CANACOL ENERGY LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE MONTHS ENDED SEPTEMBER 30, 2015

FINANCIAL & OPERATING HIGHLIGHTS

(in United States dollars (tabular amounts in thousands) except as otherwise noted)

Financial	Three months ended September 30,		
	2015	2014	Change
Petroleum and natural gas revenues, net of royalties	**21,958**	58,917	(63%)
Adjusted petroleum and natural gas revenues, net of royalties, including revenues related to the Ecuador IPC [(2)]	**29,899**	67,356	(56%)
Cash provided by operating activities	**14,302**	45,618	(69%)
Per share – basic ($)	**0.11**	0.42	(72%)
Per share – diluted ($)	**0.11**	0.42	(72%)
Adjusted funds from operations [(1)] [(2)]	**15,218**	37,162	(59%)
Per share – basic ($)	**0.12**	0.34	(65%)
Per share – diluted ($)	**0.12**	0.34	(65%)
Net income (loss)	**(19,029)**	14,110	n/a
Per share – basic ($)	**(0.15)**	0.13	n/a
Per share – diluted ($)	**(0.15)**	0.13	n/a
Capital expenditures, net, including acquisitions	**22,299**	47,522	(53%)
Adjusted capital expenditures, net, including acquisitions and capital expenditures related to the Ecuador IPC [(1)(2)]	**26,080**	56,209	(54%)
	September 30, 2015	June 30, 2015	Change
Cash and cash equivalents	**48,493**	45,765	6%
Restricted cash	**61,316**	61,772	(1%)
Working capital surplus, excluding non-cash items [(1)]	**50,152**	62,883	(20%)
Bank debt	**247,639**	267,023	(7%)
Total assets	**672,628**	669,742	0%
Common shares, end of period (000's)	**140,926**	126,434	11%

Operating	Three months ended September 30,		
	2015	2014	Change
Petroleum and natural gas **production**, before royalties (boepd)			
Petroleum [(3)]	**6,983**	9,922	(30%)
Natural gas	**3,472**	3,334	4%
Total [(2)]	**10,455**	13,256	(21%)
Petroleum and natural gas **sales**, before royalties (boepd)			
Petroleum [(3)]	**7,272**	9,997	(27%)
Natural gas	**3,455**	3,311	4%
Total [(2)]	**10,727**	13,308	(19%)
Realized sales prices ($/boe)			
LLA-23 (oil)	**34.01**	83.97	(59%)
Esperanza (natural gas)	**26.61**	21.48	24%
Ecuador (tariff oil) [(2)]	**38.54**	38.54	-
Total [(2)]	**33.00**	60.15	(45%)
Operating netbacks ($/boe) [(1)]			
LLA-23 (oil)	**19.75**	54.03	(63%)
Esperanza (natural gas)	**22.54**	16.84	34%
Ecuador (tariff oil) [(2)]	**38.54**	38.54	-
Total [(2)]	**22.73**	37.70	(40%)

(1) Non-IFRS measure – see "Non-IFRS Measures" section within MD&A.
(2) Inclusive of amounts related to the Ecuador IPC – see "Non-IFRS Measures" section within MD&A.
(3) Includes tariff oil production and sales related to the Ecuador IPC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Canacol Energy Ltd. and its subsidiaries ("Canacol" or the "Corporation") are primarily engaged in petroleum and natural gas exploration and development activities in Colombia and Ecuador, with non-core activities in Peru. The Corporation's head office is located at 4500, 525 - 8th Avenue SW, Calgary, Alberta, T2P 1G1, Canada. The Corporation's shares are traded on the Toronto Stock Exchange (the "TSX") under the symbol CNE, the OTCQX in the United States of America under the symbol CNNEF, and the Bolsa de Valores de Colombia under the symbol CNEC.

Advisories

The following management's discussion and analysis ("MD&A") is dated November 9, 2015 and is the Corporation's explanation of its financial performance for the period covered by the financial statements along with an analysis of the Corporation's financial position. Comments relate to and should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Corporation for the three months ended September 30, 2015 and 2014 (the "financial statements"), and the audited consolidated financial statements and management's discussion and analysis for the year ended June 30, 2015. The financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", and all amounts herein are expressed in United States dollars, unless otherwise noted, and all tabular amounts are expressed in thousands of United States dollars, except per share amounts or as otherwise noted. Additional information for the Corporation, including the Annual Information Form, may be found on SEDAR at www.sedar.com.

Forward-Looking Statements *– 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 the ability to access sufficient capital from internal and external sources. In particular with respect to forward-looking comments in this MD&A, readers are cautioned that there can be no assurance that the Corporation will complete its planned capital projects on schedule or that petroleum and natural gas production will result from such capital projects, that additional natural gas sales contracts will be secured, that certain governments will not renegotiate tariff prices on certain fixed priced contracts during low oil price environment, or that hydrocarbon-based royalties assessed will remain consistent or that royalties will continue to be applied on a sliding-scale basis 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 therefrom.*

In addition to historical information, this 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; fluctuations in foreign currency exchange rates; the uncertainty of reserve estimates; changes in environmental and other regulations; and risks associated with oil and gas operations, many of which are beyond the control of the Corporation. Accordingly, there is no representation by the Corporation 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, the Corporation 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 the Corporation or persons acting on the Corporation'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.

***Non-IFRS Measures** – Due to the nature of the equity method of accounting the Corporation applies under IFRS 11 to its interest in the incremental production contract for the Libertador and Atacapi fields in Ecuador ("Ecuador IPC"), the Corporation does not record its proportionate share of revenues and expenditures as would be typical in oil and gas joint interest arrangements. Therefore, within this MD&A, management has provided supplemental measures of adjusted revenues and expenditures, which are inclusive of the Ecuador IPC, to supplement the IFRS disclosures of the Corporation's operations. Such supplemental measures should not be considered as an alternative to, or more meaningful than, the measures as determined in accordance with IFRS as an indicator of the Corporation's performance, and such measures may not be comparable to that reported by other companies.*

One of the benchmarks the Corporation uses to evaluate its performance is adjusted funds from operations. Adjusted funds from operations is a measure not defined in IFRS. It represents cash provided by operating activities before changes in non-cash working capital and decommissioning obligation expenditures, and includes the Corporation's proportionate interest of those items that would otherwise have contributed to funds from operations from the Ecuador IPC had it been accounted for under the proportionate consolidation method of accounting. The Corporation considers adjusted funds from operations a key measure as it demonstrates the ability of the business to generate the cash flow necessary to fund future growth through capital investment and to repay debt. Adjusted funds from operations should not be considered as an alternative to, or more meaningful than, cash provided by operating activities as determined in accordance with IFRS as an indicator of the Corporation's performance. The Corporation's determination of adjusted funds from operations may not be comparable to that reported by other companies. The Corporation also presents adjusted funds from operations per share, whereby per share amounts are calculated using weighted-average shares outstanding consistent with the calculation of earnings per share. The following table reconciles the Corporation's cash provided by operating activities to adjusted funds from operations:

	Three months ended September 30,	
	2015	2014
Cash provided by operating activities	**$ 14,302**	$ 45,618
Changes in non-cash working capital	**(7,025)**	(16,250)
Ecuador IPC revenue, net of current income taxes	**7,941**	7,794
Adjusted funds from operations	**$ 15,218**	$ 37,162

In addition to the above, management uses working capital and operating netback measures. Working capital is calculated as current assets less current liabilities, excluding non-cash items such as the current portion of commodity contracts, the current portion of convertible debentures, the current portion of warrants, and the current portion of any embedded derivatives asset/liability, and is used to evaluate the Corporation's financial leverage. Operating netback is a benchmark common in the oil and gas industry and is calculated as total petroleum and natural gas sales, less royalties, less production and transportation expenses, calculated on a per barrel equivalent ("boe") basis of sales volumes using a conversion. Operating netback is an important measure in evaluating operational performance as it demonstrates field level profitability relative to current commodity prices.

Working capital and operating netback as presented do not have any standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures for other entities.

The term "boe" is used in this MD&A. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of cubic feet of natural gas to barrels of oil equivalent is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In this MD&A we have expressed boe using the Colombian conversion standard of 5.7 Mcf: 1 bbl required by the Ministry of Mines and Energy of Colombia.

RESULTS OF OPERATIONS

For the three months ended September 30, 2015, the Corporation's production primarily consisted of crude oil and natural gas liquids from its Leono, Labrador, Pantro, Tigro and Maltes fields in the Llanos Basin in Colombia, natural gas from its Nelson and Palmer field in the Lower Magdalena Basin in Colombia, tariff oil from the Ecuador IPC, and, to a lesser extent, crude oil from its Rancho Hermoso, VMM-2 and Santa Isabel properties in Colombia.

The Esperanza block, located in the Lower Magdalena Basin in Colombia, produces dry natural gas for sale to local customers under long-term contracts. On July 13, 2015, the Corporation announced that the Autoridad Nacional de Licencias Ambientales has approved the environmental permit enabling Promigas S.A. E.S.P. ("Promigas") to commence construction necessary to increase capacity of the existing Jobo to Cartagena natural gas pipeline. This expansion allows Canacol to increase net gas production by an additional 65 million standard cubic feet per day ("MMscfpd") (11,400 boe per day ("boepd")). Canacol currently has under contract approximately 18 MMscfpd (3,158 boepd) of gas from the Nelson Field to a local ferronickel producer under a 10 year contract that expires in 2021. The existing Nelson, Palmer and Clarinete wells are expected to have sufficient productive capacity to deliver the contracted gas by the end of calendar 2015.

The Corporation, through a consortium, participates in an incremental production contract for the Libertador and Atacapi fields in Ecuador whereby the Corporation receives a tariff price of $38.54/bbl for each incremental barrel of oil produced over a pre-determined production base curve. Such incremental production volumes are reported as production in this MD&A. As further described above, as required under IFRS 11, the Ecuador IPC is being accounted for under the equity method of accounting versus the proportionate consolidation method of accounting. For purposes of this MD&A, management has provided supplemental measures for adjusted revenues and expenditures, which are inclusive of the Ecuador IPC, to supplement the IFRS disclosures of the Corporation's operations. During the quarter ended September 30, 2015, the Corporation and its joint venture operating partners completed the testing of the successful Secoya Oeste - A001 exploration well located adjacent to the producing Libertador and Atacapi light oil fields in the Oriente Basin of Ecuador. The well encountered 33 feet of net oil pay within the T, U, and basal Tena sandstone reservoirs. The Lower U sandstone reservoir tested at an average gross rate of 972 barrels of oil per day ("bopd") (243 bopd net) of 27° API oil with a 10% water cut over the course of a 50 hour test using a jet pump. The Upper U sandstone tested at an average gross rate of 326 bopd (82 bopd net) of 29° API oil with 8% water cut over the course of a 53 hour test using a jet pump.

Both gas sales from Esperanza (currently sold based on Guajira price index of $5.08/MMbtu or $28.96/boe) and tariff oil from Ecuador ($38.54/bbl), together comprising approximately 54% of production in the three months ended September 30, 2015, are insensitive to world oil prices, offering the Corporation a significant degree of protection from the effects of low benchmark oil prices. Despite the drop in crude oil average realized prices during the three months ended September 30, 2015, the Corporation's primary oil producing fields located on the LLA-23 block achieved a healthy operating netbacks as a result of cost-cutting initiatives such as centralizing the production, loading, and water disposal operations from the different fields within our LLA-23 block to the Pointer platform, and so reducing operating expenses, transportation expenses and water handling costs via reinjection.

Over the past two years the Corporation has made five key light oil discoveries on its LLA-23 block located in the Llanos basin, those being Labrador in December 2012, Leono in December 2013, Pantro in April 2014, Tigro in August 2014, and Maltes in January 2015. These discoveries are currently producing approximately 39% of the Corporation's current production. The Corporation is acquiring/interpreting 400 square kilometer 3D seismic program with the objective of firming up the portfolio of 12 currently identified exploration leads into prospects for drilling in 2016, pending a satisfactory oil price environment.

During the three months ended September 30, 2015, the Corporation drilled the first appraisal well, Clarinete-2, into the Clarinete discovery on the VIM-5 block. The Clarinete-2 well was spud on August 2, 2015, and had to be sidetracked on August 31, 2015 after becoming mechanically stuck in the shallow Porquero shales at a depth of approximately 4,300 feet, not having reached the primary Cienaga de Oro reservoir target at 5,967 feet. The Clarinete-2 ST reached total depth of 7,842 feet on September 16, 2015. The well encountered 127 feet of total net potential gas pay with an average porosity of 23% within the same two main reservoir intervals of the Cienaga de Oro sandstone that tested a combined rate of approximately 44 MMscfpd in the Clarinete-1 discovery well. The Clarinete-2 ST well has tested at a final gross rate of 25.6 MMscfpd (4,491 boepd) of dry gas with no water from the Cienaga de Oro sandstone reservoir, and at a final gross rate of 4.7 MMscfpd (825 boepd) of dry gas with 1 barrel of water from the overlying Tubara sandstone reservoir. Upon completion of production testing at Clarinete-2 ST, the drilling rig will

be mobilized to the Oboe-1 site, located approximately three kilometers north of the Clarinete-1 discovery well. Oboe-1 is anticipated to spud mid-November 2015 and will take approximately five to six weeks to drill and test.

For the three months ended September 30, 2015, the Corporation also had other crude oil production from its Rancho Hermoso, VMM-2 and Santa Isabel properties in Colombia. Rancho Hermoso is a mature field and its production and netbacks have become immaterial to the consolidated results overall. The Corporation's Rancho Hermoso, VMM-2 and Santa Isabel properties individually contributed only a minor amount to total production in the quarter ended September 30, 2015 and, therefore, they were aggregated into a single group for analysis purposes in this MD&A. These properties are susceptible to negative cash flows in a low oil price environment and the Corporation plans to shut-in any wells under its control that are uneconomic. As of September 30, 2015, all wells at the Capella and Rancho Hermoso field have been shut-in.

In addition to its producing fields, the Corporation has interests in a number of exploration blocks in Colombia and Peru.

Average Daily Petroleum and Natural Gas Production and Sales Volumes

Production and sales volumes in this MD&A are reported before royalties.

	Three months ended September 30,		
	2015	2014	Change
Production (boepd)			
LLA-23 (oil)	**4,112**	5,675	(28%)
Esperanza (gas)	**3,472**	3,334	4%
Ecuador (tariff oil)	**2,156**	2,273	(5%)
Other (oil and liquids)	**715**	1,974	(64%)
Total production	**10,455**	13,256	(21%)
Inventory movements and other	**272**	52	423%
Total sales	**10,727**	13,308	(19%)
Sales (boepd)			
LLA-23 (oil)	**4,301**	5,735	(25%)
Esperanza (gas)	**3,455**	3,311	4%
Ecuador (tariff oil)	**2,156**	2,273	(5%)
Other (oil and liquids)	**815**	1,989	(59%)
Total sales	**10,727**	13,308	(19%)

The overall decrease in production volumes in the three months ended September 30, 2015 compared to the same period in 2014 is primarily due to production declines from LLA-23 and Rancho Hermoso (which is included in "Other").

Petroleum and Natural Gas Revenues

	Three months ended September 30,		
	2015	2014	Change
LLA-23	**$ 13,459**	$ 44,304	(70%)
Esperanza	**8,459**	6,542	(29%)
Other	**3,009**	14,737	(80%)
Petroleum and natural gas revenues, before royalties	**24,927**	65,583	(62%)
Royalties	**(2,969)**	(6,666)	(55%)
Petroleum and natural gas revenues, after royalties, as reported	**21,958**	58,917	(63%)
Ecuador tariff and other revenues [(1)]	**7,941**	8,439	(6%)
Adjusted petroleum and natural gas revenues, after royalties [(1)]	**$ 29,899**	$ 67,356	(56%)

(1) Non-IFRS measure – inclusive of amounts related to the Ecuador IPC – see "Non-IFRS Measures" section above.

The decrease in adjusted petroleum and natural gas revenues in the three months ended September 30, 2015 compared to the same period in 2014 is primarily the result of the decreased overall sales of 19% by volume and the impact of lower realized average prices during the quarter as a result of declines in benchmark crude oil prices.

Average Benchmark and Realized Sales Prices

	Three months ended September 30,		
	2015	2014	Change
Brent ($/bbl)	**$ 50.44**	$ 101.90	(51%)
West Texas Intermediate ($/bbl)	**$ 46.65**	$ 97.87	(52%)
LLA-23 ($/bbl)	**$ 34.01**	$ 83.97	(59%)
Esperanza ($/boe)	**26.61**	21.48	24%
Ecuador ($/bbl)	**38.54**	38.54	-
Other ($/bbl)	**40.13**	80.54	(50%)
Average realized sales price ($/boe) (1)	**$ 33.00**	$ 60.15	(45%)

(1) Non-IFRS measure – inclusive of amounts related to the Ecuador IPC – see "Non-IFRS Measures" section above.

The decrease in average realized crude oil sales prices in the three months and year ended September 30, 2015 compared to the same periods in 2014 is due to decreased benchmark crude oil prices.

The increase in average realized natural gas sales prices in the three months ended September 30, 2015 compared to the same period in 2014 is due to the increase in the Guajira price in October 2014, from $3.97/MMbtu to $5.08/MMbtu, at which it remains.

The tariff price for Ecuador tariff oil production is fixed at $38.54/bbl.

Royalties

	Three months ended September 30,	
	2015	2014
LLA-23	**$ 2,068**	$ 4,908
Esperanza	**646**	562
Other	**255**	1,196
Total royalties	**$ 2,969**	$ 6,666

In Colombia, crude oil royalties are generally at a rate of 8% until net field production reaches 5,000 boepd, then increase on a sliding scale to 20% up to field production of 125,000 boepd. Crude oil royalties in Labrador and Rancho Hermoso are taken in kind. The Corporation's LLA-23 and VMM-2 blocks are subject to an additional x-factor royalty of 3% (effectively 2.76%). Crude oil royalties in LLA-23 and VMM-2 are calculated from crude oil revenue net of transportation expenses. The Corporation's Capella heavy oil field is subject to a 6% royalty. A $0.8 million prior period adjustment was included in the LLA-23 royalties during the three months ended September 30, 2015. There are no royalties on tariff production in Ecuador. Natural gas royalties are calculated from natural gas revenue, generally at a rate of 6.4%. In addition, the Corporation's natural gas production is subject to an additional overriding royalty of 2%.

Production and Transportation Expenses

Total production and transportation expenses were as follows:

	Three months ended September 30,		
	2015	2014	Change
Production expenses	**$ 6,417**	$ 18,236	(65%)
Transportation expenses	**746**	2,596	(71%)
Total production and transportation expenses	**$ 7,163**	$ 20,832	(66%)
$/boe	**$ 7.26**	$ 17.01	(57%)

An analysis of production expenses is provided below:

	Three months ended September 30,		
	2015	2014	Change

	2015	2014	Change
LLA-23	**$ 2,975**	$ 9,006	(67%)
Esperanza	**647**	854	(24%)
Other	**2,795**	8,376	(67%)
Total production expenses	**$ 6,417**	$ 18,236	(65%)
$/boe			
LLA-23	**$ 7.52**	**$** 17.07	(56%)
Esperanza	**$ 2.04**	**$** 2.80	(27%)
Total	**$ 6.50**	**$** 14.89	(56%)

Production expenses at LLA-23 decreased 67% in the three months ended September 30, 2015 compared to the same period in 2014. The decrease is primarily due to the Corporation's cost-cutting initiatives of centralizing the production, loading, and water disposal operations from the different fields within the LLA-23 block to the Pointer platform, lower renegotiated operating costs, and devaluation of the Colombian peso versus the United States dollar. Despite a 28% decrease in LLA-23 oil production year over year, the production expenses have dropped to $7.52/bbl, down 56% from the $17.07/bbl posted for the same period in 2014.

Production expenses at Esperanza decreased 24% in the three ended September 30, 2015 compared to the same period in 2014. The decrease is primarily due to the devaluation of the Colombian peso versus the United States dollar, offset by increased production.

In light of continued weakness in benchmark crude oil prices, the Corporation continues to focus its efforts on reducing production expenses in order to maintain profitability in its operations. The Corporation has successfully renegotiated some tariffs with its major service providers to reduce production expenses. Further, the Corporation has centralized its production, loading, and water disposal operations from the different fields within the LLA-23 block to the Pointer platform; by doing so reducing operating expenses, transportation expenses and water handling costs via reinjection. The Corporation will continue to monitor its non-operated fields at VMM-2 and Capella and work with the operators to optimize profitability. As of September 30, 2015, all wells at the Rancho Hermoso field and the Capella field have been shut-in.

The Corporation does not pay production expenses in Ecuador, and as such, its tariff price of $38.54 equals netback.

An analysis of transportation expenses is provided below:

	Three months ended September 30,		
	2015	2014	Change
LLA-23	**$ 599**	$ 1,885	(68%)
Other	**147**	711	(79%)
Total transportation expenses	**$ 746**	$ 2,596	(71%)
$/boe			
LLA-23	**$ 1.51**	$ 3.57	(58%)
Total	**$ 0.76**	$ 2.12	(64%)

Total transportation expenses have decreased by 71% in the three months ended September 30, 2015 compared to the same period in 2014 mainly due to lower transportation rates, decreased sales volumes, more delivery of crude oil at the field, and the devaluation of the Colombian peso versus the United States dollar. The Corporation does not pay transportation costs at Esperanza or in Ecuador.

Operating Netbacks

$/boe	Three months ended September 30, 2015	2014	Change
Petroleum and natural gas revenues	**$ 33.00**	$ 60.15	(45%)
Royalties	**(3.01)**	(5.44)	(45%)
Production and transportation expenses	**(7.26)**	(17.01)	(57%)
Operating netback [(1)]	**$ 22.73**	$ 37.70	(40%)

(1) Non-IFRS measure – inclusive of amounts related to the Ecuador IPC – see "Non-IFRS Measures" section above.

Operating netbacks by major production categories were as follows:

$/boe	Three months ended September 30, 2015	2014	Change
LLA-23			
Crude oil revenues	**$ 34.01**	$ 83.97	(59%)
Royalties	**(5.23)**	(9.30)	(44%)
Production and transportation expenses	**(9.03)**	(20.64)	(56%)
Operating netback	**$ 19.75**	$ 54.03	(63%)
Esperanza			
Natural gas revenues	**$ 26.61**	$ 21.48	24%
Royalties	**(2.03)**	(1.84)	10%
Production expenses	**(2.04)**	(2.80)	(27%)
Operating netback	**$ 22.54**	$ 16.84	34%
Ecuador			
Tariff revenues [(1)]	**$ 38.54**	$ 38.54	-
Operating netback [(1)]	**$ 38.54**	$ 38.54	-

(1) Revenues related to the Ecuador IPC are not included in Petroleum and Natural Gas Revenues as reported under IFRS – see "Non-IFRS Measures" section above.

General and Administrative Expenses

	Three months ended September 30, 2015	2014	Change
Gross costs	**$ 5,670**	$ 6,831	(17%)
Less: capitalized amounts	**(820)**	(933)	(12%)
General and administrative expenses	**$ 4,850**	$ 5,898	(18%)
$/boe	**$ 4.91**	$ 4.82	2%

Gross general and administrative expenses decreased by 17% in the three months ended September 30, 2015 compared to same period in 2014 primarily due to the Corporation's efforts to manage its general and administrative expenses in light of the recent weakness in benchmark crude oil prices and the devaluation of the Colombian peso versus the United States dollar.

Net Finance Income and Expense

	Three months ended September 30, 2015	2014	Change
Net financing expense paid	$ 5,098	$ 2,143	138%
Non-cash financing costs	1,085	1,245	(13%)
Net finance expense	**$ 6,183**	$ 3,388	82%

Net finance expense increased by 138% in the three months ended September 30, 2015 compared the same period in 2014 primarily due to increased interest and financing costs incurred on the $75 million Senior Note (2014 – $ nil). It is anticipated that finance expense will be marginally lower going forward as the Corporation pre-paid $20 million on its BNP Senior Secured Term Loan on September 30, 2015.

Stock-Based Compensation Expense

	Three months ended September 30, 2015	2014	Change
Gross costs	$ 1,989	$ 1,831	9%
Less: capitalized amounts	(383)	(563)	(32%)
Stock-based compensation expense	**$ 1,606**	$ 1,268	27%

Stock-based compensation expense is a non-cash expense that is based on the fair value of stock options granted. The fair value is calculated on grant date and amortized over the vesting period.

Restricted Share Units

	Number (000s)	Amount
Balance at June 30, 2015	158	$ 350
Granted	15	26
Unrealized gain	-	(15)
Foreign exchange gain	-	(23)
Balance at September 30, 2015	**173**	**$ 338**

Depletion and Depreciation Expense

	Three months ended September 30, 2015	2014	Change
Depletion and depreciation expense	$ 12,573	$ 19,493	(35%)
$/boe	$ 12.74	$ 15.92	(20%)

Depletion and depreciation expense decreased 35% in the three months ended September 30, 2015 compared to 2014 primarily as a result of the lower production during the quarter.

Income Tax Expense

	Three months ended September 30, 2015	2014
Current income tax expense	$ 2,812	$ 3,627
Deferred income tax expense (recovery)	3,522	(4,817)
Income tax expense (recovery)	**$ 6,334**	$ (1,190)

The Corporation's pre-tax income is subject to the Colombian statutory income tax rate of 39%.

Cash and Funds from Operations and Net Income (Loss)

	Three months ended September 30,		
	2015	2014	Change
Cash provided by operating activities	**$ 14,302**	$ 45,618	(69%)
Per share – basic	**$ 0.11**	$ 0.42	(74%)
Per share – diluted	**$ 0.11**	$ 0.42	(74%)
Adjusted funds from operations [(1)]	**$ 15,218**	$ 37,162	(59%)
Per share – basic	**$ 0.12**	$ 0.34	(65%)
Per share – diluted	**$ 0.12**	$ 0.34	(65%)
Net income (loss)	**$ (19,029)**	$ 14,110	n/a
Per share – basic	**$ (0.15)**	$ 0.13	n/a
Per share – diluted	**$ (0.15)**	$ 0.13	n/a

(1) Non-IFRS measure – inclusive of amounts related to the Ecuador IPC – see "Non-IFRS Measures" section above.

Capital Expenditures

	Three months ended September 30,	
	2015	2014
Drilling and completions	**$ 12,216**	$ 35,865
Facilities, work overs and infrastructure	**5,550**	5,376
Seismic, capitalized general and administrative expenses, capitalized borrowing costs and other non-cash costs[(2)]	**4,533**	6,281
Net capital expenditures	**22,299**	47,522
Ecuador	**3,781**	8,687
Adjusted net capital expenditures [(1)]	**$ 26,080**	$ 56,209
Net capital expenditures recorded as:		
Expenditures on exploration and evaluation assets	**$ 2,462**	$ 27,102
Expenditures on property, plant and equipment	**19,837**	20,420
Net capital expenditures	**$ 22,299**	$ 47,522

(1) Non-IFRS measure – inclusive of amounts related to the Ecuador IPC – see "Non-IFRS Measures" section above.
(2) Other non-cash costs include capitalized stock-based compensation and capitalized costs related to decommissioning liabilities.

Capital expenditures in the three months ended September 30, 2015 primarily related to:

- Recompletion and facilities costs at LLA-23;
- Drilling, facilities and infrastructure costs at Clarinete;
- Facilities and infrastructure costs at Esperanza;
- Drilling, completion and recompletion costs related to the Ecuador IPC (accounted for under the equity method of accounting); and
- Other capitalized costs

LIQUIDITY AND CAPITAL RESOURCES

Capital Management

The Corporation's policy is to maintain a strong capital base in order to provide flexibility in the future development of the business and maintain investor, creditor and market confidence. The Corporation manages its capital structure and makes adjustments in response to changes in economic conditions and the risk characteristics of the underlying assets. The Corporation considers its capital structure to include share capital, bank debt and working capital, defined as current assets less current liabilities, excluding non-cash items such as the current portion warrants. In order to maintain or adjust the capital structure, from time to time the Corporation may issue common shares or other securities, sell assets or adjust its capital spending to manage current and projected debt levels.

The Corporation monitors leverage and adjusts its capital structure based on the ratio of net debt to adjusted funds from operations. This ratio is calculated as net debt, defined as the principal amount of its total outstanding bank debt, less working capital, as defined above, divided by adjusted funds from operations. The Corporation uses the ratio of net debt to adjusted funds from operations as a key indicator of the Corporation's leverage and to monitor the strength of its financial position.

In order to facilitate the management of this ratio, the Corporation prepares annual budgets, which are updated as necessary depending on varying factors including current and forecast crude oil prices, changes in capital structure, execution of the Corporation's business plan and general industry conditions. The annual budget is approved by the Board of Directors and updates are prepared and reviewed as required.

Due to the weakness in crude oil prices over the past nine months and the resulting impact on cash flows, the Corporation's net debt leverage ratio has increased. The Corporation has taken steps to reduce capital spending and preserve liquidity which, at September 30, 2015, had left the Corporation with $48.5 million in cash and cash equivalents and a further $61.3 million in restricted cash. Subsequent to September 30, 2015, the Corporation received an additional C$44 million, as described in "Private Placement" below. In addition, at September 30, 2015, the Corporation had available an additional $25 million in committed Senior Notes that it can draw down at any time up to April 2016 at the sole discretion of the Corporation, subject to certain conditions. Additionally, to increase financial flexibility, in April 2015, the Corporation completed the refinancing of its CS Senior Secured Term Loan with the BNP Senior Secured Term Loan (see "Credit Facilities and Debt" section below) that pushed out amortization payments to December 31, 2017. Furthermore, the Corporation completed a private placement on September 3, 2015 for the amount of C$79 million (see "Private Placement" below for details) to further increase liquidity. While crude oil prices are expected to remain weak for the remainder of 2015, the higher than historical leverage ratio is considered temporary since significant new contracted gas deliveries are expected to commence shortly, thereby materially increasing revenues and funds from operations by the end of calendar 2015 and significantly reducing the net debt leverage ratio. In the meantime, the Corporation plans to maintain a prudent capital spending program and to focus on cost reductions to maximize profitability of the existing producing assets.

		September 30, 2015
Bank debt – principal	$	255,000
Working capital surplus		(50,152)
Net debt	$	204,848
Trailing 12 months adjusted funds from operations [(1)]	$	65,451
Net debt to trailing 12 months adjusted funds from operations		3.1

(1) Non-IFRS measure – inclusive of amounts related to the Ecuador IPC – see "Non-IFRS Measures" section above.

Private Placement

On September 3, 2015, the Corporation completed a private placement with Cavengas Holding S.R.L, a Barbados company ("Cavengas"), for the amount of C$78,975,000 consisting of the issuance of 17,590,000 subscription receipts issued at C$2.50 per subscription receipt of the Corporation (the "Subscription Receipts") and convertible into 17,590,000 common shares of the Corporation (the "Common Shares") upon certain Release Conditions (as such term is defined below), along with the issuance of 14,000,000 Common Shares at a price of C$2.50 per Common Share. The C$35,000,000 related to the 14,000,000 Common Shares was released to the Corporation on September 3, 2015. The gross proceeds from the sale of the Subscription Receipts were being held in escrow by an escrow agent

and invested in short term obligations issued or guaranteed by the Government of Canada (or other approved investments) pending satisfactory completion of the Release Conditions. The Release Conditions were satisfied on October 16, 2015 and as such, the 17,590,000 Subscription Receipts were converted into 17,590,000 Common Shares and the associated C$43,975,000 was released from escrow to the Corporation. The Corporation engaged an exclusive advisor for this transaction, and will pay a fee of 3.5%, payable entirely in Common Shares, for their services.

Under the terms of the investment agreement entered into as between the Corporation and Cavengas, Cavengas has the right to appoint two (2) nominees to the board of directors of the Corporation (the "Director Nominees") subject to maintaining certain ownership thresholds. The Subscription Receipt agreement entered into as between the Corporation, Cavengas and the escrow agent provides that the Subscription Receipts are convertible into Common Shares, on the basis of one (1) Subscription Receipt convertible into one (1) Common Share, upon the successful appointment of the Director Nominees to the board of directors of the Corporation, contingent upon the approval of the TSX (the "Release Conditions").

The Common Shares issued in connection with the private placement are subject to a four-month hold period until January 3, 2016. On September 30, 2015, the Corporation pre-paid $20 million on its BNP Senior Secured Term Loan, being approximately one-third (1/3) of the proceeds from the private placement. The remaining two-third (2/3) of the proceeds will be used for the Corporation's capital program and general corporate purposes.

Credit Facilities and Debt

Senior Secured Term Loan

On April 3, 2013, the Corporation entered into a credit agreement for a $140 million senior secured term loan with a syndicate of banks led by Credit Suisse ("CS Senior Secured Term Loan"). The CS Senior Secured Term Loan was for a five-year term, with interest payable quarterly and principal repayable in 15 equal quarterly installments starting in October 2014, following an initial 18 month grace period. The CS Senior Secured Term Loan carried interest at LIBOR plus 4.50% and was secured by all of the material assets of the Corporation.

On April 24, 2014, the Corporation completed an upsizing of its CS Senior Secured Term Loan, from $140 million to $220 million, with no changes to the terms of the CS Senior Secured Term Loan or the repayment schedule. The revised term loan carries interest at LIBOR plus 4.50-5.00%, depending on agreed leverage ratios, and is secured by all of the material assets of the Corporation.

On April 24, 2015, the CS Senior Secured Term Loan was settled for the principal amount outstanding on the settlement date of $176 million and was replaced with a new senior secured term loan with a syndicate of banks led by BNP Paribas ("BNP") for a principal amount of $200 million ("BNP Senior Secured Term Loan"). The BNP Senior Secured Term Loan is due September 30, 2019, with interest payable quarterly and principal repayable in eight equal quarterly installments starting on December 31, 2017, following an initial grace period. As such, the BNP Senior Secured Term Loan is classified as non-current as at September 30, 2015. The BNP Senior Secured Term Loan carries interest at LIBOR plus 4.75% and is secured by all of the material assets of the Corporation.

On September 30, 2015, the Corporation pre-paid $20 million on its BNP Senior Secured Term Loan, thus reducing the balance outstanding to $180 million. The carry value of the BNP Senior Secured Term Loan included $4.3 million of transaction costs netted against the principal amount as at September 30, 2015.

The BNP Senior Secured Term Loan includes various non-financial covenants relating to future acquisitions, indebtedness, operations, investments, capital expenditures and other standard operating business covenants. The BNP Senior Secured Term Loan also includes various financial covenants, including a maximum consolidated leverage ratio ("Consolidated Leverage Ratio") of 3.50:1.00, a minimum consolidated interest coverage ratio ("Consolidated Interest Coverage Ratio") of 2.50:1.00 and a minimum consolidated current assets to consolidated current liabilities ratio ("Consolidated Current Assets to Consolidated Current Liabilities Ratio") of 1.00:1.00.

The Consolidated Leverage Ratio is calculated on a quarterly basis as consolidated total debt ("Consolidated Total Debt") divided by consolidated EBITDAX ("Consolidated EBITDAX"). The maximum allowable Consolidated Leverage Ratio is 3.50:1.00. As at September 30, 2015, the Consolidated Leverage Ratio was 3.32:1.00. Consolidated Total Debt includes the principal amount of all indebtedness, which currently includes bank debt; additionally, restricted cash maintained in the debt service reserve account related to the BNP Senior Secured Term Loan is deductible against Consolidated Total Debt. Consolidated EBITDAX is calculated on a rolling 12-month basis and is defined as consolidated net income adjusted for interest, income taxes, depreciation, depletion, amortization, exploration expenses, share of joint venture profit/loss and other similar non-recurring or non-cash charges. Consolidated

EBITDAX is further adjusted for the contribution to adjusted funds from operations, before taxes, of the results of the Ecuador IPC. The purpose of including this last amount is to capture the funds from operations of the Corporation's joint venture in Ecuador into the calculation as it is accounted for on an equity consolidation basis in the Corporation's consolidated financial statements. Consolidated Total Debt and Consolidated EBITDAX are calculated as follows:

Consolidated Total Debt		**September 30, 2015**
Bank debt (current and long-term) – principal	$	255,000
Debt service reserve account balance		(3,000)
Consolidated Total Debt	$	252,000

Consolidated EBITDAX	**Q2 2015**	**Q3 2015**	**Q4 2015**	**Q1 2016**	**Rolling**
Consolidated net income (loss)	(45,970)	(15,638)	(58,524)	(19,029)	(139,161)
(+) Interest expense	6,137	5,672	14,122	6,250	32,181
(+/-) Income taxes (recovery)	3,477	7,116	(1,936)	6,334	14,991
(+) Wealth taxes	-	1,519	(18)	-	1,501
(+) Depletion and depreciation	16,818	12,289	12,662	12,573	54,342
(+) Exploration expenses	4,310	98	19	52	4,479
(-) Share of joint venture profit	(1,479)	(675)	(208)	135	(2,227)
(+/-) Other non-cash expenses (income) and non-recurring items	30,701	(1,129)	47,570	4,361	81,503
(+) Contribution of Ecuador IPC	7,474	6,382	6,595	7,941	28,392
Consolidated EBITDAX	21,468	15,634	20,282	18,617	76,001

Consolidated Leverage Ratio		**September 30, 2015**
Consolidated Total Debt	$	252,000
Consolidated EBITDAX		76,001
Consolidated Leverage Ratio		3.32

The Consolidated Interest Coverage Ratio is calculated on a quarterly basis as Consolidated EBITDAX divided by consolidated interest expense ("Consolidated Interest Expense"). The minimum Consolidated Interest Coverage Ratio required is 2.50:1.00. Consolidated EBITDAX is calculated on a rolling 12-month basis as described in the above paragraph. Consolidated Interest Expense is calculated on a rolling 12-month basis and includes interest expense and capitalized interest, net of interest income, and excludes any non-cash interest charges.

Consolidated Interest Coverage Ratio		**September 30, 2015**
Interest expense	$	22,320
Capitalized interest		1,238
Interest income		(2,606)
Consolidated Interest Expense	$	20,952
Consolidated EBITDAX	$	76,001
Consolidated Interest Coverage Ratio		3.63

The Consolidated Current Assets to Consolidated Current Liabilities Ratio is calculated on a quarterly basis as consolidated current assets divided by consolidated current liabilities, excluding the current portion of any long-term indebtedness and any non-cash current assets and non-cash current liabilities. The minimum Consolidated Current Assets to Consolidated Current Liabilities Ratio required is 1.00:1.00.

The Corporation was in compliance with its covenants as at September 30, 2015.

Senior Notes

On October 29, 2014, the Corporation entered into the $100 million unsecured floating rate senior note indenture agreement with Apollo Investment Corporation ("Senior Notes"), with $50 million drawn and funded on October 29, 2014, $25 million drawn and funded on April 2, 2015, and a further $25 million committed and available to be drawn at any time up to April 2016 at the sole discretion of the Corporation, subject to certain conditions. The Senior Notes are repayable in full on their maturity date of December 31, 2019 and carry interest at LIBOR plus 8.5% per annum (subject to a LIBOR floor of 1.00%), payable quarterly. The Senior Notes may be repaid at any time prior to maturity (subject to BNP's approval) and are subject to customary financial, performance and legal covenants which are consistent with the covenants under the BNP Senior Secured Term Loan. Standby fees on the undrawn portion of the Senior Notes are calculated at 1% per annum. The carrying value of the Senior Notes included $3.1 million of transaction costs netted against the principal amount as at September 30, 2015.

Other Colombian Credit Facilities

The Corporation has revolving lines of credit in place in Colombia with an aggregate borrowing base of $40.3 million (COP$ 125.9 billion). These lines of credit have interest rates ranging from 6% to 9% and are unsecured. The facilities were undrawn as at September 30, 2015.

Letters of Credit

At September 30, 2015, the Corporation had letters of credit outstanding totaling $65.8 million to guarantee work commitments on exploration blocks and to guarantee other contractual commitments. The total of these letters of credit, net of amounts counter-guaranteed by other financial institutions, reduce the amounts available under the Colombian revolving lines of credit by $35.8 million.

Share Capital

At November 9, 2015, the Corporation had 159.2 million common shares, 0.3 million warrants, 12.3 million stock options, and 0.1 million cash-settled restricted share units outstanding.

Contractual Obligations

The following table provides a summary of the Corporation's cash requirements to meet its financial liabilities and contractual obligations existing at September 30, 2015:

	Less than 1 year	1-3 years	Thereafter	Total
Bank debt – principal	$ -	$ 90,000	$ 165,000	$ 255,000
Trade and other payables	16,343	-	-	16,343
Crude oil payable in kind	1,237	-	-	1,237
Taxes payable	7,749	-	-	7,749
Deferred income	5,751	-	3,731	9,482
Other long term obligations	-	-	3,102	3,102
Warrants	2	-	-	2
Restricted share units	314	24	-	338
Exploration and production contracts	55,773	29,579	-	85,352
Office leases	828	1,406	2,203	4,437

Exploration and Production Contracts

The Corporation has entered into a number of exploration contracts in Colombia and Peru which require the Corporation to fulfill work program commitments and issue financial guarantees related thereto. In aggregate, the Corporation has outstanding exploration commitments at September 30, 2015 of $85.4 million and has issued $52.0 million in financial guarantees related thereto. These commitments are planned to be satisfied by means of seismic work, exploration drilling and farm-outs.

Oleoducto Bicentenario de Colombia ("OBC") Pipeline

The Corporation owns a 0.5% interest in OBC, which owns a pipeline system that will link Llanos basin oil production to the Cano Limon oil pipeline system. Under the terms of the OBC agreement, the Corporation may be required to provide financial support or guarantees for its proportionate equity interest in any future debt financings undertaken by OBC. The Corporation has also entered into ship-or-pay arrangements with OBC to guarantee pipeline revenues.

Ecuador Incremental Production Contract

In addition to the contractual obligations described above, the Corporation has a non-operated 25% equity participation interest (27.9% capital participation interest) in a joint-venture consortium which in 2012 was awarded an incremental production contract for the Libertador and Atacapi mature oil fields in Ecuador. The consortium plans to incur project expenditures estimated for a total of $397 million ($107.6 million net to the Corporation) over the 15 year term of the contract. As at September 30, 2015, the Corporation had incurred a net $82.6 million of capital expenditures in connection with its Ecuador IPC commitment. It is anticipated that cash flows from the Ecuador IPC is sufficient to sustain envisioned future capital development.

OUTLOOK

The three months ended September 30, 2015 was a very strong quarter for Canacol, both operationally and financially. Operationally, we confirmed our significant gas discovery at Clarinete via a step out well with 127 feet of net gas pay, and flow rates in excess of 30 MMscfpd. We also had an oil discovery in our Ecuador joint venture and decreased our Colombian LLA-23 production costs to less than half of what they were a year ago on a per boe basis. Financially, we arranged a C$79 million investment from our new strategic investor Cavengas, as well as prepaying $20 million on our debt facilities, both ensuring the Corporation remains in a very strong financial position to develop its substantial natural gas portfolio.

Canacol is also pleased to report that it has recently signed new gas sales contracts, bringing the new total 2016 maximum contracted gas to 90 MMscfpd upon the completion of the previously announced Promigas pipeline. The anticipated average contracted gas sales volumes for 2016 is now approximately 81 MMscfpd, as adjusted by the Promigas pipeline schedule discussed below. The average price of the 2016 natural gas sales contracts has now increased to approximately US$5.50/Mcf. The Corporation is seeing very strong demand for its natural gas in light of declining existing production in the region, as well as increasing thermo-electric growth at least partially driven by current El Nino conditions in the region.

The Corporation has also been informed by Promigas S.A. E.S.P. that due to operational delays in the expansion of the transportation capacity of the gas pipeline between Jobo and Cartagena, the new pipeline will begin operations with an additional capacity of 19 MMscfpd by December 30, 2015, total additional capacity of 50 MMscfpd by January 30, 2016, and total additional capacity of 65 MMscfpd by mid-February 2016. The Corporation's current and continuing production of approximately 25 MMscfpd will not be affected by the delays related to the pipeline expansion, as this gas is sold via a separate pipeline. The Jobo gas processing plant expansion and Clarinete field tie-in remain on schedule to be completed prior to the end of November, and the Oboe-1 well is currently scheduled to spud mid-November following the completion of rig maintenance.

SUMMARY OF QUARTERLY RESULTS

	2016	2015				2014		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Financial								
Petroleum and natural gas revenues, net of royalties	**21,958**	27,297	26,429	36,404	58,917	61,744	55,653	42,168
Adjusted petroleum and natural gas revenues, net of royalties, including revenues relate to the Ecuador IPC (1)	**29,899**	33,892	32,811	43,878	67,356	68,975	62,437	47,101
Cash provided by operating activities	**14,302**	(10,905)	(2,011)	31,743	45,618	8,715	13,099	36,406
Per share – basic	**0.11**	(0.09)	(0.02)	0.29	0.42	0.09	0.15	0.42
Per share – diluted	**0.11**	(0.09)	(0.02)	0.29	0.42	0.09	0.15	0.41
Adjusted funds from operations (1)	**15,218**	16,359	10,922	22,952	37,162	23,995	33,161	16,713
Per share – basic (1)	**0.12**	0.14	0.10	0.21	0.34	0.25	0.37	0.19
Per share – diluted (1)	**0.12**	0.14	0.10	0.21	0.34	0.24	0.36	0.19
Net income (loss)	**(19,029)**	(58,524)	(15,638)	(45,970)	14,110	(2,070)	19,438	(10,412)
Per share – basic	**(0.15)**	(0.50)	(0.14)	(0.43)	0.13	(0.02)	0.22	(0.12)
Per share – diluted	**(0.15)**	(0.50)	(0.14)	(0.43)	0.13	(0.02)	0.21	(0.12)
Capital expenditures, net	**22,299**	25,310	62,482	78,403	47,522	77,093	35,915	22,749
Adjusted capital expenditures, net, including capital expenditures related to the Ecuador IPC (1)	**26,080**	27,268	68,778	87,228	56,209	87,584	44,103	32,679
Operations (boepd)								
Petroleum and natural gas **production**, before royalties								
Petroleum (2)	**6,983**	6,007	7,448	8,586	9,922	9,271	8,260	6,998
Natural gas	**3,472**	3,954	3,502	3,236	3,334	2,941	2,633	3,097
Total (2)	**10,455**	9,961	10,950	11,822	13,256	12,212	10,893	10,095
Petroleum and natural gas **sales**, before royalties								
Petroleum (2)	**7,272**	6,192	7,636	8,187	9,997	9,386	8,792	5,868
Natural gas	**3,455**	4,064	3,462	3,216	3,311	2,937	2,626	2,953
Total (2)	**10,727**	10,256	11,098	11,403	13,308	12,323	11,418	8,821

(1) Non-IFRS measure – inclusive of amounts related to the Ecuador IPC – see "Non-IFRS Measures" section above.
(2) Includes tariff oil production related to the Ecuador IPC.

RISKS AND UNCERTAINTIES

There have been no significant changes in the three months ended September 30, 2015 to the risks and uncertainties as identified in the MD&A for the year ended June 30, 2015.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Corporation's management made judgements, assumptions and estimates in the preparation of the financial statements. Actual results may differ from those estimates, and those differences may be material. The basis of presentation and the Corporation's significant accounting policies can be found in the notes to the financial statements.

CHANGES IN ACCOUNTING POLICIES

The Corporation is currently reviewing a number of new and revised IFRSs that have been issued but are not yet effective. Detailed discussions of new accounting policies that may affect the Corporation are provided in the unaudited interim condensed consolidated financial statements of the Corporation as at and for the three months ended September 30, 2015 and the audited consolidated financial statements as at and for the year ended June 30, 2015.

REGULATORY POLICIES

Disclosure Controls and Procedures

Disclosure Controls and Procedures ("DC&P") are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management so that appropriate decisions can be made regarding public disclosure. The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), along with other members of management, have designed, or caused to be designed, under the CEO and CFO's supervision, disclosure controls and procedures and established processes to ensure that they are provided with sufficient knowledge to support the representations made in the interim certificates required to be filed under National Instrument 52-109.

Internal Controls over Financial Reporting

The CEO and CFO, along with participation from other members of management, are responsible for establishing and maintaining adequate Internal Control over Financial Reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial statements prepared in accordance with IFRS.

During the quarter ended September 30, 2015, there has been no change in the Corporation's ICFR that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR.

Limitations of Controls and Procedures

The Corporation's management, including its CEO and CFO, believe that any DC&P or ICFR, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Corporation have been prevented or detected. These inherent limitations include the realities that judgements in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.