and the execution of capital drilling programs and exploration commitments. The dramatic drop in oil prices over the last nine month combined with the overall current state of the public capital markets in the near term restricts the options available for the Corporation to raise additional equity or debt.

The Corporation has reviewed other alternative financing arrangements that will enable the Corporation to support its working capital deficiency, and to finance its capital work programs. Alternate financing alternatives may include, but are not be limited to, an increase on the Corporation's senior Rancho Hermoso credit facility, issuance of secured debenture, an over-riding royalty financing arrangement, additional farm-out of its working interests, primarily in Brazil, or an equity financing. The Corporation is currently reviewing these alternatives to identify funding sources that meet the Corporation's requirements at the most effective cost.

The Corporation has one major lender, Standard Bank Plc. As such, the Corporation remains exposed to risks related to the health and viability of its lender in the current difficult financial markets and are exposed to the risk of reduction of the lender's appetite for the risks and exposures associated with financing junior international company operations. This is discussed further in the Risks section of this MD&A.

As at the date of these financial statements, the Corporation was successful in attaining the necessary financing requirements.

Following the completion of the quarter, the Corporation sold its drilling rig for proceeds of US\$2,000, executed a series of agreements with Gemini Oil and Gas Fund II, L.P., whereby Gemini will, subject to certain preconditions, invest up to US\$9,000 to be used to fund a portion of the Corporation's developments and appraisal programs its producing assets in Colombia. In return Gemini will be entitled to receive payment equivalent to a percentage of Canacol's gross revenue from production. In addition, the Corporation did a private placement financing with Canaccord Capital Corporation. The additional capital will be used to fund contingent development activity in Colombia to increase production and revenues from our producing assets in 2009, as well as advance exploration projects in Guyana and Brazil for 2010 drilling and seismic acquisition. Furthermore, the Corporation renewed a short-term loan (the "Loan") in the amount of \$535.

This is discussed further in the Subsequent events and pending transaction of this MD&A.

The Corporation continues to hold interests in some non-producing properties and is seeking to dispose of these interests during 2009, however, does not expect to receive any significant proceeds.

COMMITMENTS, GUARANTEES, AND OFF-BALANCE SHEET ARRANGEMENTS

As at March 31, 2009, Canacol has minimum exploration program (“MEP”) work unit commitments to complete negotiated exploration work on its onshore blocks awarded by the Agência Nacional do Petróleo, Gás Natural e Biocombustível (“ANP”), Brazil’s National Petroleum Agency. MEP work units are satisfied through completion of exploration wells, seismic programs, and other exploration survey methods all of which have prescribed work units for completion. Therefore, although actual dollars spent on projects do not directly correlate to reducing the MEP work units, the financial guarantees related to non-performance are shown in the table below. The commitment will be reduced as work is performed.

Bid Round	Basin	Commitment Date	Gross Remaining MEP Work Units	Gross Financial Guarantee	Net Remaining MEP Work Units	Net Financial Guarantee¹
7	Recôncavo & Sergipe	August 26, 2008	1,258	\$2,066 BRL \$3,774	249	\$409 BRL \$747
9	Recôncavo	March 12, 2010	1,600	\$2,628 BRL \$4,800	320	\$526 BRL \$960
9	Espirito Santo	March 12, 2011	1,020	\$1,675 BRL \$3,060	408	\$670 BRL \$1,224

¹Net financial guarantee based on BrazAlta’s net working interest.

The Corporation and W. Washington have each cross-guaranteed the working interest of the other partner for the non-performance guarantee placed with a Brazilian insurance company which has insured the performance of the MEP work units or the corresponding financial payment in lieu thereof to the ANP on certain of Round 7 exploration blocks. A large percentage of the Round 7 exploration commitments have been farmed-out and as such the Net Remaining MEP Work Units attributable to Canacol for Round 7 in the table above is 249 units which, at March 31, 2009, equated to approximately \$409 (June 30, 2008 - 1,867 units or \$3,576). Based on actual work performed, the Corporation has made an accrual for the outstanding liability of \$409 (June 30, 2008 - \$1,119), relating to its net share of expected MEP work units yet to be fulfilled by means of financial settlement.

As previously disclosed, the Corporation and its Brazil Joint Venture partner, W. Washington, have jointly entered into a reserves based revolving line of credit facility. The revolving line of credit facility is cross guaranteed by the Corporation. The Corporation records its 47.5% net share of revolving line of credit facility in the consolidated financial statements, however, is guarantor on the gross balance of the facility. As noted earlier, the facility limit is based on the lender’s evaluation of reserves estimates, and currently has a maximum draw of gross US\$4,000 (net US\$1,900). As of March 31, 2009, there was a gross draw of US\$7,100 (net US\$3,373) on the facility. As of the date of this document, the Corporation has not made any repayments of its 47.5% share of the credit facility. The Corporation and its joint venture partner W. Washington have received a notice of an Event of Default from the lender. As of the date of these statements, the Corporation has remedied the default on the senior credit agreement in Brazil with the lender, resulting in the elimination of the Corporation’s debt facility in Brazil. The Corporation paid approximately US\$3,300 (47.5%) of the outstanding balance of US\$7,100 and W. Washington was liable for the remaining 52.5%. These amounts have been paid in full. In connection with the repayment of the Brazilian Facility, the Corporation increased its debt on its senior loan facility with the lender in Colombia by US\$3.5M.

In Colombia and Guyana, the Corporation has work program commitments totalling approximately \$10,585 for calendar 2009 and \$1,260 in calendar 2010. In addition, the Corporation has commitments for office premises and other operating leases. As at March 31, 2009, the payments required in each of the next five years are as follows:

	\$
2009 - 3 Months	24
2010	97
2011	81
2012	Nil
2013	Nil

SUBSEQUENT EVENTS & PENDING TRANSACTIONS

Round 8 Land Auction

The Corporation qualified for and bid for onshore land blocks offered by the ANP, Brazil's National Petroleum Agency in Brazil's Round 8 land auction held on November 28th and 29th, 2006 ("Round 8 Bid"). Canacol and its partners in the Round 8 Bid, W. Washington and Brownstone, were successful in winning and being awarded five separate blocks, each block totalling 180 square kilometres of exploration lands ("Round 8 Bid Lands") in the Tucano Basin which lies directly west of the Recôncavo Basin. However, the Round 8 Bid is the subject of a court injunction filed in Brasilia against the ANP. The premise for the injunction is that the restriction for any one E&P company to purchase more than four blocks of land in any one area, in any given bid round of land is not constitutional. As of this report date, the court injunction has been lifted in the superior court from one of two jurisdictions. Canacol and its partners in the Round 8 Bid have no information indicating that their successful Day 1 Round 8 Bid Lands will not be retained by them.

On May 15, 2009, Canacol announced that it has entered into a conditional share purchase agreement to acquire from Groundstar Resources Limited ("Groundstar" or the "Vendor") all of the shares of a Guyana company which holds the 7,800 square kilometre Petroleum Prospecting Licence ("PPL") in the Takutu Basin, onshore Guyana (the "Transaction"). In connection with the closing of the Transaction, the Vendor would be granted a 10% carried interest which will be carried by the Corporation to first commercial production on the PPL, and be repaid commencing with first production. The closing of the Transaction remains conditional on the consent and approval of the Guyanese Government to: (a) an extension of the PPL to July 2012 in exchange for additional work commitments acceptable to Canacol; (b) the transfer of the shares of the Guyana company holding the PPL to Canacol; and (c) such other parts of the Transaction which require government consent. The Transaction remains subject to the consent of the TSX Venture Exchange and ordinary closing conditions.

On May 12, 2009, Canacol announced that it upsized its previously announced private placement financing with Canaccord Capital Corporation from \$5,000 to \$6,000 based to the continued market demand. The Corporation also anticipates that the Offering will have two closing. The first closing was made on May 14, 2009 and the second closing is expected on or about May 21, 2009. The additional capital will be used to fund contingent development activity in Colombia to increase production and revenues from our producing assets in 2009, as well as the advance exploration projects in Guyana and Brazil for 2010 drilling and seismic acquisition.

On April 24, 2009, the Corporation renewed a short-term loan in the amount of \$535. The Loan bears interest at a rate of 15% per annum, compounded annually. The Loan will become payable in full on June 4th, 2009. The Lender will receive a bonus of common shares of Canacol equivalent to 10% of the value of the Loan based upon the closing price of such shares on the day immediately preceding the date of renewal the Loan. Further, in the event that Canacol does not repay the loan on the Maturity Date, the Lender will be issued common shares of Canacol equivalent to 16% of the value of the Loan based upon the closing price of such shares on the Maturity Date. As part of the Loan, the Corporation will pay a 5% commission by way of cash and common shares in the Corporation to a firm who is an arm's-length party to the Corporation.

On April 17, 2009, the Corporation executed a series of agreements with Gemini Oil and Gas Fund II, L.P., the Jersey based oil and gas investment fund, whereby Gemini will, subject to certain preconditions, invest up to US\$9,000 to be used to fund a portion of the Corporation's development and appraisal programs on its producing assets in Colombia in 2009.

Under the terms the agreements, Gemini will invest:

- Up to US\$3,000 towards the drilling of a development well and the workover of 2 existing wells in the Entrerrios Field;
- Up to US\$3,000 towards the drilling of 2 development wells and the workover of one existing well in the Rancho Hermoso Field; and
- Up to US\$3,000 towards the drilling of additional delineation wells in the Capella Field, its new heavy oil discovery on the Ombu E&P contract.

In return Gemini will be entitled to receive payment equivalent to a percentage of Canacol's gross revenue from production. Gemini has indicated that at its discretion the total investment may be increased up to a maximum of US\$12,000.

The Corporation also announced that the default on the senior credit agreement in Brazil with the lender had been remedied, resulting in the elimination of the Corporation's debt facility in Brazil. Brazalta Brazil paid approximately US\$3,300 (47.5%) of the outstanding US\$7,100 and W. Washington was liable for the remaining 52.5%. These amounts have now been paid in full. In connection with the repayment of the Brazilian Facility, the Corporation increased by \$3,500 its debt on its senior loan facility with the lender in Colombia. As part of this process the Colombia mezzanine facility was repaid in full from its original amount of US\$11,600 in August 2008. The increase in the senior facility was accomplished as a result of increased proven reserves in Colombia since the initial establishment of the Colombia facilities.

TRANSACTIONS WITH RELATED PARTIES

During the nine month period ended March 31, 2009, companies controlled by a director or offices of the Corporation were paid a total \$91 (2008 - \$223) in professional and consulting fees and office rent. All of the transactions were completed on normal industry terms. None of these amounts remained outstanding at each respective period end. Effective February 6, 2009, this individual ceased to be a director of the Corporation.

During the three months ended March 31, 2009 the company has paid a total of \$15 (2008 - \$Nil) in consulting fees for the officer of the Corporation.

Canacol has an operating agreement under standard industry terms on the properties in Brazil with W. Washington. Previously, W. Washington was considered a related party by virtue that it is controlled by a director of the Corporation. Following the changes in the composition of the Corporation's Board of Directors after the acquisition of Canacol Energy Inc., effective October 30, 2008, W. Washington ceased to be considered a related party of the Corporation. Total management fee payments made to W. Washington as a related party for the nine month period ended March 31, 2009 totalled \$812 (2008 - \$580) and is included in general and administrative expenses. These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

OUTLOOK

On October 30, 2008, Canacol acquired all of the issued and outstanding common shares and warrants of a private oil and gas exploration company, Canacol Energy Inc. The intention of the transaction was to diversify Canacol's E&P activity beyond Brazil, adding both assets and additional management and oil finding expertise. With the acquisition of Canacol Energy Inc., Canacol now has core oil exploration, development, and production operations in the countries of Colombia, Brazil, and Guyana.

Canacol's goal is to build a significant oil production and exploration company in Latin America. The Corporation has established a production platform in its core operating countries of Colombia and Brazil, along with a large onshore appraisal and exploration positions in Colombia, Brazil, and Guyana. The

Corporation is using its strong technical management team to realize the full production and reserves potential of its producing assets. In Colombia, the Corporation has identified a number of low risk opportunities within its operated fields that it intends to execute in 2009, which may result in the tripling of existing production and reserves. In Brazil, the Corporation is evaluating the implementation of a secondary waterflood recovery plan to add additional reserves and production from these mature fields. On the exploration side, the Corporation has met with success in its non-operated Ombu E&P contract in Colombia, with the discovery of the Capella oil field. This significant discovery, currently being appraised, will yield near term production and reserves gains in 2009, and represents a long term development project with large heavy oil reserves upside. In Guyana, the Corporation has a working interest in a large onshore exploration block that contains an existing light oil discovery, Karanambo, and 2 large exploration prospects. The Corporation has plans in place to delineate the discovery, and drill one exploration well in 2010. These activities will also yield near term production and reserve additions in 2010.

As at May 27, Tariff oil continued producing at 1,447 boe/d, 25% higher than average tariff production for the quarter. Non-tariff oil for Colombia produced at 404 boe/d, a 27% increase over quarter 3 production rates. The lower production in Q3 2009 was due to equipment problems solved after the end of quarter. Brazilian production is estimated at 130 boe/d, a 2% decline over quarter 3 production rates.

SHARES OUTSTANDING (as at May 27, 2009)

There are an unlimited number of no par value common shares authorized for issuance. Details of the issued and outstanding shares are as follows:

Issued & Outstanding Share Capital	
Number of shares issued and outstanding, March 31, 2009	130,084,655
	48,655,834
Number of shares issued and outstanding, May 27, 2009	178,740,489

Options Outstanding (as at May 27, 2009)

The following are the outstanding stock options issued by the Corporation and their respective exercise price and expiry date. At May 27, 2009, had vested stock options totalling 3,417,001 options were exercisable at a weighted average exercise price of \$0.39 per common share.

Stock Options Outstanding			
	Number	Exercise Price	Expiry Date Range
	215,000	\$0.40	March - June 2010
	1,275,000	\$0.75	January 2011
	125,000	\$1.00	February 2011
	140,000	\$1.20	November 2011
	785,000	\$1.20	February 2012
	325,000	\$1.20	June 2012
	150,000	\$1.20	October 2012
	813,000	\$0.65	March 1, 2013
	133,333	\$0.10	December 3, 2013
	4,963,334	\$0.10	January 6, 2014
	760,000	\$0.10	March 4, 2014
Balance March 31, 2009	9,684,667	\$0.41	
Cancelled & Expired Options	(100,000)	\$0.40	March 31, 2010
	(100,000)	\$0.75	January 19, 2011
	(925,000)	\$0.75	January 1, 2011
	(200,000)	\$0.75	January 1, 2011
	(100,000)	\$1.20	February 12, 2012
	(100,000)	\$1.20	February 12, 2012
	(500,000)	\$1.20	February 12, 2012
	(135,000)	\$1.20	June 12, 2012
	(300,000)	\$0.65	March 1, 2013
	(50,000)	\$0.65	March 1, 2013
	(50,000)	\$0.65	March 1, 2013
	(133,000)	\$0.10	January 6, 2014
Balance May 27, 2009	6,991,667	\$0.25	

WARRANTS OUTSTANDING (as of May 27, 2009)

As part of the Rancho Hermoso debt financing, 10,000,000 warrants were issued to the lender on August 29, 2008 at an exercise price of C\$0.80 per share. The warrants have a mandatory exercise clause in which they must be exercised if the closing price of Canacol's shares exceeds C\$0.95 per share for 60 consecutive trading days. These warrants replaced the 3,500,000 warrants (at an exercise price of US\$2.00 per common share) which were previously issued in conjunction with the Corporation entering into the W. Washington reserves based revolving credit facility.

Warrants Outstanding			
	Number	Exercise Price	Expiry Date
	1,505,000	\$1.20	January 8, 2009
	10,000,000	\$0.80	August 29, 2013
Warrants Outstanding at March 31, 2009	11,505,000	\$0.85	4.31 years
Expired Warrants	(1,505,000)	\$1.20	January 8, 2009
Warrants Outstanding at May 27, 2009	10,000,000	\$0.80	

The 1,505,000 warrants at \$1.20 per common share expired unexercised on January 8, 2009.

RISK FACTORS

The Corporation is subject to several risk factors including, but not limited to: the volatility of oil and natural gas prices; foreign exchange and currency risks; general risks related to foreign operations such as political, economic, regulatory and other uncertainties as they relate to both foreign investment policies and energy policies; governments exercising from time to time significant influence on the economy to control inflation; developing environmental regulations in foreign jurisdictions; discovery of new oil and natural gas reserves; concentration of oil sales receipts with a few major customers; that the Corporation anticipates substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the long-term for which it may require additional financings to implement its business plan; and a risk that all of the Corporation's financing is with one lender.

The debt covenants relating to the Corporation's Rancho Hermoso reserves based revolving line credit facility do not take effect until periods occurring on or after March 31, 2009. There is, however, a risk that the Corporation will not be able to meet its debt covenants in upcoming periods. Failure to meet the debt covenants could, at the discretion of the lender, constitute an event of default giving the lender the right to demand repayment of some, or all, of the loan. As of the date of this document, Management does not feel that it is likely that the Corporation will be able to achieve all of covenants. Management is reviewing the situation with the lender and may need to request a waiver from the lender or address any deficiencies as required by the lender if it cannot meet the covenant requirements. As of the date of this document, the Corporation remains in compliance with the remaining non-financial covenants of the loan.

The lender of the W. Washington reserves based revolving line credit facility has reduced the maximum draw on the facility from US\$7,100 (net US\$3,373) to US\$4,000 (net US\$1,900). The Corporation, and its joint venture partner W. Washington, have received a notice of an Event of Default from the lender. The Corporation has remedied the default on the senior credit agreement in Brazil with the lender resulting in the elimination of the Corporation's debt facility in Brazil. The Corporation paid approximately US\$3,300 (47.5%) of the outstanding US\$7,100 and W. Washington was liable for the remaining 52.5%. As at the date of these financial statements this amount has been paid in full. In connection with the repayment of the Brazilian Facility, the Corporation debt on its senior loan facility with the lender in Colombia increased by \$3,500.

As the Corporation has continue working capital deficiency and history of recurring losses as at March 31, 2009, there is a risk regarding the Corporation's ability to continue as a going concern. These accompanying statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Corporation may not be able to continue in business and therefore be unable to realize its assets and discharge its liabilities in the normal course of business. Such adjustments could be material.

As the Corporation has not experienced sufficient positive cash flow from operations to independently finance its growth and operations, it has been reliant on access to growth capital in the form of both debt and equity to fund on-going operations and to fund capital investments. The current state of the financial and capital markets severely limits the ability of the Corporation to access capital and there can be no guarantee the Corporation will be able to successfully attract the required investment capital as it has in the past.

The Corporation is exposed to foreign exchange and currency risk as a result of fluctuations in exchange rates through its cash deposits and investments denominated in the Colombian Peso (COP\$), the Brazil Real (BRL\$), and United States dollar (US\$) as well as its debt balances which are denominated in US\$. At March 31, 2009, the Corporation held \$1,152 (BRL 2,105) on deposit in Brazilian currency (June 30, 2008 - \$2,064 (BRL 3,234) and \$107 (COP\$ 217,097) on deposit in Colombian Pesos (June 30, 2008 - \$Nil (COP \$ Nil)) and \$415 (US\$ 330) on deposit in US dollar (June 30, 2008 - \$6,957 (US\$ 6,830)). As at March 31, 2009, the Corporation had \$21,607 (US\$17,145) in US dollar denominated debt outstanding (June 30, 2008 - \$4,354 (US\$ 69,275)) in connection with its debt facilities with the lender.

Much of the Corporation's revenue and exploration and development costs are expected to be received/paid in or by reference to US\$ denominated prices while a significant portion of its operating and general and administrative costs are denominated in Canadian dollars (C\$), the BRL\$, and the COP\$. As a result of the current global financial crisis, the Brazilian Real has seen significant devaluation against the US\$ during 2008 and is continues to have significant daily fluctuations making this particular currency risk more acute. The Corporation has not entered into currency derivatives for its continuing operations in order to hedge its exposure to fluctuations between the US dollar, Colombian Peso, or the Brazilian Real.

The Corporation's debt facilities are based on a LIBOR plus applicable spread. As such, the Corporation is subject to changes in the LIBOR interest rates. Although central bank government interest rates have declined, the Corporation has not seen significant declines in its borrowing costs as LIBOR spreads have increased over government rates as a result of the credit crisis. The Corporation will continue to be subject to interest rate volatility associated with LIBOR based credit facility.

Fluctuations in energy prices will not only impact the revenues of the Corporation but may also affect lending policies of the Corporation's lenders for existing and new borrowings. Crude oil prices are correlated with overall global economic growth and activity. The current weak global economic environment has resulted in a significant decline in crude oil prices over the last six months. The dramatic drop in crude oil prices will also have a negative impact on the profitability of the Corporation which in turn will impact the operational cash flows of the Corporation as well as its ability to finance capital expenditures. This in turn could limit growth prospects over the short run or may even require the Corporation to dedicate cash flow, dispose of assets, or raise new equity to reduce bank borrowings as discussed further in the Liquidity and Capital Resources section.

In conjunction with the reserves based revolving credit facilities, the Corporation entered into one oil price financial derivative collar with the following terms.

WTI crude oil financial option collar:

Period	Volume	Type	Price Range
Jan – Dec 2009	185 bbl/d	Financial WTI Oil Collar	US\$55.00 - US\$80.25
Jan – Dec 2010	140 bbl/d	Financial WTI Oil Collar	US\$55.00 - US\$80.25
Jan – Aug 2011	114 bbl/d	Financial WTI Oil Collar	US\$55.00 - US\$80.25

The fair value of these transactions is based upon the estimated amounts that would have been paid to or received from counter parties in order to settle the transactions outstanding with reference to the forward prices as of the reporting date. The contracts have been transacted with a counter party with whom management has assessed credit risk and deemed no adjustment for credit risk is required in determining the estimated settlement price. In addition, the contracts are based on standard industry contracts and the Corporation does not feel that there is a liquidity risk associated with them and no adjustment has been recorded in computing their valuation. While hedging activities may have opportunity costs when realized prices exceed hedged pricing, such transactions are not meant to be speculative and are considered within

the broader framework of financial stability and flexibility. Management continuously reviews the need to utilize such techniques.

On March 12, 2009, the Corporation sold its Financial Brent oil collar entered into with its joint venture partner on June 29, 2007 for net proceeds of US\$313. The gross proceeds of US\$604 (net US\$287) were used to reduce the outstanding credit facility of US\$7,100 (net US\$3,373) with Standard Bank.

The Corporation has one major lender, Standard Bank Plc. As such the Corporation, remains exposed to risks related to the health and viability of its lender in the current difficult financial markets, and is exposed to the risk of reduction of this lender's appetite for the risks and exposures associated with financing junior international company operations.

The Corporation attempts to mitigate its business and operational risk exposures by maintaining comprehensive insurance coverage on its assets and operations, by employing or contracting competent technicians and professionals, by instituting and maintaining operational health, safety and environmental standards and procedures and by maintaining a prudent approach to exploration and development activities. The company also addresses and regularly reports on the impact of risks to its shareholders, writing down the carrying values of assets that may not be recoverable.

CRITICAL ACCOUNTING ESTIMATES

Canacol's significant accounting policies are contained in Note 2 to the Audited Consolidated Financial Statements for the year ended June 30, 2008. The accounting policies applied by the Corporation remain consistent with those in outlined in the audited statements for the year ended June 30, 2008. In addition to these, the following new accounting policies were adopted by the Corporation upon the acquisition of Canacol Energy Inc. on October 30, 2008. These policies are in addition to significant accounting policies outlined in the audited annual consolidated financial statements for the year ended June 30, 2008.

Currency translation

The accounts of the self-sustaining Colombian subsidiaries are translated using the current rate method, whereby assets and liabilities are translated at the period-end exchange rates and revenues and expenses are translated using average period exchange rates. Translation gains and losses relating to the self-sustaining operations are included as part of accumulated other comprehensive income. The Corporation continues to use the temporal method to translate the operations of its Brazilian subsidiaries as detailed in the Corporation's June 30, 2008 consolidated financial statements.

Revenue recognition

The Corporation receives tariff revenue under a risk service contract with Ecopetrol in which a tariff price per barrel of tariff oil production is paid to the Corporation. Ecopetrol is a Mixed Economy Company, with a commercial orientation, organized as an "Anonymous Society" (equivalent to a Corporation), under the Ministry of Mines and governed by the Social Statutes. Ecopetrol S.A. carries out hydrocarbon exploration, production, and transportation activities in Colombia both directly and through participation agreements with other companies operating in Colombia. The Corporation recognizes revenue based on production of tariff oil and collection is reasonably assured.

All contracts that Rancho Hermoso S.A. ("RSHA") has signed with Ecopetrol are "risk contracts" because RSHA makes all investments and is in charge of producing at its own cost and risk. RSHA takes the risk regardless of the outcome. However, there are differences depending how the contract rewards RSHA. There are two cases:

In the case of Mirador in the RSHA field, it is a service contract because all of the crude belongs to Ecopetrol and RSHA gets paid through a tariff per barrel. RSHA provides the service for oil production. This is referred to as a Risk Service Contract.

In the other cases (such as Ubaque in Rancho Hermoso and all formations in Entrerrios), the contract is a participation contract because RSHA is entitled to a proportion of the production. Therefore, RSHA gets paid its share of the oil production sold in the market. This is referred to as a Risk Participation Contract.

Exploration contracts refer to activities that the corporation performs to determine the existence and location of hydrocarbons in the subsurface, including but not limited to geophysical and geochemical methods, and other operations to determine whether the discovery is a commercial field.

With regards to the Corporation's accounting policies, certain policies are recognized as critical because in applying these policies management is required to make judgments, assumptions, and estimates that have a significant impact on the financial results of the Corporation. The estimates used in applying these critical accounting policies are regularly reviewed and have been discussed with the Audit Committee. These policies include:

Income taxes

The Corporation uses the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are based on the differences between asset and liability balances reported for financial accounting purposes and those reported for income tax. Future income tax assets and liabilities are measured using the substantively enacted tax rates expected to apply in the years in which the temporary differences are expected to be recovered or settled. Future income tax assets are recognized to the extent that they are more likely than not to be realized.

Property, plant, and equipment

Depletion and depreciation

Petroleum and natural gas properties are recorded in accordance with the Canadian Institute of Chartered Accountants' guideline on full cost accounting for the oil and gas industry whereby all costs relating to the exploration and development of petroleum and natural gas reserves are capitalized on a country-by-country basis. Such costs include land acquisition costs, geological and geophysical costs, costs of drilling both productive and non-productive wells, production equipment, and overhead charges directly related to acquisition, exploration, and development activities. Gains or losses on disposal of properties are recognized only when crediting the proceeds to the recorded costs would result in a change of 20% or more in the depletion and depreciation rate.

Ceiling test and unproved properties

An impairment loss is recognized in net earnings when the carrying amount of a cost centre of petroleum and natural gas assets and properties is not recoverable and the carrying amount of the cost centre exceeds its fair value. The carrying amount of the cost centre is tested for recoverability by determining if the carrying amount exceeds the sum of the undiscounted cash flows from proved reserves. If the sum of the cash flows is less than the carrying amount, the impairment loss is limited by the amount by which the carrying amount exceeds the sum of the fair value of the proved and probable reserves and the costs of unproved properties that are subject to a separate impairment test.

Certain costs related to unproved properties and major development projects are excluded from costs subject to depletion and depreciation until the earliest of a portion of the property becomes capable of production, development activity ceases, or impairment occurs. These properties are reviewed quarterly and are subject to a separate impairment test. Any impairment is transferred to the costs being depleted. If the properties are located in a cost centre where there is no reserve base, the impairment is charged directly to earnings.

Asset retirement obligations

The fair value of the estimated asset retirement obligations is recognized in the consolidated balance sheet in the period which the liability is identified and incurred and a reasonable estimate of the fair value can be made. The obligations recognized are the legal obligations of the Corporation to retire and perform site restoration on tangible long-lived assets such as well sites. The obligations are discounted to their present value using the Corporation's credit adjusted risk-free interest rate. The corresponding amount increases the carrying amount of the related asset. The liability is accreted over time for changes in the fair value of the liability through charges to accretion expense. The amounts capitalized to the related assets are amortized to earnings over the expected remaining life of the underlying resources using the unit of production method. Actual costs incurred upon settlement of the asset retirement obligations are charged against the obligation to the extent of the liability recorded.

Stock based compensation plan

The Corporation records compensation expense in the consolidated financial statements for stock options granted to employees, directors, and consultants using the fair value method. Fair values are determined using the Black-Scholes option pricing model with compensation costs recognized over their vesting period. Any consideration paid to the Corporation on the exercise of stock options, along with amounts previously credited to contributed surplus, is credited to share capital.

Financial instruments

The Corporation's financial assets and liabilities consist of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, convertible debentures, currency and commodity derivatives, and long-term debt. The fair value of these financial assets and liabilities approximates their carrying value, unless otherwise noted.

IMPACT OF NEW AND PROPOSED ACCOUNTING STANDARDS

Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs". Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning July 1, 2009. It establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company does not expect that the adoption of these new Sections will have a material impact on its consolidated financial statements.

Capital disclosures

On July 1, 2008, the Corporation applied CICA Section 1535, "Capital Disclosures". The main features of this section are to establish requirements for an entity to disclose qualitative information about its objectives, policies, and processes for managing capital, quantitative data about what it regards as capital, and whether it has complied with any externally imposed capital requirements and, if not, the consequences of such non-compliance.

Financial instruments

On July 1, 2008, the Corporation adopted two additional CICA Handbook requirements relating to financial instruments, section 3862 "Financial Instruments - Disclosures" and section 3863 "Financial Instruments - Presentations". The effect of these standards are incremental disclosures regarding the significance of financial instruments for the entity's financial position and performance, the nature, the extent, and management of risks to which the entity is exposed to arising from financial instruments.

Inventories

On July 1, 2008, the Corporation adopted section 3031 "Inventories". The adoption has had no impact on the Corporation.

Business combinations

In January 2009, the Accounting Standards Board ("AcSB") issued Section 1582, Business Combinations, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier application permitted. The Corporation plans to adopt this standard July 1, 2011 and do not expect the adoption of this statement to have a material impact on our results of operations or financial position.

Consolidated financial statements and Non-controlling interests

In January 2009, the AcSB issued Sections 1601, Consolidated Financial Statements, and 1602, Non-controlling Interests, which replaces existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier application permitted. The Corporation plans to adopt these standards effective July 1, 2011 and does not expect the adoption will have a material impact on our results of operations or financial position.

Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs". Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning July 1, 2009. It establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062.

International Financial Reporting Standards (IFRS)

On February 13, 2008, the Accounting Standards Board ("AcSB") confirmed that effective for interim and annual financial statements related to fiscal years beginning on or after January 1, 2011, International Financial Reporting Standards (IFRS) will replace Canada's current Generally Accepted Accounting Principles for all publicly accountable profit oriented enterprises. The Corporation has initiated a preliminary assessment on the potential impacts of IFRS on the Corporation's financial statements and disclosure requirements. At this time, the Corporation has not fully completed its assessment. It is likely that the Corporation will likely need to make some modifications to its internal controls over financial reporting and may require additional staffing resources to assist with the transition and implementation of IFRS reporting. To date, the Corporation has not yet completed its assessment with respect to the potential impact to its accounting policies or the potential impact to its financial statements.

MAINTENANCE OF DISCLOSURE CONTROLS AND PROCEDURES (DC&P) AND INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Management and the Board of Directors are committed to the promotion of investor confidence by ensuring that trading in the Corporation's securities takes place in an efficient, competitive, and informed market. In accordance with the continuous disclosure requirements under the securities commission rules and TSX Venture Exchange policies, the Corporation has adopted a Corporate Disclosure Policy and has procedures in place to ensure that any sensitive information is identified, reviewed by management, and disclosed in a timely manner to the regulatory authorities, shareholders, and the public.

However, in contrast to the requirements under Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (MI 52-109), the Corporation has opted out under the rules afforded to TSX Venture issuers and Management and the Board do not make any representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in MI 52-109. In particular, Management and the Board are not making any representations relating to the establishment and maintenance of:

- i) Controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) A process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

In addition, Management and the Board would also like to highlight that the Corporation has identified certain weaknesses in ICFR specific to the Corporation which are:

- i) Due to the limited number of staff, it is not possible to achieve segregation of all duties; and
- ii) Due to the limited number of staff, the Corporation has a risk of material misstatement related to non-routine complex accounting matters that may arise.

These weaknesses essentially arise because of the small size of the Corporation and its corresponding small accounting staff. Management and the board of directors have attempted to mitigate the risk of material misstatement in financial reporting related to segregation of duties through a combination of extensive and detailed review by the CFO of the financial reports, the integrity and reputation of senior financial and accounting personnel, and the candid discussion of this risk with our external advisors. The Corporation also employs outside consultants and accounting firms to assist with complex accounting and technical issues. In spite of management's best efforts, there can be no assurance that these risks can be reduced to less than a remote likelihood of a material misstatement.

ADDITIONAL INFORMATION

Additional information relating to the Corporation's regulatory filings can be found on SEDAR at www.sedar.com.

Corporate Information

Management Team

Charle Gamba – President & Chief Executive Officer

Mark Holliday – Chief Operating Officer

Mark Teare – Vice President Exploration

Brian Hearst – Chief Financial Officer

Board of Directors

Luis Baena

Alvaro Barrera

Jason Bednar

Charle Gamba

Stuart Hensman

Michael Hibberd

David Winter

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Auditors

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Bankers

HSBC Bank Canada – Calgary, Canada

HSBC Bank Brasil - Rio de Janeiro, Brazil

Banco de Credito, Bogota, Colombia

Independent Reserve Engineers

DeGolyer and MacNaughton Canada Limited

Ryder Scott Company LP

Legal Counsel

Davis & Company LLP - Canada

Heenan Blaikie LLP - Canada

Schmidt, Valois, Miranda, Ferreira & Agel – Brazil

Gamboa Chalela, Salazar Abogados - Colombia

Stock Exchange Listing

TSX Venture Exchange: CNE

Transfer Agent & Registrar

Olympia Trust Company

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