ANNUAL INFORMATION FORM

FOR THE YEAR ENDED JUNE 30, 2014

September 22, 2014

Statements in this Annual Information Form may be viewed as forward-looking statements. Such statements involve risks and uncertainties that could cause actual results to differ materially from those projected. There are no assurances the Corporation can fulfill such forward-looking statements and the Corporation undertakes no obligation to update such statements. Such forward-looking statements are only predictions; actual events or results may differ materially as a result of risks facing the Corporation, some of which are beyond the Corporation's control. The forward-looking statements or information contained in this Annual Information Form are made as of the date hereof and the Corporation undertakes no obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise, unless required by applicable securities laws.

TABLE OF CONTENTS

CERTAIN DEFINITIONS....2
ABBREVIATIONS AND CONVERSION....9
INFORMATION....10
NON-GAAP TERMS....10
FORWARD LOOKING STATEMENTS....10
NAME AND INCORPORATION....12
INTERCORPORATE RELATIONSHIPS....13
GENERAL DEVELOPMENT OF THE BUSINESS....13
DESCRIPTION OF THE BUSINESS....18
PRINCIPAL PROPERTIES AND OPERATIONS....20
STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION....27
DESCRIPTION OF CAPITAL STRUCTURE....46
DIVIDEND RECORD AND POLICY....48
TRADING PRICE AND VOLUME....48
PRIOR SALES....49
ESCROWED SECURITIES....49
DIRECTORS AND OFFICERS....50
AUDIT COMMITTEE INFORMATION....54
LEGAL PROCEEDINGS AND REGULATORY ACTIONS....56
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS....56
TRANSFER AGENT AND REGISTRARS....57
MATERIAL CONTRACTS....57
INTEREST OF EXPERTS....57
RISK FACTORS....57
ADDITIONAL FINANCIAL AND OTHER INFORMATION....73

SCHEDULES

SCHEDULE A Report on Reserves Data by Independent Qualified Reserves Evaluators (Form 51-101F2)
SCHEDULE B Report of Management and Directors on Oil and Gas Disclosure (Form 51-101F3)
SCHEDULE C Audit Committee Terms of Reference

CERTAIN DEFINITIONS

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

Selected Defined Terms

"**2010 Debentures**" means the convertible unsecured debentures with an interest rate of 8% per annum. The 2010 Debentures are convertible at the holder's option into Common Shares at any time prior to June 30, 2015 and the business day immediately preceding the date fixed by the Corporation for redemption at a conversion price of C$10.526 per Common Share, being the ratio of 95 Common Shares per C$1,000 principal amount of 2010 Debentures;

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

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

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

"**Achapo E&P Contract**" means the 52,799 acre (gross) E&P Contract located in the Caguan-Putumayo Basin, Colombia, wherein the Corporation has a 70% working interest;

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

"**Block 102**" means the 114,253 acre (net) exploration block located in the Maranon Basin, Peru, acquired pursuant to the Shona Acquisition and operated by Canacol, wherein the Corporation has a 36.5% working interest;

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

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

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

"**Caño Los Totumos E&P Contract**" means the 20,757 acre (gross) E&P Contract located in the Llanos Basin, Colombia, acquired pursuant to the Carrao Acquisition and operated by Advantage Energy Sucursal Colombia, wherein the Corporation has a 51% working interest;

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

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

"**Cedrela E&P Contract**" means the 319,804 acre (gross) E&P Contract located in the Caguan-Putumayo Basin, Colombia, operated by Canacol, wherein the Corporation has a 100% working interest;

"**Coati E&P Contract**" means the 61,840 acre (gross) E&P Contract located in the Caguan-Putumayo Basin, Colombia, operated by Platino, wherein the Corporation has a 20% working interest;

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

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

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

"**COR-11 E&P Contract**" means the 176,915 acre (gross) E&P Contract located in the Upper Magdalena Basin, Colombia, operated by Canacol, wherein the Corporation has a 70% working interest;

"**COR-39 E&P Contract**" means the 95,106 acre (gross) E&P Contract located in the Upper Magdalena Basin, Colombia, operated by Canacol, wherein the Corporation has a 70% working interest;

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

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

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

"**DeGolyer Report**" means the report entitled "Appraisal Report as of June 30, 2014 on Certain Properties owned by Canacol Energy Ltd. in Colombia and Ecuador" prepared by DeGolyer;

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

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

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

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

(d) provide improved recovery systems;

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

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

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

"**Emerald**" means Emerald Energy PLC Sucursal Colombia;

"**Esperanza E&P Contract**" means the 60,002 acre (gross) E&P Contract located in the Lower Magdalena Basin, Colombia, acquired pursuant to the Shona Acquisition and operated by Canacol, wherein the Corporation has a 100% working interest;

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

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

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

(c) dry hole contributions and bottom hole contributions;

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

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

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

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

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

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

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

"**future net revenue**" means the estimated net amount to be received with respect to the development and production of reserves (including synthetic oil, coal bed methane and other non-conventional reserves) estimated using constant prices and costs or forecast prices and costs;

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

"**gross**" means:

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

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

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

"**heavy oil**" means, in respect of reserves or production (i) in a jurisdiction that has a royalty regime specific to heavy oil, "heavy oil" is oil that qualifies for royalties specific to heavy oil; or (ii) in a jurisdiction that has no royalty regime specific to heavy oil, "heavy oil" is oil with a density between 10° to 22.3° API;

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

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

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

"**LLA 23 E&P Contract**" means the 112,583 acre (gross) E&P Contract located in the Llanos Basin, immediately north of and adjacent to the Rancho Hermoso Field, operated by Canacol, wherein the Corporation has a 90% working interest. This E&P Contract was acquired pursuant to the Carrao Acquisition;

"**Macaya E&P Contract**" means the 195,253 acre (gross) E&P Contract located in the Caguan-Putumayo Basin, Colombia, acquired pursuant to the Shona Acquisition and operated by Hupecol, wherein the Corporation has a 37.5% working interest;

"**Morichito E&P Contract**" means the 57,253 acre (gross) E&P Contract located in the Llanos Basin, Colombia, acquired pursuant to the Carrao Acquisition and operated by DCX, S.A.S., wherein the Corporation has a 15% working interest;

"**net**" means:

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

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

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

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

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

"**Ombu E&P Contract**" means the 73,885 acre (gross) E&P Contract located in the Caguan-Putumayo Basin, Colombia, operated by Emerald, wherein the Corporation has a 10% working interest;

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

"**operating costs**" or "**production costs**" means costs incurred to operate and maintain wells and related equipment and facilities, including applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities;

"**Pacarana TEA**" means the technical evaluation area that was located in the Caguan–Putumayo Basin of southern Colombia, immediately adjacent and to the south of the Ombu E&P Contract. Upon completing the work program associated with the Pacarana TEA, the Corporation converted the most prospective part of it to the Sangretoro E&P Contract. The remaining area of the Pacarana TEA was relinquished;

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

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

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

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

"**Petrotech Report**" means the report entitled "Evaluation of the Interests of Canacol Energy Ltd. in the Morichito Block in the Eastern Llanos Basin, Colombia" effective date June 30, 2014 prepared by Petrotech;

"**Phantom Warrants**" means the phantom warrants issued by the Corporation to the lenders in connection to the Shona Term Loan such that the Corporation will pay an amount (in cash or Common Shares, at the election of the Corporation) equal to the in-the-money amount of 2,697,292 common share purchase warrants of the Corporation at an exercise price of C$4.50 per Common Share. The phantom warrant payment may be demanded partially or in full at any time until December 21, 2015;

"**Platino**" means Platino Energy Corporation;

"**Portofino E&P Contract**" means the 258,680 acre (gross) E&P Contract located in the Caguan-Putumayo Basin, Colombia, operated by Canacol, wherein the Corporation has a 40% working interest. This E&P Contract was acquired pursuant to the Carrao Acquisition;

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

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

"**production**" means recovering, gathering, treating, field or plant processing (for example, processing gas to extract natural gas liquids) and field storage of oil and gas;

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

"**Rancho Hermoso**" means the 10,238 acre (gross) field located in the Llanos Basin, operated by Canacol by agreement with Ecopetrol, wherein the Corporation has a 100% working interest;

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

"**Sangretoro E&P Contract**" means the 385,344 acre (gross) E&P Contract located in the Caguan-Putumayo Basin, Colombia, operated by Canacol, wherein the Corporation has a 100% working interest;

"**Santa Isabel E&P Contract**" means the 101,542 acre (gross) E&P Contract located in the Middle Magdalena Basin, Colombia, operated by Canacol, wherein the Corporation has a 100% working interest in the shallow formations and a 30% working interest in the deep formations. This E&P Contract is contiguous with the VMM 2 E&P and VMM 3 E&P Contracts, which were all acquired in the Carrao Acquisition;

"**Senior Indebtedness**" means all obligations, liabilities and indebtedness of the Corporation and its subsidiaries which would, in accordance with Canadian GAAP, be classified upon a consolidated balance sheet of the Corporation as liabilities of the Corporation and its subsidiaries and, whether or not so classified, shall include (without duplication): (a) indebtedness of the Corporation and its subsidiaries for borrowed money; (b) obligations of the Corporation and its subsidiaries evidenced by bonds, notes or other similar instruments; (c) obligations of the Corporation and its subsidiaries arising pursuant or in relation to bankers' acceptances, letters of credit and letters of guarantee (including payment and reimbursement obligations in respect thereof) or indemnities issued in connection therewith; (d) obligations of the Corporation and its subsidiaries under any swap, hedging or other similar contracts or arrangements; (e) obligations of the Corporation and its subsidiaries under guarantees, indemnities, assurances, legally binding comfort letters or other contingent obligations relating to the Senior Indebtedness or other obligations of any other person which would otherwise constitute Senior Indebtedness within the meaning of this definition; (f) all indebtedness of the Corporation or its subsidiaries representing the deferred purchase price of any property including, without limitation, purchase money mortgages; (g) accounts payable to trade creditors; (h) all renewals, extensions and refinancing of any of the foregoing; and (i) all costs and expenses incurred by or on behalf of the holder of any Senior Indebtedness in enforcing payment or collection of any such Senior Indebtedness, including enforcing any security interest securing the same;

"**Serrania E&P Contract**" means the 101,768 acres (gross) E&P Contract located in the Caguan-Putumayo Basin, Colombia, acquired pursuant to the Shona Acquisition and operated by Hupecol, wherein the Corporation has a 37.5% working interest;

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

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

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

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

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

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

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

"**VIM 21**" means the 50,904 acre (gross) E&P Contract located in the Magdalena Basin, Colombia, operated by Canacol, wherein the Corporation has a 100% working interest;

"**VMM 2 E&P Contract**" means the 75,610 acre (gross) E&P Contract located in the Middle Magdalena Basin, Colombia, operated by ExxonMobil Colombia (deep formations) and Vetra (shallow formations), wherein the Corporation has a 40% working interest in the shallow formations and a 20% working interest in the deep formations. This E&P Contract is contiguous with the Santa Isabel and VMM 3 E&P Contracts, which were all acquired in the Carrao Acquisition;

"**VMM 3 E&P Contract**" means the 83,312 acre (gross) E&P Contract located in the Middle Magdalena Basin, Colombia, operated by Shell, wherein, effective 2014, the Corporation has the right to acquire a 20% undivided interest at no additional cost, upon fulfillment of certain conditions described in the agreement between the parties. This E&P Contract is contiguous with the Santa Isabel and VMM 2 E&P Contracts, which were all acquired pursuant to the Carrao Acquisition;

"**well abandonment costs**" means costs of abandoning a well (net of salvage value) and of disconnecting the well from the surface gathering system. They do not include costs of abandoning the gathering system or reclaiming the wellsite; and

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

ABBREVIATIONS AND CONVERSION

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

Oil and Natural Gas Liquids

bbls	barrels
Mbbl	one thousand barrels
MMbbl	one million barrels
bbl/d	barrels per day
bopd	barrels of oil per day
NGL	natural gas liquids

Natural Gas

Mcf	thousand cubic feet
MMcf	million cubic feet
Mscf	thousand standard cubic feet
Bcf	billion cubic feet
Mcf/d	thousand cubic feet per day
MMcf/d	million cubic feet per day
MMscf/d	million standard cubic feet per day
MMBTU	million British Thermal Units

Other

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

Conversion Table

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

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

INFORMATION

The information in this Annual Information Form is stated as at June 30, 2014, unless otherwise indicated. For an explanation of the capitalized terms and expression and certain defined terms, see "*Certain Definitions*" and "*Abbreviations and Conversion*". **Except as otherwise indicated, all dollar amounts in this Annual Information Form are expressed in United States dollars and references to $ are to United States dollars.** References to C$ are to Canadian dollars.

Colombian and Ecuadorian estimated future net revenue based on the DeGolyer Report and the Petrotech Report is presented in United States dollars effective June 30, 2014.

NON-GAAP TERMS

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

FORWARD LOOKING STATEMENTS

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

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

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

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

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

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

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

Forward-looking statements and other information contained herein concerning the oil and natural gas industry in the countries in which the Corporation operates and the Corporation's general expectations concerning this industry are based on estimates prepared by management of the Corporation using data from publicly available industry sources as well as from resource reports, market research and industry analysis and on assumptions based on data and

knowledge of this industry which the Corporation believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Corporation is not aware of any material misstatements regarding any industry data presented herein, the oil and natural gas industry involves numerous risks and uncertainties and is subject to change based on various factors.

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

NAME AND INCORPORATION

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

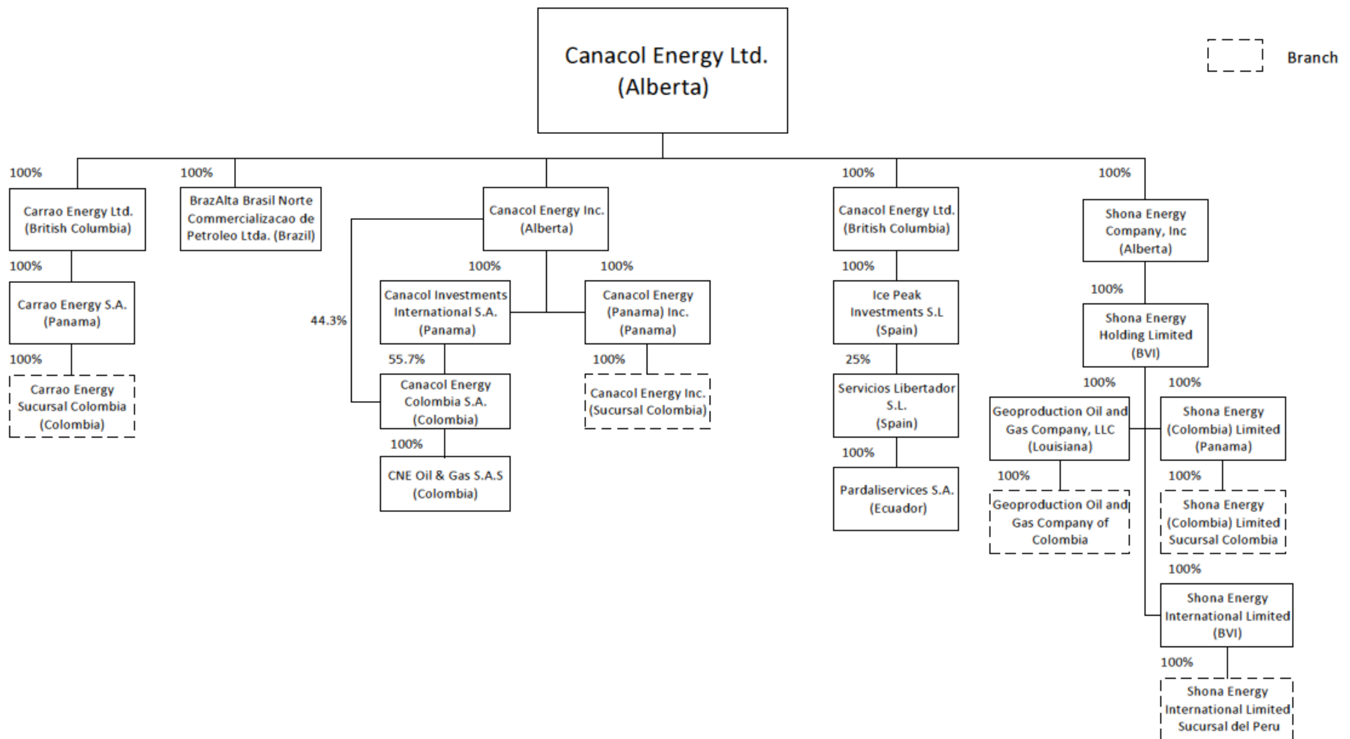
On December 14, 2012, Canacol consolidated its Common Shares on the basis of 10 pre-consolidation shares for one (1) post-consolidation share and amended its Articles to allow shareholder meetings to be held outside the Province of Alberta.

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

The Corporation is a reporting issuer in each of the Provinces of Canada, other than Quebec. The Common Shares are listed and posted for trading on the TSX under the trading symbol "CNE", on the BVC, the principal stock exchange of Colombia, under the symbol "CNEC", and on the OTCQX International Premier under the symbol "CNNEF". The 2010 Debentures are listed and posted for trading on the TSX under the trading symbol "CNE.DB".

INTERCORPORATE RELATIONSHIPS

The following chart sets forth the Corporation's relationship with each wholly-owned and controlled material subsidiary and their respective jurisdictions of incorporation as at September 22, 2014.



GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year History

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

Period From July 1, 2011 to June 30, 2012

On August 31, 2011, the Corporation was awarded a contract by Ecopetrol to purchase produced gas from the Rancho Hermoso field for $6.50 per MMBTU ($15.48 per Mcf). The five year contract was effective on January 1, 2012 and the renewal term, if economically attractive, will be negotiated at the end of the contract.

On September 15, 2011, the Corporation farmed-out a 30% working interest of its 100% operating working interest on the COR-11 and COR-39 E&P Contracts located in the Upper Magdalena Basin of Colombia to Sintana Energy Ltd. ("**Sintana**") in exchange for Sintana funding 60% of the Phase 1 exploration program on each block. The Phase 1 work commitments for the COR-11 E&P Contract include the acquisition of 155 km of 2D seismic and the drilling of one A3 exploration well. The Phase 1 commitments for the COR-39 E&P Contract include the acquisition of 95 km of 2D seismic and the drilling of two A3 exploration wells. The Phase 1 period for each of the contracts is three years in length and was set to expire in June 2014. Canacol has requested an extension from the ANH for the Phase 1 period.

On September 27, 2011, the Corporation reported an increase in its reserves for the fiscal year ended June 30, 2012 for its operated Rancho Hermoso and Entrerrios oil fields and its non-operated Capella heavy oil discovery. Total corporate proved reserves for the fiscal year ended June 30, 2012 increased 73% to 4.5 MMbbl from 2.6 MMbbl for the fiscal year ended June 30, 2010, with a corresponding proved reserves replacement of 209%. In the same period, proved reserves pre-tax NPV-10 increased 207% from $64.9 million to $199.2 million. Total corporate proved plus probable reserves increased to 7.9 MMbbl for the fiscal year ended June 30, 2012. In the same period, proved plus probable reserves pre-tax NPV-10 increased to $311.9 million.

On October 11, 2011, the Corporation announced Mr. George Gramatke as the Chief Financial Officer. Mr. Gramatke replaced Mr. Brian Hearst, who had served the Corporation as Chief Financial Officer since 2009.

On November 30, 2011, the Corporation announced the closing of the Carrao Acquisition. Carrao had working interests in eight E&P Contracts in Colombia governed by contracts under the ANH consisting of four blocks in the Llanos Basin (LLA 23, LLA 10, Caño Los Totumos, and Morichito E&P Contracts), one block in the Caguan-Putumayo Basin (Portofino E&P Contract) and three blocks in the Middle Magdalena Basin (VMM 2, VMM 3 and Santa Isabel E&P Contracts). Pursuant to the Carrao Acquisition, Canacol acquired approximately 96% of the issued and outstanding securities of Carrao pursuant to its offer therefor and acquired the remaining Carrao common shares pursuant to the compulsory acquisition provisions of the *Business Corporations Act* (British Columbia). Carrao shareholders received 0.86 Common Shares for each common share of Carrao held. Canacol issued an aggregate of 99,930,109 pre-consolidation Common Shares to former holders of Carrao common shares and issued the remaining 4,806,445 pre-consolidation Common Shares at a future date in accordance with the compulsory acquisition provisions. In connection with the Carrao Acquisition, Canacol announced the appointments of Mr. Anthony Zaidi as Vice President, Business Development and General Counsel of the Corporation, Mr. Diego Carvajal as Vice President, New Ventures of the Corporation and Mr. Dominic Dacosta as a member of the Board of Directors.

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

On February 14, 2012, the Corporation announced that its subsidiary, Carrao Energy Sucursal Colombia, had acquired an additional 9% and 10% interest in the LLA 23 and Santa Isabel E&P Contracts, respectively. Following the closing of the transaction, the Corporation held an 80% interest in the LLA 23 E&P Contract and a 100% interest in the Santa Isabel E&P Contract.

On April 4, 2012, the Corporation announced that its wholly owned subsidiary, Carrao Energy Sucursal Colombia, had entered into a farm-out agreement with ExxonMobil Colombia for the exploration of the Corporation's non-operated VMM 2 E&P Contract located in the Middle Magdalena Basin of Colombia. Pursuant to the farm-out agreement, ExxonMobil Colombia will carry certain costs of the drilling and testing of up to three wells to test conventional and unconventional targets. In return, ExxonMobil Colombia shall earn 50% of Canacol's 40% interest in the contract.

On June 8, 2012, the Corporation announced that it had entered into an agreement, through a wholly owned subsidiary, regarding the 2012 Credit Facility. The 2012 Credit Facility was a $200 million credit facility with a syndicate of financial institutions. On April 3, 2013, the Corporation cancelled and repaid all amounts outstanding under the 2012 Credit Facility with proceeds from 2013 Credit Facility.

Period From July 1, 2012 to June 30, 2013

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

On July 24, 2012, the Corporation announced that Pacific Rubiales Energy Corp. ("**Pacific Rubiales**") executed a binding agreement with Petrolera Monterrico Sucursal Colombia, whereby Pacific Rubiales agreed to acquire a 40% net participating interest in the Portofino E&P Contract, located in the Caguan-Putumayo Basin of Colombia, from Petrolera Monterrico Sucursal Colombia. Concurrently, Pacific Rubiales executed an agreement with the Corporation whereby, among other things, the Corporation agreed to transfer operatorship of the contract to Pacific Rubiales following completion of the next four wells to be drilled on the Portofino E&P Contract, which is also

located in the Caguan-Putumayo Basin. Under the terms of the agreement, Pacific Rubiales will operate any commercial discoveries made on the Portofino E&P Contract. In consideration for the transfer of operatorship, Pacific Rubiales agreed to pay the Corporation the sum of $3,731,000 and provide the Corporation with the option to participate pro-rata in its interest in the Portofino contract, as well as in all pipelines and transportation infrastructure projects in which Pacific Rubiales participates in respect of the evacuation of crude from the area. Canacol maintained a 40% net participating interest and is designated operator of the Portofino E&P Contract.

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

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

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

On February 13, 2013, the Corporation announced the appointment of two former Shona directors, Mr. Gary R. Petersen and Mr. Gregory D. Elliot, to the Board of Directors. The Corporation also announced the resignation of Mr. Alvaro Barrera from the Board of Directors.

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

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

On May 15, 2013, the Corporation announced that, through its subsidiary Canacol Colombia, it entered into an amended farm-in and joint operating agreement with Platino regarding Platino's working interest in the Coati E&P Contract located in the Putumayo Basin in Colombia. The Coati E&P Contract is a royalty contract governed under the terms of the ANH. Platino will continue to function as the operator. Pursuant to the amended agreement, Canacol will earn a reduced working interest in the Coati E&P Contract, from 40% to 20%, and will see a corresponding reduction costs, 80% to 40%, associated with acquiring seismic and drilling one exploration well. The Corporation also announced that it had relinquished its remaining 36% working interest in the Andaquies E&P Contract, located in the southern Putumayo Basin, in favour of Platino, the operator. The Corporation participated with Platino in the drilling of two dry holes on the Andaquies E&P Contract in early 2012 and observed little remaining exploration potential.

Period From July 1, 2013 to June 30, 2014

On July 30, 2013, the Corporation announced Mr. Dominic Dacosta's resignation from the Board of Directors.

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

On January 23, 2014, the Corporation announced its 2014 capital exploration and development program, which includes a plan to spend net capital expenditures of $150,000,000 on drilling, work overs, seismic, production facilities, and pipelines in Colombia and Ecuador.

On January 31, 2014, the Corporation announced that its subsidiary, Canacol Colombia, acquired a right to an 80% interest in each of the COR 4 and COR 12 E&P Contracts located in the Upper Magdalena Basin of Colombia. Pursuant to the terms of the agreements executed in respect of these transactions, Canacol Colombia acquired a right to an 80% interest in each of the COR 4 and COR 12 E&P Contracts in consideration for: (i) a total payment of $15,000,000 ($7,500,000 for each block) via the issuance of 2,454,590 Common Shares at a deemed price of C$6.79 per Common Share; (ii) agreeing to fund the vendors' remaining 20% share of exploration commitments in the first two phases (unified into a single phase in the case of COR 12) of each of the contracts; (iii) granting a 3% overriding royalty to the applicable vendor for each block; and (iv) agreeing to the payment of a one-time bonus totalling $5,000,000 in the event that any one of the two blocks are subsequently successfully farmed out by Canacol Colombia to a third party. The Common Shares issued pursuant to each transaction are subject to a contractually imposed escrow period providing for progressive release over a period ending 90 days from the date on which the approval of the ANH for the transactions is obtained. As at the date hereof, the Corporation has not received the approval from the ANH for these transactions.

On February 10, 2014, the Common Shares began trading on the OTCQX International Premier, a segment of the OTCQX marketplace, under the symbol "CNNEF".

On February 20, 2014, the Corporation announced the execution of two new gas sales contracts with respect to its 100% operated Nelson gas field located on the Esperanza E&P Contract in the Lower Magdalena Basin of Colombia.

On March 26, 2014, the Corporation announced Mr. Gary Petersen's resignation from the Board of Directors.

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

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

Effective as of June 1, 2014, the Corporation acquired an additional 10% working interest in the LLA 23 E&P Contract from Petromont Colombia S.A. Sucursal Colombia for a purchase price of $40,000,000, payable in cash and the assumption of certain liabilities related to the LLA23 E&P Contract, subject to certain post-closing adjustments relating to unbilled expenditures attributable to the acquired interest prior to the date of the transaction. Application has been made to the ANH for formal recognition of the transaction and of the Corporation's additional 10% working interest in the LLA 23 E&P Contract. Following the acquisition, the Corporation will hold a 90% operated working interest in the LLA23 E&P Contract, with Petromont Colombia S.A. Sucursal Colombia holding the remaining 10% interest.

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

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

- On July 12, 2013, the Corporation announced that the Coati-1 well on the Coati E&P Contract in the Southern Putumayo Basin of Colombia was successfully drilled to a planned total depth of approximately 10,800 ft. Platino currently holds a 100% working interest in the Coati Block, with its interest reducing to 80% once Canacol earns a 20% interest pursuant to agreed farm-in terms.

- On August 27, 2013, the Corporation announced that the Oso Pardo 1 well on the Santa Isabel E&P Contract was spud on June 10, 2013 and the Upper Umir sandstone interval was perforated by the Corporation between 3,666 – 3,685 ft measured depth and produced at a final stable rate of approximately 205.3 bopd of 23° API oil with a water cut of 9.67 % and gas production of 107.54 Mcf/d.

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

- On November 20, 2013, the Corporation announced the commencement of an appraisal drilling program of up to six wells at its Mono Arana oil discovery located on the VMM 2 E&P Contract.

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

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

- On January 28, 2014, the Corporation provided an update on the Mono Arana 2 well located on the VMM 2 E&P Contract. The Mono Arana 2 well was drilled and cased to a depth of 6,570 ft measured depth and contains approximately 244 ft of net oil pay in two conventional sandstone reservoirs within the Tertiary Lisama Formation.

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

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

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

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

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

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

Recent Developments

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

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

On September 11, 2014, the Corporation announced the execution of a new gas sales contract with respect to its 100% operated Nelson and Palmer gas fields located on the Esperanza E&P Contract for the sale of 30 MMscf/d (5,263 boe/d) commencing for a five year period in December 2015 to an electrical generation company located on the Caribbean coast of Colombia. Under the terms of the sales contract, Canacol will receive a sales price of $8.00 per MMBTU ($46 per boe) escalated at approximately 3% per year during the five year term of the contract. The undiscounted before tax value of the contract, after deducting investment capital and operating expenses, is approximately $380 million.

Significant Acquisitions and Dispositions

During the fiscal year ended June 30, 2014, the Corporation did not complete any significant acquisitions as defined in National Instrument 51-102 — *Continuous Disclosure Obligations* ("**NI 51-102**").

DESCRIPTION OF THE BUSINESS

General

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

Exploration and Development Strategy

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

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

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

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

Competitive Conditions

The oil and gas industry is highly competitive. The Corporation's position in the oil and gas industry, which includes the search for and development of new sources of supply, is particularly competitive. The Corporation's competitors include major, intermediate and junior oil and gas companies and other individual producers and operators, many of which have substantially greater financial and human resources and more developed and extensive infrastructure.

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

Cyclical Nature of Business

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

Specialized Skill and Knowledge

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

Employees

As at June 30, 2014, the Corporation had approximately 249 full-time equivalent employees worldwide, of which 128 full-time employees are working in the exploration and production segment. In addition, the Corporation utilizes, as required from time to time, the services of professionals on a contract or consulting basis.

Environmental Protection and Policies

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

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

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

Historically, environmental protection requirements have not had a significant financial or operational effect on the Corporation's capital expenditures, earnings or competitive position. Environmental requirements have not had a significant effect on such matters in fiscal 2014 nor are they currently anticipated to in the future.

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

Foreign Operations

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

PRINCIPAL PROPERTIES AND OPERATIONS

The following is a description of the Corporation's principal oil and gas properties and operations as at June 30, 2014.

Colombia

Summary

	Asset	Oil/Gas	Type	Status	Gross Acres	Net Acres	Canacol Working Interest %	Partner	Contract Type
					Llanos Basin				
1	LLA 23	Oil	Conventional	Production	112,583	101,325	90%	Trayectoria (10%)	ANH
2	Rancho Hermoso	Oil	Conventional	Production	10,238	10,238	100%	Ecopetrol	Ecopetrol
3	Morichito	Oil	Conventional	Production	57,253	8,588	15%	DCX, S.A.S. (50% operator) Golden Oil (35%)	ANH
4	Caño Los Totumos	Oil	Conventional	Exploration	20,757	10,586	51%	Advantage (49%)	ANH
					Lower Magdalena Basin				
5	Esperanza	Gas	Conventional	Production	60,002	60,002	100%		ANH
6	VIM 21	Gas	Conventional	Exploration	50,904	50,904	100%		ANH
					Magdalena Basin				
7	Santa Isabel - shallow	Oil	Conventional	Production	101,542	101,542	100%		ANH
8	Santa Isabel - deep	Oil	Unconventional	Exploration	101,542	30,463	30%	ConocoPhillips (70%)	ANH
9	VMM 2 - shallow	Oil	Conventional	Production	75,610	30,244	40%	Vetra (60%)	ANH
10	VMM 2 - deep	Oil	Unconventional	Exploration	75,610	15,122	20%	Exxon (70%) Vetra (10%)	ANH
11	VMM 3[(1)]	Oil	Unconventional	Exploration	83,312	16,662	20%	Shell (80%)	ANH
12	COR 11	Oil	Unconventional	Exploration	176,915	123,841	70%	Sintana (30%)	ANH
13	COR 39	Oil	Unconventional	Exploration	95,106	66,574	70%	Sintana (30%)	ANH
					Caguan-Putumayo Basin				
14	Capella field (Ombu)	Oil	Conventional	Production	73,885	7,389	10%	Sinochem (90%)	ANH
15	Sangretoro	Oil	Conventional	Exploration	385,344	385,344	100%		ANH
16	Cedrela	Oil	Conventional	Exploration	319,804	319,804	100%		ANH
17	Coati	Oil	Conventional	Exploration	61,840	12,368	20%	Platino (80% operator)	ANH
18	Portofino	Oil	Conventional	Exploration	258,680	103,472	40%	Pacific Rubiales (60%)	ANH
19	Achapo	Oil	Conventional	Exploration	52,799	36,959	70%	Trayectoria (30%)	ANH

20	Serrania	Oil	Conventional	Exploration	110,768	41,538	37.5%	Hupecol (50% operator) Houston Americas (12.5%)	ANH
21	Los Picachos	Oil	Conventional	Exploration	52,771	19,789	37.5%	Hupecol (50% operator) Houston Americas (12.5%)	ANH
22	Macaya	Oil	Conventional	Exploration	195,253	73,220	37.5%	Hupecol (50% operator) Houston Americas (12.5%)	ANH
	Totals				**2,355,366**	**1,580,389**			

Note:

(1) Effective 2014 and upon fulfillment of certain conditions, Canacol has the right to acquire a 20% undivided interest in the VMM 3 E&P Contract at no additional cost.

Llanos Basin

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

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

LLA 23 E&P Contract

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

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

Please refer to "*General Development of the Business – Three Year History – Period From July 1, 2013 to June 30, 2014*" for the operational updates on the LLA 23 E&P Contract during the year ended June 30, 2014.

Subsequent to the year ended June 30, 2014, the Corporation completed the drilling of the Pantro 2 appraisal well and is currently production testing several reservoirs. The Corporation plans to drill an additional seven wells on LLA 23 throughout the remainder of calendar 2014 and into early 2015, which includes the Maltes 1 and Pastor 1 exploration wells, subject to approval by the ANH.

Rancho Hermoso Field

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

Crude oil production from Rancho Hermoso falls under either: i) "non-tariff", which represents crude oil produced under a production sharing contract with Ecopetrol; or ii) "tariff" production, which represents crude oil produced under a risk service contract with Ecopetrol whereby the Corporation receives a set tariff price of $17.36 per gross barrel of oil produced. Tariff production is limited to one specific formation, the Mirador formation, while non-tariff production is derived from the remaining formations, including the Ubaque, Guadalupe, Barco Los Cuervos, Carbonera and Gacheta. For the year ended June 30, 2014, the Corporation's net share before royalties averaged 1.548%.

In fiscal year 2013, the Corporation executed a number of workovers to convert high water cut Mirador tariff producers to high netback non-tariff producing formations. During the year ended June 30, 2014, there were no Mirador tariff wells on production. The Corporation plans to undertake certain additional work over activities with

the objective to maintain profitable operations and maximize free cash flows until the field reaches its economic limit.

Morichito E&P Contract

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

The Corporation has a non-operated 15% working interest in the Morichito E&P Contract with the ANH. The effective date of the contract was May 31, 2005.

This block is governed by an ANH contract which has a sliding scale royalty of 8% to 25% based on the monthly average daily production level for each field. The contract is subject to the high price participation payment above 5 MMbbl cumulative oil produced and has no X-factor.

Caño Los Totumos E&P Contract

The Corporation obtained its working interest in the Caño Los Totumos E&P Contract through the Carrao Acquisition.

The Corporation has a non-operated 51% working interest in the Caño Los Totumos E&P Contract with the ANH. The effective date of the contract was June 29, 2010. Phase 1 and 2 are unified with revised effective date of the contract being August 4, 2013.

This block is governed by an ANH contract which has a sliding scale royalty of 8% to 25% based on the monthly average daily production level for each field. The Caño Los Totumos E&P Contract is subject to the high price participation payment above 5 MMbbl cumulative oil produced and has no X-factor.

Magdalena Basin

Esperanza E&P Contract

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

The Esperanza field, located in the Lower Magdalena Basin of Colombia, contains four producing gas fields operated under a contract with the ANH, and produces dry natural gas for sale to local customers under long-term contracts with an average price of approximately $4.65 per Mcf. The most significant field is Nelson where the majority of the gas reserves are located. The average daily production of the Esperanza field for the three months and year ended June 30, 2014 was 2,941 boe/d and 2,925 boe/d, respectively.

Please refer to "*General Development of the Business – Three Year History – Period From July 1, 2013 to June 30, 2014*" for the operational updates on the Esperanza E&P Contract during the year ended June 30, 2014.

Subsequent to the year ended June 30, 2014, the Corporation spud the first well (Palmer 1) of its three well gas exploration program, which tested 15.5 MMscf/d (2,730 boe/d) of dry gas with no water on a 36/64 inch choke during the course of a 36 hour isochronal flow test from the Cienaga de Oro sandstone reservoir. Upon the completion of testing operations at Palmer 1, the Corporation plans to spud the second exploration well targeting the Cienaga de Oro reservoir, Corozo 1, in early October 2014 subject to approval by the ANH. The Corporation plans to commence drilling of the third exploration well, Canandonga 1, in December 2014, subject to approval by the ANH.

VIM 21

The Corporation obtained its working interest in the VIM 21 E&P Contract by means of the 2012 ANH Bid Round. The contract is presently in Phase 0 which expired December 4, 2013. Phase 1 expires December 4, 2016. The minimum work commitment is 2D seismic and one A3 exploration well.

VIM 21 is primarily protection acreage for the highly prospective Esperanza block. However, it is also prospective, and the proposed 2D seismic acquisition program will be designed to bring identified leads to drill-ready status.

Santa Isabel E&P Contract

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

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

Please refer to "*General Development of the Business – Three Year History – Period From July 1, 2013 to June 30, 2014*" for the operational updates on the Santa Isabel E&P Contract during the year ended June 30, 2014.

VMM 2 E&P Contract

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

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

During the year ended June 30, 2014, the Corporation acquired an additional 20% participation interest in the discovery made in the shallow formations on the block.

Please refer to "*General Development of the Business – Three Year History – Period From July 1, 2013 to June 30, 2014*" for the operational updates on the VMM 2 E&P Contract during the year ended June 30, 2014.

VMM 3 E&P Contract

Effective January 2012, Shell-Colombia acquired a 100% participating interest in the VMM 3 E&P Contract. Shell-Colombia also assumed approximately $50 million in work commitments, which consist of all costs for seismic acquisition and the drilling of three exploratory wells. Effective 2014, the Corporation has the option to exercise a back-in right for a 20% participating interest in the VMM 3 E&P Contract for no additional cost.

The Corporation's zero cost option to exercise a 20% participating interest in the VMM 3 E&P Contract allows the Corporation to not only retain a significant interest in VMM 3's deep cretaceous potential, but also benefit from having a world-class operator such as Shell-Colombia exploring the area. In addition, the Corporation aims to capture valuable information from Shell-Colombia's activities to de-risk the exploration and development of the Corporation's adjacent Santa Isabel E&P Contract.

COR-11 and COR-39 E&P Contracts

The Corporation was awarded two E&P Contracts in the Upper Magdalena Basin through its wholly owned Colombian subsidiary, Canacol Colombia. The Corporation secured a 100% operated working interest in COR-11 and COR-39 E&P Contracts which were offered to the industry in the ANH's Ronda 2010 land auction that took place in June 2010. On September 15, 2011, the Corporation farmed-out a 30% working interest of each E&P Contract to Sintana in exchange for Sintana funding 60% of the Phase 1 exploration program costs regarding each contract. The Upper Magdalena Basin is one of Colombia's main producing hydrocarbon basins, with production dominated by light to medium oil.

Each of the two blocks has a six year exploration term divided into two 36 month exploration phases. The phase 1 work program commitments associated with each of the blocks are summarized below:

1. COR-11 (70% operated working interest – 71,595 hectares (716 km^2)) - 155 km of 2D seismic and one A3 exploration well; and

2. COR-39 (70% operated working interest – 38,488 hectares (385 km^2)) – 93 km of 2D seismic and two A3 exploration wells.

The Corporation has mapped multiple prospects and leads on the two contracts, has acquired 100 km 2D seismic on COR-39 during calendar Q1/Q2 2012 and plans to acquire 155 km 2D seismic on COR-11 in calendar Q1 2015.

COR-39 Phase 1 expired June 20, 2014 and the Corporation is awaiting response on an extension from the ANH.

The Corporation has been granted an extension on COR-11 Phase 1 with the expiry extended to February 21, 2015.

Caguan–Putumayo Basin

Ombu E&P Contract – Capella Conventional Heavy Oil Discovery

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

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

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

The Corporation recently completed the drilling of the Capella P88H horizontal production well and is preparing to bring the well onto production. The well is the 11th of 20 planned development wells drilled in Capella by the Corporation so far in calendar 2014.

This block is governed by an ANH contract with an effective date of December 15, 2006. As the Ombu crude quality is less than 15° API, the standard ANH sliding scale royalty of 8% to 25% is reduced by a factor of 0.25. The contract is subject to the high price participation payment above 5 MMbbl cumulative oil produced and has no X-factor.

Sangretoro E&P Contract

In February 2011, the Corporation was awarded the Sangretoro E&P Contract. The Corporation has a 100% working interest in the block, which is approximately 385,344 acres in size and is located in the Caguan–Putumayo Basin of southern Colombia. The Sangretoro E&P Contract includes some of the lands previously under the Pacarana TEA. The Corporation was in the process of acquiring 300 km of 2D exploration seismic on the contract and finished the processing and interpreting of 150 km thereof. The Sangretoro E&P Contract is presently suspended by consent of the ANH.

The Sangretoro E&P Contract covers approximately one-third of Pacarana TEA with the remaining area of the Pacarana TEA having been returned to the ANH.

Cedrela E&P Contract

Effective May 2, 2010, the Corporation, through its subsidiary Canacol Colombia, was awarded the Cedrela E&P Contract by the ANH.

The Corporation has a 100% working interest in the block, which is approximately 319,804 acres in size and is located in the Caguan–Putumayo Basin of Colombia. Based upon the available geophysical and geological data in this frontier area, the Corporation has identified numerous large inversion-anticline structures similar in character to the Capella structure. During the phase 1 exploration period, the Corporation acquired, processed, and interpreted 375 km of 2D seismic.

The Guarango 1 stratigraphic test well was spud on October 29, 2012. The outstanding commitment in Phase 2 of the Cedrela E&P Contract is one A3 exploration well.

As the crude quality expected in Cedrela is less than 15° API, the standard ANH sliding scale royalty of 8% to 25% is reduced by a factor of 0.25. The Cedrela E&P Contract is subject to the high price participation payment above 5 MMbbl cumulative oil produced and has no X-factor.

The Cedrela E&P Contract is presently suspended by consent of the ANH.

Coati E&P Contract

Effective May 8, 2013, the Corporation, through its subsidiary Canacol Exploration SAS Colombia, entered into an amended farm-in and joint operating agreement with Platino regarding Platino's working interest in the Coati E&P Contract located in the Putumayo Basin in Colombia. The Coati E&P Contract is a royalty contract governed under the terms of the ANH. Platino will continue to function as the operator. Pursuant to the amended agreement, the Corporation will earn a reduced working interest in the Coati E& P Contract, from 40% to 20%, and will see a corresponding reduction in costs, 80% to 40%, associated with acquiring seismic and drilling one exploration well.

Please refer to "*General Development of the Business – Three Year History – Period From July 1, 2013 to June 30, 2014*" for the operational updates on the Coati E&P Contract during the year ended June 30, 2014.

The Coati block is governed by an ANH contract which has a sliding scale royalty of 8% to 25% based on the monthly average daily production level for each field. The Coati E&P Contract is subject to the high price participation payment above 5 MMbbl cumulative oil produced and has no X-factor. There is a third party royalty of 6%.

Portofino E&P Contract

Located in the Caguan-Putumayo Basin, the Portofino E&P Contract is situated immediately to the southwest of the Capella field, one of the most important heavy oil fields discovered in Colombia in recent decades. The Caguan-Putumayo Basin is a continuation of the heavy oil production belt currently being developed and explored in the Llanos Basin to the northeast.

The Corporation obtained its 40% working interest in the Portofino E&P Contract through the Carrao Acquisition. The effective date of the contract was July 28, 2010. In July 2012, the Corporation announced that Pacific Rubiales executed a binding agreement with Petrolera Monterrico Sucursal Colombia, whereby it agreed to acquire from them a 40% net participating interest in the Portofino E&P Contract located in the Caguan-Putumayo Basin of Colombia. Concurrently, Pacific Rubiales executed an agreement with the Corporation whereby, among other things, the Corporation agreed to transfer operatorship of the contract to Pacific Rubiales following completion of the next four wells to be drilled on the contract. Under the terms of the agreement, Pacific Rubiales will operate any commercial discoveries made on the contract. In consideration for the transfer of operatorship, Pacific Rubiales agreed to pay the Corporation $3.7 million and agreed to provide the Corporation with the option to participate pro-rata in its interest in the Portofino E&P Contract, as well as in all pipelines and transportation infrastructure projects in which Pacific Rubiales participates in respect of the evacuation of crude from the area. The Corporation maintained a 40% net participating interest and is designated operator of the Portofino E&P Contract.

The Corporation completed the drilling of the first stratigraphic well, Achote 1, on the Portofino E&P Contract in third calendar quarter of 2012. The well was drilled to 4,300 ft measured depth and encountered approximately 60 ft of basal sandstone with porosities up to 25% and heavy oil shows while drilling. The sandstones also exhibited heavy oil shows while drilling. The results of the well confirm the presence of an active heavy oil hydrocarbon system in this previously undrilled frontier exploration contract. The Corporation drilled a second stratigraphic well on the block, Tachuelo 1, in the fourth calendar quarter of 2013.

As the crude quality expected in Portofino is less than 15° API, the standard ANH sliding scale royalty of 8% to 25% is reduced by a factor of 0.25. The Portofino E&P Contract is subject to the high price participation payment above 5 MMbbl cumulative oil produced and has no X-factor.

The Portofino E&P Contract was in Phase 3 with an outstanding commitment of one A3 exploration well. Phase 3 expired February 23, 2014. The Portofino E&P Contract is presently suspended by consent of the ANH.

Achapo E&P Contract

On October 31, 2012, the Corporation was awarded the Achapo E&P Contract. The Corporation had a 100% working interest in the block, which is approximately 52,799 acres in size and is located in the Caguan–Putumayo Basin of southern Colombia. On July 18, 2013, the Corporation executed a farm-out agreement with Trayectoria Oil & Gas Sucursal Colombia ("**Trayectoria**"). Subject to ANH approval, the participating interests in the contract shall be 70% Canacol and 30% Trayectoria after Trayectoria pays 45% of all costs associated with the first and second phase activities of the minimum exploration program. Phase 1 of the Achapo E&P Contract has a minimum commitment of 42 km 2D seismic and Phase 2 has a minimum commitment of one A3 exploration well.

As the crude quality expected in Achapo is less than 15° API, the standard ANH sliding scale royalty of 8% to 25% is reduced by a factor of 0.25. The Achapo E&P Contract is subject to the high price participation payment above 5 MMbbl cumulative oil produced and has no X-factor.

The Achapo E&P Contract is presently suspended by consent of the ANH.

Serrania, Los Picachos and Macaya E&P Contracts

The Corporation obtained its working interest these blocks through the Shona Acquisition.

Located in the Caguan-Putumayo Basin, the Serrania, Los Picachos and Macaya E&P Contracts are situated immediately to the north and east of the Corporation's Ombu E&P Contract, which contains the Capella heavy-oil discovery. Together with the adjacent Cedrela, Portofino and Sangretoro E&P Contracts, the Corporation's consolidated exploratory land position of 1.1 million net acres is one of the largest in this emerging conventional heavy-oil trend.

The exploration potential for the Serrania, Los Picachos and Macaya E&P Contracts are characterized by large, faulted anticlines similar to Capella. Serrania is believed to contain one of the largest undrilled 4-way closure structures in northern South America.

As the crude quality expected in these blocks is less than 15° API, the standard ANH sliding scale royalty of 8% to 25% is reduced by a factor of 0.25. These blocks are subject to the high price participation payment above 5 MMbbl cumulative oil produced and have no X-factor.

The Serrania, Los Picachos and Macaya ANH E&P Contracts are presently suspended by consent of the ANH.

Ecuador

Libertador & Atacapi Fields

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

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

The Corporation completed the drilling of the Shushuqui 23 development well in the Libertador-Atacapi field and tested 3,534 bopd gross (884 bopd net) of 30° API oil with a 3% water cut from the Cretaceous T sandstone reservoir over a 23 day flow period. The Shushuqui 23 well is the 5th of 10 planned development wells completed in the Libertador-Atacapi field so far in calendar 2014.

Brazil and Peru

In addition to its core operations in Colombia and Ecuador, the Corporation also has non-core oil and gas exploration and development operations in Brazil and Peru. The Corporation has an interest in block REC-T-170, which is located onshore in the Recôncavo and Tucano Basins in Brazil. The Corporation has an interest in one exploration block located onshore in the Maranon Basin in Peru.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

Date of Statement

This Statement of Reserves Data and Other Oil and Gas Information is dated June 30, 2014 unless indicated otherwise.

Disclosure of Reserves Data

The reserves and deemed volumes data set forth herein is based upon evaluations completed by DeGolyer and Petrotech (collectively, the "**Evaluators**"). Each of the DeGolyer Report and the Petrotech Report (collectively, the "**Reports**") are dated effective June 30, 2014, were prepared as of September 4, 2014 and August 22, 2014, respectively, and are dated September 11, 2014 and August 22, 2014, respectively. The reserves and deemed volumes data contained herein summarizes the oil, gas, natural liquids and heavy oil reserves of the Corporation and the net present values of future net revenue for these reserves using forecast prices and costs and tariff price for the Ecuador property. The reserves and deemed volumes data complies with the requirements of NI 51-101. Certain additional information not required by NI 51-101 has been included herein to provide readers with further information regarding the Corporation's properties. The definitions of the various categories of reserves and deemed volumes and expenditures are those set out in NI 51-101.

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

The Corporation's working interest reserves for the Ecuador fields reflect the deemed volume (the Corporation's share of production above the base line). The calculation for the deemed volume is described in the Ecuador fields reserve report. The methodology for calculating the deemed volume was changed in the June 30, 2014 report to more accurately reflect the Corporation's share of production. The deemed volume was previously calculated using the cash flow divided by DeGolyer's WTI price forecast for the year, adjusted by 10% for quality. The new methodology determines deemed volume by dividing cash flow by the tariff price of $38.54 per barrel which remains

constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions. As such, the opening balance of the current report has been restated using the new methodology, and does not match the closing balance of the previous year's report. The new methodology impacts all reserve categories in the June 30, 2014 reserve report for the Ecuador fields and subsequently for the total for the Corporation. The opening balance restatement in the current report is entirely a result of the Ecuador deemed volumes calculation change and no other changes have been applied.

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

The tables and information contained herein, show the estimated share of the Corporation's reserves and deemed volumes and the present value of estimated future net revenue for these reserves and deemed volumes, using forecast prices and costs as indicated.

Estimated future net revenue in Colombia and Ecuador that are based on the DeGolyer Report are presented in United States dollars effective June 30, 2014.

The Morichito estimated future net revenue based on the Petrotech Report is presented in United States dollars effective June 30, 2014.

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

The reserves data contained herein is based on DeGolyer price forecasts as of June 30, 2014.

Undeveloped Reserves

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

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

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

- The Corporation anticipates that the 2014/2015 drilling and recompletions schedule will focus on these areas and on other opportunities arising from the Corporation's exploration programs.
- Drilling plans are affected by economic considerations, including commodity prices. The Corporation is currently in the process of setting its fiscal 2015 drilling plan.
- Undeveloped reserves, like all projects, are subject to competition for capital and consequently may be delayed or accelerated from time to time.

Significant Factors or Uncertainties Affecting Reserves Data

The Corporation does not anticipate any significant economic factors or significant uncertainties will affect any particular components of the reserves data. However, there are numerous uncertainties inherent in estimating quantities of proved reserves, including many factors beyond the control of the Corporation. The reserve data included herein represents estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the associated future net cash flows are based upon a number of variable factors and assumptions, such as historical production from the properties, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary considerably from actual results. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and associated estimates of future net revenues expected, prepared by different engineers or by the same engineers at different times, may vary substantially. The actual production, revenues, taxes and development and operating expenditures of the Corporation with respect to these reserves will vary from such estimates, and such variances could be material.

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

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

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

The Evaluators have used the same uninflated and forecasted oil prices and inflation rates in their evaluations, adjusted for crude quality.

Year	Unescalated WTI $/bbl	Escalated WTI $/bbl	Oil Field Inflation
2013 (July – December, Actual Weighted Average)	101.66	101.66	-
2014 (January – June, Actual Weighted Average)	100.71	100.71	-
2014 (6 months – Estimated)	100.00	100.00	-
2015	96.00	97.92	2%
2016	94.00	97.80	2%
2017	92.00	97.63	2%
2018	90.00	97.42	2%
2019	90.00	99.37	2%
2020	90.00	101.35	2%
2021	90.00	103.38	2%
2022	90.00	105.45	2%
2023	90.00	107.56	2%
2024	90.00	109.71	2%
2025	90.00	111.90	2%
2026	90.00	114.14	2%
2026+	**Escalate oil prices at 2% per year thereafter**		

The following forecasted gas prices were used for the Esperanza asset.

Year	Non-Nelson Fields $/MMBTU	Nelson Field $/MMBTU	Field Inflation
2013 (July – December, Actual Weighted Average)	5.10	5.14	-
2014 (January – June, Actual Weighted Average)	4.00	4.70	-
2014 (6 months – Estimated)	-	3.79	-
2015	4.70	4.73	2%
2016	4.79	5.15	2%
2017	4.89	5.27	2%
2018	4.99	5.40	2%
2019	5.09	5.56	2%
2020	5.19	5.65	2%
2021	5.29	5.31	2%
2022	5.40	5.42	2%
2023	5.51	5.53	2%
2024	5.62	5.64	2%
2025+	**Escalate gas prices at 2% per year thereafter**		

In the LLA 23 E&P Contract, the forecast price deck was adjusted for crude quality by a factor of 0.8933 in Labrador and 0.9174 in the Leono, Pantro and Tigro fields. In Rancho Hermoso, the forecast price deck was adjusted for crude quality by a factor of 0.9040. In Capella, the forecast price deck was adjusted for crude quality by a factor of 0.6912 through to 2018 and then 0.79 from 2019 onward. In the VMM2 E&P Contract, the forecast price deck was adjusted for crude quality by a factor of 0.8933 in Mono Araña. In the Santa Isabel E&P Contract, the forecast price deck was adjusted for crude quality by a factor of 0.9451.

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

The following table provides a summary of the Corporation's oil reserves as of June 30, 2014 using forecast prices and costs.

	RESERVES									
	Light & Medium Oil		Heavy Oil		Natural Gas[1]		Natural Gas Liquids[4]		Total BOE[5]	
RESERVES CATEGORY	Gross[2] (Mbbl)	Net[3] (Mbbl)	Gross[2] (Mbbl)	Net[3] (Mbbl)	Gross[2] (MMcf)	Net[3] (MMcf)	Gross[2] (Mbbl)	Net[3] (Mbbl)	Gross[2] (Mboe)	Net[3] (Mboe)
Corporate Total (Colombia)										
Proved										
Developed Producing	1,770	1,562	399	359	55,048	50,424	12	12	11,839	10,779
Developed Non-Producing	2,139	1,804	634	486	14,435	13,219	57	57	5,362	4,666
Undeveloped	1,189	1,034	2,582	2,407	33,513	30,675	-	-	9,650	8,823
Total Proved	**5,098**	**4,401**	**3,616**	**3,252**	**102,996**	**94,318**	**70**	**70**	**26,853**	**24,270**
Probable	3,996	3,333	3,843	3,517	10,380	9,433	11	11	9,671	8,516
Total Proved Plus Probable	**9,094**	**7,734**	**7,458**	**6,769**	**113,376**	**103,751**	**81**	**81**	**36,524**	**32,786**
Possible	5,493	4,620	3,298	2,970	13,908	12,708	19	19	11,250	9,838
Total Proved Plus Probable Plus Possible	**14,586**	**12,354**	**10,756**	**9,739**	**127,284**	**116,459**	**100**	**100**	**47,773**	**42,624**

Notes:

(1) Estimates of reserves of natural gas include associated and non-associated gas.
(2) "Gross Reserves" are the Corporation's working interest reserves before the deduction of royalties.
(3) "Net Reserves" are the Corporation's working interest reserves after deductions of royalty obligations plus the Corporation's royalty interests.
(4) Natural Gas Liquid volumes are considered as reserves in the table. In addition, the NGL volumes on the economic outputs are total volume produced (Condensate + LPG's). However, since most or all of the LPG's are used for power generation, the volumes in the table are only those sold to market.
(5) BOE have been reported based on natural gas conversions of 5.7 Mcf/1 bbl as required by the Ministry of Mines and Energy in Colombia.
(6) The Corporation's working interest reserves for the Ecuador Fields reflect the Deemed Volume (the Corporation's share of production above the base line). The calculation for the Deemed Volume is described in the Ecuador Fields reserve report. The methodology for calculating the Deemed Volume has been changed in the June 30, 2014 report to more accurately reflect the Corporation's share of production. The Deemed Volume was previously calculated using the cash flow divided by DeGolyer's WTI price forecast for the year, adjusted by 10% for quality. The new methodology determines Deemed Volume by dividing cash flow by the tariff price of $38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions. As such, the opening balance of the current report has been restated using the new methodology, and does not match the closing balance of the previous year's report. The new methodology impacts all reserve categories in the June 30, 2014 reserve report for the Ecuador Fields and subsequently for the total Corporation.
(7) The Morichito original evaluations were completed and have been confirmed by Petrotech.
(8) The numbers in this table may not add exactly due to rounding.

The following table provides a summary of Canacol's deemed volumes as of June 30, 2014 using forecast prices and costs. The Corporation produces crude oil from the Mirador formation at its Rancho Hermoso field for which it receives a fixed price under a service agreement with Ecopetrol. The Corporation also has a non-operated 25% equity participation in the Ecuador IPC for which it receives a fixed price tariff for each incremental barrel produced. Deemed volumes are those volumes produced under a service agreement in which the Corporation does not have a direct interest, but represents reserves attributable to the Corporation as calculated using the cash flow divided by the fixed tariff price. The price has been adjusted by an estimated 5% and 10% of quality for Rancho Hermoso and Ecuador, respectively.

	DEEMED VOLUMES									
	Light & Medium Oil		Heavy Oil		Natural Gas[1]		Natural Gas Liquids[4]		Total BOE[5]	
RESERVES CATEGORY	Gross[2] (Mbbl)	Net[3] (Mbbl)	Gross[2] (Mbbl)	Net[3] (Mbbl)	Gross[2] (MMcf)	Net[3] (MMcf)	Gross[2] (Mbbl)	Net[3] (Mbbl)	Gross[2] (Mboe)	Net[3] (Mboe)
Colombia										
Proved										
Developed Producing	-	-	-	-	-	-	-	-	-	-
Developed Non-Producing	-	-	-	-	-	-	-	-	-	-
Undeveloped	-	-	-	-	-	-	-	-	-	-
Total Proved	-	-	-	-	-	-	-	-	-	-
Probable	-	-	-	-	-	-	-	-	-	-
Total Proved Plus Probable	-	-	-	-	-	-	-	-	-	-
Possible	-	-	-	-	-	-	-	-	-	-
Total Proved Plus Probable Plus Possible	-	-	-	-	-	-	-	-	-	-
Ecuador[6]										
Proved										
Developed Producing	529	529	-	-	-	-	-	-	529	529
Developed Non-Producing	762	762	-	-	-	-	-	-	762	762
Undeveloped	3,685	3,685	-	-	-	-	-	-	3,685	3,685
Total Proved	**4,976**	**4,976**	-	-	-	-	-	-	**4,976**	**4,976**
Probable	1,484	1,484	-	-	-	-	-	-	1,484	1,484
Total Proved Plus Probable	**6,460**	**6,460**	-	-	-	-	-	-	**6,460**	**6,460**
Possible	1,537	1,537	-	-	-	-	-	-	1,537	1,537
Total Proved Plus Probable Plus Possible	**7,997**	**7,997**	-	-	-	-	-	-	**7,997**	**7,997**
Corporate Total										
Proved										
Developed Producing	529	529	-	-	-	-	-	-	529	529
Developed Non-Producing	762	762	-	-	-	-	-	-	762	762
Undeveloped	3,685	3,685	-	-	-	-	-	-	3,685	3,685
Total Proved	**4,976**	**4,976**	-	-	-	-	-	-	**4,976**	**4,976**
Probable	1,484	1,484	-	-	-	-	-	-	1,484	1,484
Total Proved Plus Probable	**6,460**	**6,460**	-	-	-	-	-	-	**6,460**	**6,460**
Possible	1,537	1,537	-	-	-	-	-	-	1,537	1,537
Total Proved Plus Probable Plus Possible	**7,997**	**7,997**	-	-	-	-	-	-	**7,997**	**7,997**

Notes:

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

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

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

(4) Natural Gas Liquid volumes are considered as reserves in the table. In addition, the NGL volumes on the economic outputs are total volume produced (Condensate + LPG's). However, since most or all of the LPG's are used for power generation, the volumes in the table are only those sold to market.

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

(6) The Corporation's working interest reserves for the Ecuador Fields reflect the Deemed Volume (the Corporation's share of production above the base line). The calculation for the Deemed Volume is described in the Ecuador Fields reserve report. The methodology for calculating the Deemed Volume has been changed in the June 30, 2014 report to more accurately reflect the Corporation's share of production. The Deemed Volume was previously calculated using the cash flow divided by DeGolyer's WTI price forecast for the year, adjusted by 10% for quality. The new methodology determines Deemed Volume by dividing cash flow by the tariff price of $38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions. As such, the opening balance of the current report has been restated using the new methodology, and does not match the closing balance of the previous year's report. The new methodology impacts all reserve categories in the June 30, 2014 reserve report for the Ecuador Fields and subsequently for the total Corporation.

(7) The Morichito original evaluations were completed and have been confirmed by Petrotech.

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

The following table provides a summary of Canacol's reserves plus deemed volumes as of June 30, 2014 using forecast prices and costs.

	RESERVES PLUS DEEMED VOLUMES									
	Light & Medium Oil		Heavy Oil		Natural Gas[1]		Natural Gas Liquids[4]		Total BOE[5]	
RESERVES CATEGORY	Gross[2] (Mbbl)	Net[3] (Mbbl)	Gross[2] (Mbbl)	Net[3] (Mbbl)	Gross[2] (MMcf)	Net[3] (MMcf)	Gross[2] (Mbbl)	Net[3] (Mbbl)	Gross[2] (Mboe)	Net[3] (Mboe)
Colombia										
Proved										
Developed Producing	1,770	1,562	399	359	55,048	50,424	12	12	11,839	10,779
Developed Non-Producing	2,139	1,804	634	486	14,435	13,219	57	57	5,362	4,666
Undeveloped	1,189	1,034	2,582	2,407	33,513	30,675	-	-	9,650	8,823
Total Proved	**5,098**	**4,401**	**3,616**	**3,252**	**102,996**	**94,318**	**70**	**70**	**26,853**	**24,270**
Probable	3,996	3,333	3,843	3,517	10,380	9,433	11	11	9,671	8,516
Total Proved Plus Probable	**9,094**	**7,734**	**7,458**	**6,769**	**113,376**	**103,751**	**81**	**81**	**36,524**	**32,786**
Possible	5,493	4,620	3,298	2,970	13,908	12,708	19	19	11,250	9,838
Total Proved Plus Probable Plus Possible	**14,586**	**12,354**	**10,756**	**9,739**	**127,284**	**116,459**	**100**	**100**	**47,773**	**42,624**
Ecuador[6]										
Proved										
Developed Producing	529	529	-	-	-	-	-	-	529	529
Developed Non-Producing	762	762	-	-	-	-	-	-	762	762
Undeveloped	3,685	3,685	-	-	-	-	-	-	3,685	3,685
Total Proved	**4,976**	**4,976**	-	-	-	-	-	-	**4,976**	**4,976**
Probable	1,484	1,484	-	-	-	-	-	-	1,484	1,484
Total Proved Plus Probable	**6,460**	**6,460**	-	-	-	-	-	-	**6,460**	**6,460**
Possible	1,537	1,537	-	-	-	-	-	-	1,537	1,537
Total Proved Plus Probable Plus Possible	**7,997**	**7,997**	-	-	-	-	-	-	**7,997**	**7,997**
Corporate Total										
Proved										
Developed Producing	2,299	2,091	399	359	55,048	50,424	12	12	12,368	11,308
Developed Non-Producing	2,901	2,566	634	486	14,435	13,219	57	57	6,124	5,428
Undeveloped	4,874	4,719	2,582	2,407	33,513	30,675	-	-	13,335	12,508
Total Proved	**10,074**	**9,377**	**3,616**	**3,252**	**102,996**	**94,318**	**70**	**70**	**31,829**	**29,246**
Probable	5,480	4,817	3,843	3,517	10,380	9,433	11	11	11,155	10,000
Total Proved Plus Probable	**15,554**	**14,194**	**7,458**	**6,769**	**113,376**	**103,751**	**81**	**81**	**42,984**	**39,246**
Possible	7,030	6,157	3,298	2,970	13,908	12,708	19	19	12,787	11,375
Total Proved Plus Probable Plus Possible	**22,583**	**20,351**	**10,756**	**9,739**	**127,284**	**116,459**	**100**	**100**	**55,770**	**50,621**

Notes:

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

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

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

(4) Natural Gas Liquid volumes are considered as deemed volumes in the table. In addition, the NGL volumes on the economic outputs are total volume produced (Condensate + LPG's). However, since most or all of the LPG's are used for power generation, the volumes in the table are only those sold to market.

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

(6) The Corporation's working interest reserves for the Ecuador Fields reflect the Deemed Volume (the Corporation's share of production above the base line). The calculation for the Deemed Volume is described in the Ecuador Fields reserve report. The methodology for calculating the Deemed Volume has been changed in the June 30, 2014 report to more accurately reflect the Corporation's share of production. The Deemed Volume was previously calculated using the cash flow divided by DeGolyer's WTI price forecast for the year, adjusted by 10% for quality. The new methodology determines Deemed Volume by dividing cash flow by the tariff price of $38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions. As such, the opening balance of the current report has been restated using the new methodology, and does not match the closing balance of the previous year's report. The new methodology impacts all reserve categories in the June 30, 2014 reserve report for the Ecuador Fields and subsequently for the total Corporation.

(7) The Morichito original evaluations were completed and have been confirmed by Petrotech.

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

The following tables set forth the reconciliation of Canacol's gross reserves plus deemed volumes by principal product type using forecast prices and cost estimates as of June 30, 2014.

RESERVES RECONCILIATION - FORECAST PRICE CASE
COMPANY SHARE GROSS

Effective Date: June 30, 2014
Adjusted for Deemed Volumes

TOTAL PROVED

	Total Oil (Mbbl)	Light/Med Oil (Mbbl)	Heavy Oil (Mbbl)	Sales Gas (MMcf)	NGL (Mbbl)	TOTAL (Mboe)
Colombia						
Opening Balance (June 30, 2013)[4]	**8,659**	**4,390**	**4,269**	**60,977**	**295**	**19,652**
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions[1]	505	809	(304)	48,100	(103)	8,842
Discoveries	1,437	1,437	-	-	-	1,437
Acquisitions[2]	392	392	-	-	-	392
Dispositions[2]	-	-	-	-	-	-
Economic Factors [3]	-	-	-	-	-	-
Production	(2,280)	(1,930)	(350)	(6,081)	(122)	(3,469)
Closing Balance (June 30, 2014)[4]	**8,713**	**5,098**	**3,615**	**102,996**	**70**	**26,853**
Ecuador						
Opening Balance (June 30, 2013)[4]	**5,733**	**5,733**	-	-	-	**5,733**
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions[1]	(124)	(124)	-	-	-	(124)
Discoveries	-	-	-	-	-	-
Acquisitions[2]	-	-	-	-	-	-
Dispositions[2]	-	-	-	-	-	-
Economic Factors [3]	-	-	-	-	-	-
Production	(633)	(633)	-	-	-	(633)
Closing Balance (June 30, 2014)[4]	**4,976**	**4,976**	-	-	-	**4,976**
Corporate Total						
Opening Balance (June 30, 2013)[4]	**14,392**	**10,123**	**4,269**	**60,977**	**295**	**25,385**
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions[1]	381	685	(304)	48,100	(103)	8,718
Discoveries	1,437	1,437	-	-	-	1,437
Acquisitions[2]	392	392	-	-	-	392
Dispositions[2]	-	-	-	-	-	-
Economic Factors [3]	-	-	-	-	-	-
Production	(2,913)	(2,563)	(350)	(6,081)	(122)	(4,102)
Closing Balance (June 30, 2014)[4]	**13,689**	**10,074**	**3,615**	**102,996**	**70**	**31,829**

Notes:

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

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

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

(4) The Corporation's working interest reserves for the Ecuador Fields reflect the Deemed Volume (the Corporation's share of production above the base line). The calculation for the Deemed Volume is described in the Ecuador Fields reserve report. The methodology for calculating the Deemed Volume has been changed in the June 30, 2014 report to more accurately reflect the Corporation's share of production. The Deemed Volume was previously calculated using the cash flow divided by DeGolyer's WTI price forecast for the year, adjusted by 10% for quality. The new methodology determines Deemed Volume by dividing cash flow by the tariff price of $38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions. As such, the opening balance of the current report has been restated using the new methodology, and does not match the closing balance of the previous year's report. The new methodology impacts all reserve categories in the June 30, 2014 reserve report for the Ecuador Fields and subsequently for the total Corporation.

(5) The Morichito original evaluations were completed and have been confirmed by Petrotech.

(6) Mono Arana oil classification changed from Light to Heavy. As such, the opening balance in this report is not the same as the closing balance in the previous report.
(7) Barrels of Oil Equivalent (boe) have been reported based on natural gas conversion of 5.7Mcf/1 bbl.
(8) The numbers in this table may not exactly add due to rounding.

RESERVES RECONCILIATION - FORECAST PRICE CASE
COMPANY SHARE GROSS

Effective Date: June 30, 2014
Adjusted for Deemed Volumes

TOTAL PROBABLE

	Total Oil (Mbbl)	Light/Med Oil (Mbbl)	Heavy Oil (Mbbl)	Sales Gas (MMcf)	NGL (Mbbl)	TOTAL (Mboe)
Colombia						
Opening Balance (June 30, 2013)[4]	**5,647**	**1,438**	**4,209**	**34,023**	**79**	**11,695**
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions[1]	(347)	19	(366)	(23,643)	(68)	(4,564)
Discoveries	2,190	2,190	-	-	-	2,190
Acquisitions[2]	348	348	-	-	-	348
Dispositions[2]	-	-	-	-	-	-
Economic Factors [3]	-	-	-	-	-	-
Production	-	-	-	-	-	-
Closing Balance (June 30, 2014)[4]	**7,838**	**3,995**	**3,843**	**10,380**	**11**	**9,669**
Ecuador						
Opening Balance (June 30, 2013)[4]	**1,612**	**1,612**	-	-	-	**1,612**
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions[1]	(128)	(128)	-	-	-	(128)
Discoveries	-	-	-	-	-	-
Acquisitions[2]	-	-	-	-	-	-
Dispositions[2]	-	-	-	-	-	-
Economic Factors [3]	-	-	-	-	-	-
Production	-	-	-	-	-	-
Closing Balance (June 30, 2014)[4]	**1,484**	**1,484**	-	-	-	**1,484**
Corporate Total						
Opening Balance (June 30, 2013)[4]	**7,259**	**3,050**	**4,209**	**34,023**	**79**	**13,307**
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions[1]	(475)	(109)	(366)	(23,643)	(68)	(4,692)
Discoveries	2,190	2,190	-	-	-	2,190
Acquisitions[2]	348	348	-	-	-	348
Dispositions[2]	-	-	-	-	-	-
Economic Factors [3]	-	-	-	-	-	-
Production	-	-	-	-	-	-
Closing Balance (June 30, 2014)[4]	**9,322**	**5,479**	**3,843**	**10,380**	**11**	**11,153**

Notes:

(1) Includes technical revisions due to reservoir performance, geological and engineering changes; economic revisions due to changes in economic limits; and working interest changes resulting from the timing of interest reversions.
(2) Includes production attributable to any acquired interests from the acquisition date to effective date of the report and production realized from disposed interests from the opening balance date to the effective date of disposition.
(3) Includes economic revisions related to price and royalty factor changes.
(4) The Corporation's working interest reserves for the Ecuador Fields reflect the Deemed Volume (the Corporation's share of production above the base line). The calculation for the Deemed Volume is described in the Ecuador Fields reserve report. The methodology for calculating the Deemed Volume has been changed in the June 30, 2014 report to more accurately reflect the Corporation's share of production. The Deemed Volume was previously calculated using the cash flow divided by DeGolyer's WTI price forecast for the year, adjusted by 10% for quality. The new methodology determines Deemed Volume by dividing cash flow by the tariff price of $38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions. As such, the opening balance of the current report has been

restated using the new methodology, and does not match the closing balance of the previous year's report. The new methodology impacts all reserve categories in the June 30, 2014 reserve report for the Ecuador Fields and subsequently for the total Corporation.

(5) The Morichito original evaluations were completed and have been confirmed by Petrotech.

(6) Mono Arana oil classification changed from Light to Heavy. As such, the opening balance in this report is not the same as the closing balance in the previous report.

(7) Barrels of Oil Equivalent (boe) have been reported based on natural gas conversion of 5.7Mcf/1 bbl.

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

RESERVES RECONCILIATION - FORECAST PRICE CASE
COMPANY SHARE GROSS

Effective Date: June 30, 2014
Adjusted for Deemed Volumes

TOTAL PROVED + PROBABLE

	Total Oil (Mbbl)	Light/Med Oil (Mbbl)	Heavy Oil (Mbbl)	Sales Gas (MMcf)	NGL (Mbbl)	TOTAL (Mboe)
Colombia						
Opening Balance (June 30, 2013)[4]	**14,306**	**5,828**	**8,478**	**95,000**	**374**	**31,347**
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions[1]	158	828	(670)	24,457	(171)	4,278
Discoveries	3,627	3,627	-	-	-	3,627
Acquisitions[2]	740	740	-	-	-	740
Dispositions[2]	-	-	-	-	-	-
Economic Factors [3]	-	-	-	-	-	-
Production	(2,280)	(1,930)	(350)	(6,081)	(122)	(3,469)
Closing Balance (June 30, 2014)[4]	**16,551**	**9,093**	**7,458**	**113,376**	**81**	**36,523**
Ecuador						
Opening Balance (June 30, 2013)[4]	**7,345**	**7,345**	-	-	-	**7,345**
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions[1]	(252)	(252)	-	-	-	(252)
Discoveries	-	-	-	-	-	-
Acquisitions[2]	-	-	-	-	-	-
Dispositions[2]	-	-	-	-	-	-
Economic Factors [3]	-	-	-	-	-	-
Production	(633)	(633)	-	-	-	(633)
Closing Balance (June 30, 2014)[4]	**6,460**	**6,460**	-	-	-	**6,460**
Corporate Total						
Opening Balance (June 30, 2013)[4]	**21,651**	**13,173**	**8,478**	**95,000**	**374**	**38,692**
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions[1]	(94)	576	(670)	24,457	(171)	4,026
Discoveries	3,627	3,627	-	-	-	3,627
Acquisitions[2]	740	740	-	-	-	740
Dispositions[2]	-	-	-	-	-	-
Economic Factors [3]	-	-	-	-	-	-
Production	(2,913)	(2,563)	(350)	(6,081)	(122)	(4,102)
Closing Balance (June 30, 2014)[4]	**23,011**	**15,553**	**7,458**	**113,376**	**81**	**42,983**

Notes:

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

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

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

(4) The Corporation's working interest reserves for the Ecuador Fields reflect the Deemed Volume (the Corporation's share of production above the base line). The calculation for the Deemed Volume is described in the Ecuador Fields reserve report. The methodology for calculating the Deemed Volume has been changed in the June 30, 2014 report to more accurately reflect the Corporation's share of production. The Deemed Volume was previously calculated using the cash flow divided by DeGolyer's WTI price forecast for the

year, adjusted by 10% for quality. The new methodology determines Deemed Volume by dividing cash flow by the tariff price of $38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions. As such, the opening balance of the current report has been restated using the new methodology, and does not match the closing balance of the previous year's report. The new methodology impacts all reserve categories in the June 30, 2014 reserve report for the Ecuador Fields and subsequently for the total Corporation.

(5) The Morichito original evaluations were completed and have been confirmed by Petrotech.

(6) Mono Arana oil classification changed from Light to Heavy. As such, the opening balance in this report is not the same as the closing balance in the previous report.

(7) Barrels of Oil Equivalent (boe) have been reported based on natural gas conversion of 5.7Mcf/1 bbl.

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

RESERVES RECONCILIATION - FORECAST PRICE CASE
COMPANY SHARE GROSS

Effective Date: June 30, 2014
Adjusted for Deemed Volumes

TOTAL PROVED + PROBABLE + POSSIBLE

	Total Oil (Mbbl)	Light/Med Oil (Mbbl)	Heavy Oil (Mbbl)	Sales Gas (MMcf)	NGL (Mbbl)	TOTAL (Mboe)
Colombia						
Opening Balance (June 30, 2013)[4]	**18,858**	**7,355**	**11,503**	**177,275**	**466**	**50,425**
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions[1]	790	1,187	(397)	(48,237)	(244)	(7,917)
Discoveries	6,765	6,765	-	4,328	-	7,524
Acquisitions[2]	1,209	1,209	-	-	-	1,209
Dispositions[2]	-	-	-	-	-	-
Economic Factors [3]	-	-	-	-	-	-
Production	(2,280)	(1,930)	(350)	(6,081)	(122)	(3,469)
Closing Balance (June 30, 2014)[4]	**25,342**	**14,586**	**10,756**	**127,285**	**100**	**47,773**
Ecuador						
Opening Balance (June 30, 2013)[4]	**9,092**	**9,092**	-	-	-	**9,092**
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions[1]	(462)	(462)	-	-	-	(462)
Discoveries	-	-	-	-	-	-
Acquisitions[2]	-	-	-	-	-	-
Dispositions[2]	-	-	-	-	-	-
Economic Factors [3]	-	-	-	-	-	-
Production	(633)	(633)	-	-	-	(633)
Closing Balance (June 30, 2014)[4]	**7,997**	**7,997**	-	-	-	**7,997**
Corporate Total						
Opening Balance (June 30, 2013)[4]	**27,950**	**16,447**	**11,503**	**177,275**	**466**	**59,517**
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions[1]	328	725	(397)	(48,237)	(244)	(8,379)
Discoveries	6,765	6,765	-	4,328	-	7,524
Acquisitions[2]	1,209	1,209	-	-	-	1,209
Dispositions[2]	-	-	-	-	-	-
Economic Factors [3]	-	-	-	-	-	-
Production	(2,913)	(2,563)	(350)	(6,081)	(122)	(4,102)
Closing Balance (June 30, 2014)[4]	**33,339**	**22,583**	**10,756**	**127,285**	**100**	**55,770**

Notes:

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

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

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

(4) The Corporation's working interest reserves for the Ecuador Fields reflect the Deemed Volume (the Corporation's share of production above the base line). The calculation for the Deemed Volume is described in the Ecuador Fields reserve report. The methodology for calculating the Deemed Volume has been changed in the June 30, 2014 report to more accurately reflect the Corporation's share of production. The Deemed Volume was previously calculated using the cash flow divided by DeGolyer's WTI price forecast for the year, adjusted by 10% for quality. The new methodology determines Deemed Volume by dividing cash flow by the tariff price of $38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions. As such, the opening balance of the current report has been restated using the new methodology, and does not match the closing balance of the previous year's report. The new methodology impacts all reserve categories in the June 30, 2014 reserve report for the Ecuador Fields and subsequently for the total Corporation.

(5) The Morichito original evaluations were completed and have been confirmed by Petrotech.

(6) Mono Arana oil classification changed from Light to Heavy. As such, the opening balance in this report is not the same as the closing balance in the previous report.

(7) Barrels of Oil Equivalent (boe) have been reported based on natural gas conversion of 5.7Mcf/1 bbl.

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

The following table provides a summary of Canacol's net present value of future net revenues as of June 30, 2014 using forecast prices and costs.

	Net Present Value (NPV) of Future Net Revenues (FNR)										**Unit Value BFIT Disc. @ 10%/yr**
	Before Income Taxes - Discounted at (%/yr)					**After Income Taxes - Discounted at (% /yr)**					
RESERVES CATEGORY	**0 (M US$)**	**5 (M US$)**	**10 (M US$)**	**15 (M US$)**	**20 (M US$)**	**0 (M US$)**	**5 (M US$)**	**10 (M US$)**	**15 (M US$)**	**20 (M US$)**	**($/BOE)**
Colombia											
Proved											
Developed Producing	290,420	254,908	227,414	205,716	188,291	223,943	198,155	178,165	162,369	149,667	20.11
Developed Non-Producing	105,186	92,322	81,735	72,926	65,523	72,540	63,809	56,557	50,476	45,336	16.68
Undeveloped	212,297	164,159	130,769	106,757	88,933	155,020	118,654	93,404	75,259	61,817	10.03
Total Proved	**607,903**	**511,389**	**439,918**	**385,399**	**342,747**	**451,503**	**380,618**	**328,126**	**288,104**	**256,820**	**15.04**
Probable	423,540	356,797	305,501	265,442	233,606	287,136	239,196	202,762	174,619	152,471	30.55
Total Proved Plus Probable	**1,031,443**	**868,186**	**745,419**	**650,841**	**576,353**	**738,639**	**619,814**	**530,888**	**462,723**	**409,291**	**18.99**
Possible	486,766	385,460	315,203	264,121	225,633	328,758	257,155	208,276	173,117	146,829	27.71
Total Proved Plus Probable Plus Possible	**1,518,209**	**1,253,646**	**1,060,622**	**914,962**	**801,986**	**1,067,397**	**876,969**	**739,164**	**635,840**	**556,120**	**20.95**
Ecuador											
Proved											
Developed Producing	20,395	19,884	19,416	18,985	18,586	15,908	15,526	15,175	14,851	14,552	36.70
Developed Non-Producing	24,473	20,896	18,146	15,979	14,236	19,089	16,090	13,808	12,026	10,603	23.81
Undeveloped	104,506	81,622	64,885	52,291	42,580	81,515	62,188	48,160	37,678	29,649	17.61
Total Proved	**149,374**	**122,402**	**102,447**	**87,255**	**75,402**	**116,512**	**93,804**	**77,143**	**64,555**	**54,804**	**20.59**
Probable	57,208	46,484	38,878	33,281	29,034	44,622	36,259	30,325	25,960	22,646	26.20
Total Proved Plus Probable	**206,582**	**168,886**	**141,325**	**120,536**	**104,436**	**161,134**	**130,063**	**107,468**	**90,515**	**77,450**	**21.88**
Possible	59,243	46,581	37,825	31,539	26,874	46,209	36,306	29,461	24,547	20,904	24.61
Total Proved Plus Probable Plus Possible	**265,825**	**215,467**	**179,150**	**152,075**	**131,310**	**207,343**	**166,369**	**136,929**	**115,062**	**98,354**	**22.40**
Corporate Total											
Proved											
Developed Producing	310,815	274,792	246,830	224,701	206,877	239,851	213,681	193,340	177,220	164,219	21.83
Developed Non-Producing	129,659	113,218	99,881	88,905	79,759	91,629	79,899	70,365	62,502	55,939	18.40
Undeveloped	316,803	245,781	195,654	159,048	131,513	236,535	180,842	141,564	112,937	91,466	15.64
Total Proved	**757,277**	**633,791**	**542,365**	**472,654**	**418,149**	**568,015**	**474,422**	**405,269**	**352,659**	**311,624**	**18.55**
Probable	480,748	403,281	344,379	298,723	262,640	331,758	275,455	233,087	200,579	175,117	34.44
Total Proved Plus Probable	**1,238,025**	**1,037,072**	**886,744**	**771,377**	**680,789**	**899,773**	**749,877**	**638,356**	**553,238**	**486,741**	**22.59**
Possible	546,009	432,041	353,028	295,660	252,507	374,967	293,461	237,737	197,664	167,733	31.03
Total Proved Plus Probable Plus Possible	**1,784,034**	**1,469,113**	**1,239,772**	**1,067,037**	**933,296**	**1,274,740**	**1,043,338**	**876,093**	**750,902**	**654,474**	**24.49**

Notes:

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

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

(3) This unit values are based on NPV of FNR before income tax divided by net reserve volumes.
(4) The Corporation's working interest reserves for the Ecuador Fields reflect the Deemed Volume (the Corporation's share of production above the base line). The calculation for the Deemed Volume is described in the Ecuador Fields reserve report. The methodology for calculating the Deemed Volume has been changed in the June 30, 2014 report to more accurately reflect the Corporation's share of production. The Deemed Volume was previously calculated using the cash flow divided by DeGolyer's WTI price forecast for the year, adjusted by 10% for quality. The new methodology determines Deemed Volume by dividing cash flow by the tariff price of $38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions. As such, the opening balance of the current report has been restated using the new methodology, and does not match the closing balance of the previous year's report. The new methodology impacts all reserve categories in the June 30, 2014 reserve report for the Ecuador Fields and subsequently for the total Corporation.
(5) The Morichito original evaluations were completed and have been confirmed by Petrotech.
(6) Barrels of Oil Equivalent (boe) have been reported based on natural gas conversion of 5.7Mcf/1 bbl.
(7) The numbers in this table may not add exactly due to rounding.

The following table sets forth Canacol's total future net revenues (undiscounted) as of June 30, 2014 using forecast prices and costs.

RESERVES CATEGORY	Revenues (M US$)	Royalties (M US$)	Operating Costs[2] (M US$)	Development Costs (M US$)	Well Aband. & Reclamation Costs (M US$)	BT Future Net Revenues[1] (M US$)	Income Taxes (M US$)	AT Future Net Revenues[1] (M US$)
Colombia								
Total Proved	1,219,128	131,619	338,944	131,617	9,044	607,903	156,400	451,503
Total Proved Plus Probable	2,025,687	229,174	547,210	207,662	10,197	1,031,443	292,804	738,639
Total Proved Plus Probable Plus Possible	2,880,492	341,755	741,020	268,248	11,260	1,518,209	450,812	1,067,397
Ecuador								
Total Proved	429,563	237,776	(5,383)	47,796	-	149,374	32,862	116,512
Total Proved Plus Probable	486,771	237,776	(5,383)	47,796	-	206,582	45,448	161,134
Total Proved Plus Probable Plus Possible	546,014	237,776	(5,383)	47,796	-	265,825	58,482	207,343
Corporate Total								
Total Proved	1,648,691	369,395	333,561	179,413	9,044	757,277	189,262	568,015
Total Proved Plus Probable	2,512,458	466,950	541,827	255,458	10,197	1,238,025	338,252	899,773
Total Proved Plus Probable Plus Possible	3,426,506	579,531	735,637	316,044	11,260	1,784,034	509,294	1,274,740

Notes:

(1) BT= Before Taxes and AT= After Taxes.
(2) Operating cost less processing and other income.
(3) The Morichito original evaluations were completed and have been confirmed by Petrotech.
(4) The numbers in this table may not add exactly due to rounding.

The following table sets forth Canacol's net present value of future net revenues by production group adjusted for deemed volumes as of June 30, 2014 using forecast prices and costs.

RESERVES CATEGORY	PRODUCTION GROUP	BFIT Future Net Revenues Discounted (10%/yr) [1] (M US$)	UNIT VALUE[1] ($/BOE)
Total Proved	Light & Medium Crude Oil (including solution gas)	249,435	26.60
	Heavy Oil	51,900	15.96
	Natural gas (including by-products but excluding solution gas from oil wells)	240,977	14.50
Total Proved Plus Probable	Light & Medium Crude Oil (including solution gas)	427,993	30.15
	Heavy Oil	121,000	17.88
	Natural gas (including by-products but excluding solution gas from oil wells)	337,686	18.47
Total Proved Plus Probable Plus Possible	Light & Medium Crude Oil (including solution gas)	673,910	33.11
	Heavy Oil	192,000	19.71
	Natural gas (including by-products but excluding solution gas from oil wells)	373,800	18.21

Notes:

(1) The unit values are based on net reserve volumes before income tax (BFIT).
(2) The Corporation's working interest reserves for the Ecuador Fields reflect the Deemed Volume (the Corporation's share of production above the base line). The calculation for the Deemed Volume is described in the Ecuador Fields reserve report. The methodology for calculating the Deemed Volume has been changed in the June 30, 2014 report to more accurately reflect the Corporation's share of production. The Deemed Volume was previously calculated using the cash flow divided by DeGolyer's WTI price forecast for the year, adjusted by 10% for quality. The new methodology determines Deemed Volume by dividing cash flow by the tariff price of $38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions. As such, the opening balance of the current report has been restated using the new methodology, and does not match the closing balance of the previous year's report. The new methodology impacts all reserve categories in the June 30, 2014 reserve report for the Ecuador Fields and subsequently for the total Corporation.
(3) The Morichito original evaluations were completed and have been confirmed by Petrotech.
(4) Barrels of Oil Equivalent (boe) have been reported based on natural gas conversion of 5.7Mcf/1 bbl.
(5) The numbers in this table may not add exactly due to rounding.

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

	Forecast Prices & Costs	
	For Proved Reserves (M US$)	**For Proved + Probable Reserves (M US$)**
Colombia		
Year		
2014	35,076	50,776
2015	42,339	46,142
2016	9,601	15,218
2017	20,009	31,866
2018	17,852	23,984
Remaining	6,740	39,676
Total	131,617	207,662
Undiscounted	131,617	207,662
Discounted @ 10%	111,147	167,408
Ecuador		
Year		
2014	11,484	11,484
2015	21,725	21,725
2016	14,588	14,588
2017	-	-
2018	-	-
Remaining	-	-
Total	47,796	47,796
Undiscounted	47,796	47,796
Discounted @ 10%	44,574	44,574
Corporate Total		
Year		
2014	46,560	62,260
2015	64,064	67,867
2016	24,189	29,806
2017	20,009	31,866
2018	17,852	23,984
Remaining	6,739	39,675
Total	179,413	255,458
Undiscounted	179,413	255,458
Discounted @ 10%	155,721	211,982

Notes:

(1) Future Development Costs shown are associated with booked reserves in the Reports and do not necessarily represent the Corporation's full exploration and development budget.
(2) The Morichito original evaluations were completed and have been confirmed by Petrotech.
(3) The numbers in this table may not add exactly due to rounding.

Generally, the Corporation has three sources of funding to finance its capital expenditure programs: (i) cash on hand and internally generated cash flows from operations; (ii) debt financing, when appropriate; and (iii) new equity issues, if available on favourable terms. The Corporation plans its capital program on a calendar year basis.

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

	Light and Medium Oil Gross (Mbbl)		Heavy Oil Gross (Mbbl)		Sales Gas Gross (MMcf)	
Reserves Category	**First Attributed**	**Cumulative at year end**	**First Attributed**	**Cumulative at year end**	**First Attributed**	**Cumulative at year end**
Proved Undeveloped						
Prior to 2012	-	-	1,161	2,529	-	-
2012	2,543	2,543	468	2,997	-	-
2013	248	2,290	-	2,486	28,593	28,593
2014	2,796	4,874	96	2,582	4,920	33,513
Probable Undeveloped						
Prior to 2012	-	-	-	3,244	-	-
2012	730	730	507	3,583	-	-
2013	323	639	-	3,048	15,309	15,309
2014	1,564	1,986	172	3,220	-	2,927

Note:

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

Marketing

Sales to individual counterparties exceeding 10% of consolidated revenues for the years ended June 30, 2014 and 2013 are broken down as follows:

	Sales as % of Consolidated Revenue	
	2014	**2013**
Hocol	-	23%
Hidrocarburos del Casanare	30%	54%
Emerald	20%	-
Petrominerales	12%	-
Cerro Matoso	11%	10%
Cepsa	11%	-

Production

The following table sets forth the Corporation's conventional average daily production volumes, by country, for each quarter of the previous financial year ended June 30, 2014.

OPERATING RESULTS	Three Months Ended September 30, 2013		Three Months Ended December 31, 2013		Three Months Ended March 31, 2014		Three Months Ended June 30, 2014	
	Colombia	**Ecuador**	**Colombia**	**Ecuador**	**Colombia**	**Ecuador**	**Colombia**	**Ecuador**
Production								
Crude oil and NGLs (boe/d)	5,151	-	5,921	-	6,560	-	7,387	-
Tariff production (boe/d)	-	959	-	1,077	-	1,700	-	1,884
Natural Gas (boe/d)	3,022	-	3,097	-	2,633	-	2,941	-

Average sale prices								
Crude oil – Tariff ($/boe)	-	38.54	-	38.54	-	38.54	-	38.54
Crude oil – Non-Tariff ($/boe)	90.57	-	86.99	-	87.68	-	91.16	-
Natural Gas ($/boe)	29.67	-	29.45	-	23.00	-	23.21	-
Operating netback ($/boe)								
Commodity sales revenue	68.44	38.54	65.05	38.54	70.20	38.54	72.05	38.54
Royalties	6.04	-	5.86	-	6.57	-	7.05	-
Operating Expenses	16.82	-	15.87	-	14.29	-	15.19	-
Transportation Expenses	6.16	-	4.89	-	4.91	-	3.99	-
Netback[(1)]	**39.42**	**38.54**	**38.43**	**38.54**	**44.44**	**38.54**	**45.82**	**38.54**

Note:

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

Total production by country and field is as follows:

	Production Volumes (BOE)			
	For the three months ended June 30,		For the year ended June 30,	
	2013	**2014**	**2013**	**2014**
LLA-23	157,612	525,434	301,490	1,566,152
Esperanza	261,989	267,631	550,055	1,067,549
Rancho Hermoso	225,316	92,001	1,033,539	564,871
Other	34,034	54,782	84,680	150,218
Total Non-Tariff production	**678,951**	**939,848**	**1,969,764**	**3,348,790**
Ecuador - Tariff Production	73,528	171,444	163,885	511,756
Rancho Hermoso - Tariff Production	-	-	354,556	-
Total	**752,479**	**1,111,292**	**2,488,205**	**3,860,546**

The following table sets forth the Corporation's production estimates by production group for total proved and probable reserves as of June 30, 2014.

ADJUSTED FOR DEEMED VOLUMES

	Forecast Prices & Costs		
Reserves Category	**Total Proved Gross Daily Production[(2)]**	**Probable Gross Daily Production[(2)]**	**Total Proved + Probable Gross Daily Production[(2)]**
Colombia			
Light & Medium Oil (bbls/d)	6,156	1,305	7,461
Heavy Oil (bbls/d)	826	33	859
Associated and Non-Associated Gas (Mcf/d)	19,940	-	19,940
Natural Gas Liquids (bbls/d)	73	2	75
Total[(1)] (boe/d)	**10,554**	**1,339**	**11,893**
Ecuador			
Light & Medium Oil (bbls/d)	2,287	272	2,559
Heavy Oil (bbls/d)	-	-	-
Associated and Non-Associated Gas (Mcf/d)	-	-	-
Natural Gas Liquids (bbls/d)	-	-	-
Total[(1)] (boe/d)	**2,287**	**272**	**2,559**
Corporate Total			
Light & Medium Oil (bbls/d)	8,444	1,577	10,020
Heavy Oil (bbls/d)	826	33	859
Associated and Non-Associated Gas (Mcf/d)	19,940	-	19,940
Natural Gas Liquids (bbls/d)	72	3	75
Total [(1)] (boe/d)	**12,840**	**1,612**	**14,452**

Notes:

(1) BOE have been reported based on natural gas conversions of 5.7 Mcf/1 bbl as required by the Ministry of Mines and Energy in Colombia.
(2) Gross production is company interest before all royalty deductions.
(3) The Corporation reports tariff production on a gross basis in its quarterly financial statements and MD&A. Consequently, production in the table above is not comparable with its historical financial reporting.
(4) The Corporation's working interest reserves for the Ecuador Fields reflect the Deemed Volume (the Corporation's share of production above the base line). The calculation for the Deemed Volume is described in the Ecuador Fields reserve report. The methodology for calculating the Deemed Volume has been changed in the June 30, 2014 report to more accurately reflect the Corporation's share of production. The Deemed Volume was previously calculated using the cash flow divided by DeGolyer's WTI price forecast for the year, adjusted by 10% for quality. The new methodology determines Deemed Volume by dividing cash flow by the tariff price of $38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions. As such, the opening balance of the current report has been restated using the new methodology, and does not match the closing balance of the previous year's report. The new methodology impacts all reserve categories in the June 30, 2014 reserve report for the Ecuador Fields and subsequently for the total Corporation.
(5) The Morichito original evaluations were completed and have been confirmed by Petrotech.
(6) The numbers in these tables may not add exactly due to rounding.

The following table provides a summary of Canacol's share gross production estimates by field for the year ended June 30, 2014 using forecast prices and costs.

ADJUSTED FOR DEEMED VOLUME

	Light & Medium Oil (bbl/d)	Heavy Oil (bbl/d)	Natural Gas[(2)] (Mcf/d)	Natural Gas Liquids (bbl/d)
Colombia				
Capella	-	308	-	-
Esperanza	-	-	19,940	-
Labrador	2,849	-	-	-
LPT	1,869		-	
Mono Araña	-	277		
Morichito		-	-	-
Rancho Hermoso	821	239		73
Santa Isabel	619	-	-	-
Total	**6,158**	**824**	**19,940**	**73**
Ecuador Fields	**2,287**	-	-	-
Corporate Total	**8,445**	**824**	**19,940**	**73**

Notes:

(1) Daily production is taken from the Reports as of June 30, 2014.
(2) Natural Gas includes Associated and Non-Associated sales gas volumes.
(3) The Corporation reports tariff production on a gross basis in its quarterly financial statements and MD&A. Consequently, production in the table above is not comparable with its historical financial reporting.
(4) The Corporation's working interest reserves for the Ecuador Fields reflect the Deemed Volume (the Corporation's share of production above the base line). The calculation for the Deemed Volume is described in the Ecuador Fields reserve report. The methodology for calculating the Deemed Volume has been changed in the June 30, 2014 report to more accurately reflect the Corporation's share of production. The Deemed Volume was previously calculated using the cash flow divided by DeGolyer's WTI price forecast for the year, adjusted by 10% for quality. The new methodology determines Deemed Volume by dividing cash flow by the tariff price of $38.54 per barrel which remains constant until the end of the Ecuador IPC term. The tariff price is considered equivalent to the netback since it is not subject to royalty or operating cost deductions. As such, the opening balance of the current report has been restated using the new methodology, and does not match the closing balance of the previous year's report. The new methodology impacts all reserve categories in the June 30, 2014 reserve report for the Ecuador Fields and subsequently for the total Corporation.
(5) The Morichito original evaluations were completed and have been confirmed by Petrotech.
(6) The numbers in these tables may not match the corporate totals due to rounding.

Oil and Gas Wells

The following table summarizes Canacol's interests, by region and on a consolidated basis, as at June 30, 2014, in oil and gas wells which are producing or which are considered capable of production. All wells considered capable of production have been standing for a period of less than one year, are within economic distance of transportation

facilities and are classified as proved developed non-producing reserves in the Reports. All of the Corporation's properties are located onshore.

	Oil Wells				Gas Wells			
	Producing		Non- Producing		Producing		Non- Producing	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Colombia								
Rancho Hermoso	11.00	3.30	4.00	1.20	-	-	-	-
LLA 23 Labrador	5.00	4.50	0.00	0.00	-	-	-	-
LLA 23 Leono	3.00	2.70	0.00	0.00	-	-	-	-
LLA 23 Pantro	1.00	0.90	0.00	0.00	-	-	-	-
Esperanza	-	-	-	-	3.00	3.00	4.00	4.00
Capella	31.00	3.10	13.00	1.30	-	-	-	-
VMM2 Mono Arana	2.00	1.07	1.00	0.40	-	-	-	-
Santa Isabel Oso Pardo	1.00	1.00	0.00	0.00	-	-	-	-
Morichito	0.00	0.00	1.00	0.15	-	-	-	-
Ecuador								
Libertador & Atacapi	94.00	23.50	62.00	15.50	-	-	-	-
Total Corporation	**148.00**	**40.07**	**81.00**	**18.55**	**3.00**	**3.00**	**4.00**	**4.00**

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

Properties with no Attributed Reserves

As at June 30, 2014, the Corporation had approximately 2.185 million gross (1.376 million net) acres of unproved property. This acreage is situated in Colombia (approximately 1.864 million gross acres and 1.261 million net acres), Brazil (approximately 6,900 gross acres and 690 net acres) and Peru (approximately 313,000 gross acres and 114,000 net acres). No reserves have been assigned to this acreage.

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

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

As at June 30, 2014, the Corporation had no unproved property in which its rights to explore, develop and exploit will, absent further action, expire within one year.

Forward Contracts

The Corporation enters into certain financial derivative contracts in order to reduce its exposure to market risks from fluctuations in commodity prices, foreign currency and interest rates. These instruments are not used for speculative purposes. The Corporation has not designated its financial derivative contracts as effective accounting hedges and thus has not applied hedge accounting. As a result, all financial derivative contracts are classified as "held for trading" and recorded on the balance sheet at fair value at each reporting date. Realized and unrealized gains and losses on these contracts are recognized in net income. Attributable transaction costs are recorded in the Corporation's statement of operations.

Net production hedged by commodity contracts during the year ended June 30, 2014 were as follows:

Contract Term	Type	Volume	Price Range
January 2014 – December 2014	Financial Brent Oil Collar	500 bbl/d	$75.00 – $123.50
July 2013 – December 2013	Financial Brent Oil Collar	500 bbl/d	$85.00 – $107.50
July 2013 – December 2013	Financial Brent Oil Collar	500 bbl/d	$85.00 – $106.80

The following table sets out the commodity contracts that the Corporation has entered into, as of June 30, 2014, to reduce the risk of realized oil prices and gas purchases for future periods.

Contract Term	Type	Volume	Price Range
January 2014 – December 2014	Financial Brent Oil Collar	500 bbl/d	$75.00 – $123.50

The Corporation has entered into the following gas sales contracts:

- On February 14, 2011, a subsidiary of the Corporation executed a gas sales contract with e2 Energia Eficiente S.A. E.S.P. relating to the sale of up to 3 MMcf/d firm gas effective May 1, 2011 for a period of seven years at a price of $4.00 per Mcf with a 3% price escalation each year. Recently, gas sales under this contract have been limited to 1.6 MMcf/d due to pipeline restrictions.

- On April 18, 2011, a subsidiary of the Corporation executed a gas sales contract with Cerro Matoso S.A., a ferro-nickel mining and processing company, for gas sales commencing January 1, 2012 for a 10 year term. The contract was amended subsequently on December 29, 2011, September 24, 2013, and November 28, 2013. The contract currently sets forth firm sales of 16 MMcf/d and interruptible sales volumes exceeding firm volumes up to total 19 MMcf/d.

- In December 2013, a subsidiary of the Corporation executed two gas sales contracts with an electrical generation company located on the Caribbean coast of Colombia that provides for the sale of 35 MMscf/d commencing for a five year period in December 2015. Under the terms of the sales contract, Canacol will receive a sales price of $5.40 per MMBTU escalated at approximately 3% per year during the five year term of the contract.

- On September 11, 2014, a subsidiary of the Corporation executed a gas sales contract with an electrical generation company located on the Caribbean coast of Colombia that provides for the sale of 30 MMscf/d commencing for a five year period in December 2015. Under the terms of the sales contract, Canacol will receive a sales price of $8.00 per MMBTU escalated at approximately 3% per year during the five year term of the contract.

Additional Information Concerning Abandonment and Reclamation Costs

Abandonment and reclamation costs were estimated for all legal obligations associated with the retirement of long-lived tangible assets such as wells, facilities and plants based on market prices or on the best information available where no market price was available. Liability for abandonment and reclamation costs in Colombia were estimated for all legal obligations associated with the retirement of long-lived tangible assets such as wells, facilities and plants based on market prices or on the best information available where no market price was available. The estimated costs are then inflated at 3.0 percent over time until the actual retirement is expected to occur. In Colombia, Ecopetrol maintains ownership of all wells once the IPCs expire. Until expiry, the Corporation is potentially liable for abandonment and reclamation costs for all wells drilled or intervened by the Corporation. As of June 30, 2014, 101 (net 46.4) wells have either been drilled or intervened.

The total abandonment and reclamation costs net of salvage values of all of the Corporation's operations, on a consolidated basis, are estimated to be $18.0 million. Discounted at a rate of 10%, the total abandonment and reclamation costs net of salvage values of all of the Corporation's operations, on a consolidated basis, are estimated to be $8.0 million. The Corporation does not expect to pay any costs related to abandonment and reclamation in the next three financial years.

Please see Note 19, "*Financial Instruments and Risk Management*", and Note 20, "*Commitments and Contingencies*", to the Corporation's June 30, 2014 consolidated financial statements, which is incorporated herein by reference and can be found on SEDAR at **www.sedar.com**.

Tax Horizon

The Corporation was taxable in Colombia for the year ended June 30, 2014. The Corporation expects its joint venture in Ecuador to also become taxable commencing in the fiscal year ended June 30, 2015.

Capital Expenditures

The following table summarizes capital expenditures related to the Corporation's activities for the year ended June 30, 2014, separated into its business units.

	Colombia (M$)	Ecuador (M$)	Other (M$)	Total (M$)
Development Costs	70,970	34,944	87	106,001
Exploration Costs	21,383	-	5,725	27,108
Property Acquisition Costs				
Proved Properties	40,000	-	-	40,000
Unproved Properties	15,000	-	-	15,000
Total Capital Expenditures	147,353	34,944	5,812	188,109

Exploration and Development

The following table summarizes the gross and net exploratory and development wells in which the Corporation and its subsidiaries participated during the year ended June 30, 2014.

	Exploration		Development		Total	
	Gross	Net	Gross	Net	Gross	Net
Colombia(1)(2)						
Oil	4.0	3.0	20.0	6.1	24.0	9.1
Service wells	0.0	0.0	0.0	0.0	0.0	0.0
Successful	3.0	2.8	19.0	6.0	22.0	8.8
Dry	1.0	0.2	1.0	0.1	2.0	0.3
Total	**4.0**	**3.0**	**20.0**	**6.1**	**24.0**	**9.1**
Success Rate	**75%**	**93%**	**95%**	**98%**	**92%**	**97%**
Ecuador(3)						
Oil	0.0	0.0	10.0	2.5	10.0	2.5
Service wells	0.0	0.0	0.0	0.0	0.0	0.0
Successful	0.0	0.0	10.0	2.5	10.0	2.5
Dry	0.0	0.0	0.0	0.0	0.0	0.0
Total	**0.0**	**0.0**	**10.0**	**2.5**	**10.0**	**2.5**
Success Rate	**-**	**-**	**100%**	**100%**	**100%**	**100%**

Notes:

(1) The Colombian exploration wells considered are operated Oso Pardo 1, Leono 1 and Pantro 1 and non-operated Coati 1.
(2) The Colombian development wells considered are: operated Labrador 4 and 5; Leono 2 and 3 and non-operated Capella O27H, R62H, O65H, E63H, O28H, S57H, Z103H, S36H, Z29HST, O59, L17HST, A101H and L67H on the Ombu block.
(3) The Ecuador non-operated development wells considered are Shuara 36, 37 and 38, Secoya 45, 46 and 47, Atacapi 26, 27, 28, 29.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

The Corporation is authorized to issue an unlimited number of Common Shares. As of September 22, 2014, 107,814,298 Common Shares were issued and outstanding (107,735,541 Common Shares as at June 30, 2014). The holders of the Common Shares are entitled to receive notice of and attend any meeting of the Shareholders and are entitled to one vote for each Common Share held (except at meetings where only the holders of another class of shares are entitled to vote). Subject to the rights attached to any other class of shares, the holders of the Common Shares are entitled to receive dividends, if, as and when declared by the Board of Directors and are entitled to receive the remaining property upon liquidation of the Corporation.

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

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

Preferred Shares

The Corporation is authorized to issue an unlimited number of preferred shares ("**Preferred Shares**"), issuable in series. As of September 22, 2014, no Preferred Shares were issued and outstanding. The Preferred Shares may be issued from time to time in one or more series, each series consisting of a number of Preferred Shares as determined by the Board of Directors, who may fix the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of Preferred Shares. The Preferred Shares of each series shall, with respect to dividends, liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its Shareholders for the purpose of winding up its affairs, shall be entitled to preference over the Common Shares and the shares of any other class ranking junior to the Preferred Shares. The Preferred Shares of any series may also be given such other preferences and priorities over the Common Shares and any other shares of the Corporation ranking junior to such series of Preferred Shares.

Restricted Share Units

As at June 30, 2014, the Corporation had 62,082 restricted share units outstanding. The restricted share units were granted to certain directors, officers and employees of the Corporation, with reference prices ranging from C$4.70 to C$7.21 per Common Share and vest as to one-half in 12 months and one-half in 24 months from the grant date, and are settled in cash.

Phantom Warrants

The Phantom Warrants were issued by the Corporation to the lenders in connection to the Shona Term Loan such that the Corporation will pay an amount (in cash or Common Shares, at the election of the Corporation) equal to the in-the-money amount of 2,697,292 common share purchase warrants of the Corporation at an exercise price of C$4.50 per Common Share. The Phantom Warrant payment may be demanded partially or in full at any time until December 21, 2015.

2010 Debentures

The 2010 Debentures are limited to C$41,500,000 aggregate principal amount. As of September 22, 2014, 2010 Debentures in the aggregate principal amount of C$25,519,000 were issued and outstanding.

The 2010 Debentures mature on June 30, 2015 at a price of C$1,000 per 2010 Debenture and bear interest at an annual rate of 8% payable semi-annually on June 30 and December 31 of each year, commencing December 31,

2010. The 2010 Debentures are convertible into Common Shares at any time prior to June 30, 2015 at a conversion price of C$10.526 per Common Share (the "**Conversion Price**"), being a conversion rate of 95 Common Shares per C$1,000 principal amount of 2010 Debentures, subject to adjustment in certain circumstances. The 2010 Debentures are not redeemable prior to June 30, 2014. On or after June 30, 2014, but prior to June 30, 2015, the 2010 Debentures will be redeemable, in whole or in part, at a price equal to the principal amount thereof, plus accrued and unpaid interest, at the Corporation's sole option on not more than 60 days and not less than 30 days prior notice, provided that the weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice is given (the "**Current Market Price**") is not less than 125% of the Conversion Price. The Corporation has the option to satisfy its obligation to repay the principal amount of the 2010 Debentures, in whole or in part, due at redemption or maturity upon at least 40 days and not more than 60 days prior notice, by delivering that number of freely tradable Common Shares obtained by dividing the principal amount of the 2010 Debentures by 95% of the Current Market Price on the date of redemption or maturity, as applicable.

The 2010 Debentures are direct unsecured indebtedness of Canacol, ranking subordinate to all present and future Senior Indebtedness and ranking equally and rateably with all other unsecured indebtedness that is not Senior Indebtedness, including other convertible unsecured debentures issued by the Corporation. In the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the Corporation, or to its property or assets, then holders of Senior Indebtedness will receive payment in full before the holders of 2010 Debentures will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the 2010 Debentures or any unpaid interest accrued thereon. A copy of the indenture related to the 2010 Debentures is available on the Corporation's SEDAR profile at www.sedar.com (the "**2010 Debenture Indenture**").

DIVIDEND RECORD AND POLICY

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

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

TRADING PRICE AND VOLUME

Common Shares

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

Period	High (C$)	Low (C$)	Volume
2013			
July	3.84	2.78	5,959,330
August	4.39	3.75	4,159,818
September	4.64	3.77	5,372,369
October	5.22	4.35	7,035,700
November	5.00	4.18	5,239,083
December	7.17	5.25	10,564,806
2014			
January	7.45	6.31	11,910,835
February	7.16	6.51	11,918,698
March	7.45	6.63	16,997,711
April	8.41	6.89	19,223,288
May	8.77	6.96	30,995,248
June	7.73	6.79	13,468,756
July	7.40	6.64	14,724,984

August	7.10	5.83	15,321,957
September 1 - 21	6.85	6.02	13,696,689

2010 Debentures

The following table sets forth the monthly high and low closing prices and volumes of the trading of the 2010 Debentures for the periods indicated (as reported by the TSX). The 2010 Debentures trade under the symbol "**CNE.DB**" on the TSX.

Period	High (C$)	Low (C$)	Volume
2013			
July	95.000	90.000	1,678,000
August	98.140	92.250	1,870,000
September	101.00	96.50	826,000
October	100.25	97.50	1,168,000
November	100.85	98.27	639,000
December	102.00	101.00	1,440,000
2014			
January	102.00	101.15	1,427,000
February	103.00	101.10	3,444,000
March	105.50	103.00	601,100
April	106.00	102.46	405,900
May	106.00	105.00	774,300
June	106.24	102.10	1,081,000
July	104.00	103.50	21,000
August	103.50	103.00	778,000
September 1 - 21	103.50	102.59	677,600

PRIOR SALES

The following table summarizes the issuances of unlisted securities for the year ended June 30, 2014:

Date of Issuance	Securities	Number of Common Shares Issued/Issuable	Price/Exercise Price per Security (C$)
August 28, 2013	Options	28,000(1)	3.93
November 1, 2013	Options	83,000(1)	4.67
February 14, 2014	Options	1,660,000(1)	6.66
May 30, 2014	Options	2,211,500	7.21

Notes:

(1) Issue of options. Options expire five years from date of issue.

ESCROWED SECURITIES

The following securities of the Corporation were held in escrow as at June 30, 2014:

Designation of Class Held in Escrow	Number of Securities	Percentage of Class
Common Shares	2,209,130(1)	2.1%

Note:

(1) As part of the consideration to acquire a right to an 80% interest in each of the COR 4 and COR 12 E&P Contracts the Corporation issued 2,454,590 Common Shares at a deemed price of C$6.79 per Common Share to the vendors. 2,209,130 of these Common Shares are subject to a contractually imposed escrow period with the following release schedule: (i) 368,189 Common Shares shall be released from escrow to each vendor three months from the date of the submission of the assignment request to the ANH; (ii) 368,189 Common Shares shall be released from escrow to each vendor 10 days from the

date of ANH approval; and (iii) 368,187 Common Shares shall be released from escrow to each vendor 90 days from the date of ANH approval. Subsequent to June 30, 2014, 368,189 Common Shares were released from escrow to each vendor. As at the date hereof, the Corporation has not received the approval from the ANH for these transactions. Please refer to "*General Development of the Business – Three Year History – Period From July 1, 2013 to June 30, 2014*" for more information regarding these transactions.

DIRECTORS AND OFFICERS

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

Name and Municipality of Residence and Position with Canacol	Director/Officer Since	Principal Occupation During the Last Five Years
Charle Gamba[3] President, Chief Executive Officer and Director Houston, Texas, USA	October 30, 2008	Chief Executive Officer of Canacol. Current director of Horizon Petroleum PLC, Miramar Hydrocarbons Ltd., Petro-Victory Energy Corp., Ikkuma Resources Corp. and Solimar Energy Limited. Past Vice President of Exploration for Occidental Oil and Gas Company in Colombia. Chief Geologist with Oxy in Ecuador and Chief Geoscientist for Oxy in Qatar. Geologist with over 20 years of multidisciplinary experience in the oil and gas industry in Latin America, Middle East, North America, and South East Asia with Occidental Petroleum, Alberta Energy Company (EnCana), Canadian Occidental (Nexen), and Imperial Oil.
Michael Hibberd[1][2] Chairman and Director Calgary, Alberta, Canada	October 30, 2008	Chairman and Chief Executive Officer of MJH Services Inc., a corporate finance advisory business established in 1995. Chairman of Greenfields Petroleum Corporation and Executive Chairman of Sunshine Oilsands Ltd. Current director of Montana Exploration Corp., PanOrient Energy Corp. and PetroFrontier Corp. Through MJH Services Inc., Mr. Hibberd has been involved in privatization and development projects in North America, Africa, the Middle East, Latin America and Asia. Prior to 1995, Mr. Hibberd spent 12 years in corporate finance with ScotiaMcLeod and was Senior Vice President, Corporate Finance and a Director.
Jason Bednar[1][2] Director Calgary, Alberta, Canada	October 30, 2008	Chartered accountant with expertise in the financial and regulatory management of oil and gas companies listed on the TSX, TSX Venture Exchange (TSXV) and American Stock Exchange (AMEX). Mr. Bednar is also a director of Charlotte Resources Ltd., Mobius Resources Inc., Solimar Energy Limited and Tilting Capital Corp. Mr. Bednar was formerly the CFO and a Director of MENA Hydrocarbons Inc., an international oil and gas company, CFO and Director of Sagres Energy Inc., an international oil and gas exploration company, former CFO of Pan Orient Energy Corp, a South East Asia Exploration company, former Chairman of Gallic Energy Ltd. Mr. Bednar began his career in the chartered accountancy firm of Brown Smith Owen in 1993 before moving into financial controller roles at oil production companies. Mr. Bednar holds a Bachelor of Commerce degree from the University of Saskatchewan.

Stuart Hensman[1][2] Director Toronto, Ontario, Canada	November 15, 2007	Chairman of the Board of Governors of CI Funds, a director of RIFCO Inc., Qwest Diversified Capital Corporation, Trident Performance Corp., and Trident Performance Corp. II. Prior to 2003, Mr. Hensman was the Chairman and Chief Executive Officer of Scotia Capital (USA) Inc. Mr. Hensman was a Managing Director (Institutional Equities) at Scotia Capital Inc. (London) from 1987 to 1999. Prior to this, he held a number of analytical and portfolio management positions at Sun Life Assurance Co. of Canada from 1981 to 1986. Mr. Hensman holds a Bachelor of Arts degree from the University of Winnipeg and a Masters of Science from the Loughborough University.
Luis Baena Director Bogotá, Colombia	February 6, 2009	Founder and current Director of Canacol. Former President, Chief Executive Officer and Director of Superview S.A., a Colombian telecommunications company sold to Telmex. Former Colombian representative of BGP, a Chinese seismic company. Mr. Baena holds a Doctor of Medicine, Masters in International Affairs in Finance and Business from Columbia University of NY and Doctoral studies at Nova Southeastern University in International Business Administration.
David Winter[3] Director Calgary, Alberta, Canada	February 6, 2009	Chief Executive Officer and Director of Miramar Hydrocarbons Ltd. He was a co-founder of Canacol. Dr. Winter brings 31 years of international experience in a variety of technical, management and leadership roles working in Latin America, Middle East, Southeast Asia and the UK North Sea. His experience was gained working at British Petroleum, Sun Oil, Canadian Occidental (now Nexen), Alberta Energy Company (now EnCana), Calvalley Petroleum and Excelsior Energy Limited. Dr. Winter holds a Bachelor of Science degree, a Masters of Science degree and a Doctorate in Geology from London and Edinburgh Universities.
Gregory D. Elliott[3] Director Broussard, Louisiana, USA	December 21, 2012	President of Workstrings International. Mr. Elliott started his career in 1981 at Chevron serving in various drilling engineering-related assignments. He served as a well test Engineer, frequently traveling to Africa, Europe and Southeast Asia before joining Chevron's International Drilling team in 1989 where he planned and drilled wells in Africa, Europe, Southeast Asia, Kazakhstan and South America. Mr. Elliott continues to manage and grow Workstrings, currently the second largest oilfield rental company in the world. Mr. Elliott was a Charter member of Geoproduction Oil and Gas Company, founded in 2001. Mr. Elliott earned his degree in Petroleum Engineering from Louisiana State University.
George Gramatke Chief Financial Officer Calgary, Alberta, Canada	October 11, 2011	Mr. Gramatke is a Chartered Accountant with over 25 years of domestic and international finance and accounting experience. Prior to joining the Corporation, Mr. Gramatke held Vice President, Finance and Chief Financial Officer positions with several public and private companies based in Calgary. Prior thereto, Mr. Gramatke was a Partner with PricewaterhouseCoopers in Russia and Central Asia, and a Senior Manager with KPMG in Canada.

Mark Holliday Chief Operating Officer Panama City Beach, Florida, USA	October 30, 2008	Mr. Holliday has 29 years of operational experience with majors, independents, and international oil companies, and has lived in Latin America for 12 years. Prior to his position in Canacol, Mr. Holliday was the V.P. of Operations, Petrominerales Colombia Ltd., living in Bogota from 2003 to 2008. During that five-year period Petrominerales went from 500 bbl/d to 20,000 bbl/d. Prior to that, Mr. Holliday consulted for Pioneer Natural Resources in Gabon and Tunisia, drilling exploration wells. As the Drilling and Planning Manager for Pluspetrol Exploracion y Producción Mr. Holliday was accountable for Argentine, Bolivian, and Peruvian drilling operations, including the pre-planning of the natural gas project, Camisea in southern Peru. For Alberta Energy Company Mr. Holliday was the drilling manager for Ecuador and Argentina. Prior to that he was with Amoco for six years, living and working in Venezuela, rotating to China for three years, and drilling exploration wells in Australia. Before attending university, Mr. Holliday worked seven years for a drilling contractor, offshore in the Gulf of Mexico. Mr. Holliday has a Bachelor of Science in Petroleum Engineering from Louisiana State University.
Mark Teare Vice President of Exploration Calgary, Alberta, Canada	January 12, 2009	Mr. Teare has 25 years of experience with a number of senior international Canadian energy companies in Brazil, Ecuador, Colombia, Argentina, Australia, and Canada. Over the nine-year period prior to joining Canacol, Mr. Teare held a series of senior management roles at EnCana Corporation including Country Lead for Brazil, and Vice President of Exploration and Joint Ventures in Ecuador. Mr. Teare also held a variety of lead technical roles at Alberta Energy Company in Australia, and Home Oil Company in Argentina and Canada. Mr. Teare holds a Master of Science degree in Geology from McGill University, and is based in the Corporation's head office in Calgary.
Anthony Zaidi Vice President of Business Development and General Counsel and Corporate Secretary of the Corporation Bogotá, Colombia	November 29, 2011	Mr. Zaidi is a lawyer and businessman with significant experience in corporate finance and in the mining and energy sector in Colombia. Prior to joining Canacol, Mr. Zaidi was the President and General Counsel of Carrao Energy Ltd., a private oil and gas exploration company he co-founded and co-managed until its acquisition by the Corporation in 2011. Prior to Carrao, he had been an officer or director of several private and public companies, including Integral Oil Services, Pacific Rubiales Energy, Petromagdalena Energy, Medoro Resources and others, as well as a securities lawyer at Blake, Cassels & Graydon LLP. Mr. Zaidi holds a Juris Doctor degree from the University of Toronto as well as a Bachelor of Commerce (Finance) degree from McGill University.
Diego Carvajal Vice President of New Ventures Bogotá, Colombia	November 29, 2011	Mr. Carvajal is a Geologist with over 32 years of experience in E&P activities, mainly in Colombia but also internationally. Prior to joining Canacol, Mr. Carvajal was the Chief Executive Officer of Carrao Energy Ltd., a private oil and gas exploration company he co-founded and co-managed until its acquisition by the Corporation in 2011. He was the former Vice President, Exploration of Ecopetrol (Colombian State Oil Company) being responsible for all exploration activities in the country and overseas. Prior to that, Mr. Carvajal worked for TEXACO and BP, both in Colombia and abroad. Mr. Carvajal has been President of the Colombian Association of Petroleum Geologists and Geophysicists (affiliated to AAPG) and a Professor at the Graduate School of Geoscience of the National University of Colombia.

Kevin Flick Vice President of Capital Markets and Investor Relations Dallas, Texas, USA	June 1, 2010	Mr. Flick is the Vice President of Capital Markets and Investor Relations of the Corporation. Prior to his position with Canacol, Mr. Flick led business development and investor relations at TransAtlantic Petroleum Ltd. Prior to TransAtlantic Petroleum Ltd., Mr. Flick led business development, capital formation, and mergers and acquisitions for various start-up and Fortune 1000 enterprises, participating in over 40 transactions with an aggregate value of $30 billion. Mr. Flick commenced his career with Goldman Sachs and the private equity firm Hicks, Muse, Tate and Furst.

Notes:

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

As at September 22, 2014, the directors and officers of Canacol, as a group beneficially own, directly or indirectly, approximately 3,414,360 of the outstanding Common Shares (approximately 3.2%).

Corporate Cease Trade Orders or Bankruptcies

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

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

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

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

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

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

Personal Bankruptcies

No director, officer or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has within 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted

any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such person.

Penalties or Sanctions

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

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

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

Conflicts of Interest

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

AUDIT COMMITTEE INFORMATION

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

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

Audit Committee Terms of Reference

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

Audit Committee Composition

The following are the members of the Audit Committee:

Jason Bednar[1]	Independent[2]	Financially Literate[2]
Michael Hibberd	Independent[2]	Financially Literate[2]
Stuart Hensman	Independent[2]	Financially Literate[2]

Notes:

(1) Chairman of the Audit Committee.

(2) As defined by NI 52-110.

Relevant Education and Experience

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

Jason Bednar, B.Comm., CA

Chief Financial Officer and Director of MENA Hydrocarbons Inc. Former Chief Financial Officer and Director of Sagres, an international oil and gas exploration company, from June 2009 to May 2011. Former Chairman of Gallic Energy Ltd. Former Chief Financial Officer of Pan Orient Energy Corp., a Southeast Asia Exploration company, from 2004 to April 2009. Past Manager of Financial Reporting for Canadian 88 Energy Corp. (1998-2002) and former Controller of Canadian Superior Energy Inc. (2002-2004).

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

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

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

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

Reliance on Certain Exemptions

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

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

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

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

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

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

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

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

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

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

Reliance on Section 3.8

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

Audit Committee Oversight

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

Pre-Approval Policies and Procedures

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

External Auditor Service Fees

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

Financial Year Ending	Audit Fees(1)	Audit Related Fees(2)	Tax Fees(3)	All Other Fees(4)
2014	$542,344	$89,164	$458,765	Nil
2013	$557,000	$141,000	$465,000	$39,000

Notes:

(1) Audit fees include fees necessary to perform the annual audit and quarterly reviews of the Corporation's consolidated financial statements. Audit fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
(2) Audit-related fees include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
(3) Tax fees include fees for all tax services other than those included in audit fees and audit-related fees. This category includes fees for tax compliance, tax planning and tax advice.
(4) All other fees include fees for products and services provided by the Auditor, other than the services reported above.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no material legal proceedings to which the Corporation is a party or of which any of its property is the subject and there are no such proceedings known to the Corporation to be contemplated. In addition, there were no penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority during the year ended June 30, 2014, no other penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision, and no settlement agreements entered into by the Corporation with a court relating to securities legislation or with a securities regulatory authority during the year ended June 30, 2014.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set forth herein, or as previously disclosed, the Corporation is not aware of any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or executive officer or

any Shareholder holding more than 10% of the Common Shares or any associate or affiliate of any of the foregoing in any transaction within the three most recently completed financial years or during the current financial year or any proposed or ongoing transaction of the Corporation which has or will materially affect the Corporation.

TRANSFER AGENT AND REGISTRARS

The transfer agent and registrar for the Common Shares and 2010 Debentures is Computershare Trust Company of Canada at its principal offices in Calgary, Alberta and Toronto, Ontario.

MATERIAL CONTRACTS

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

INTEREST OF EXPERTS

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

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

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

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

RISK FACTORS

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

General

Political Risk

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

The Corporation also has non-core operations located in Brazil and Peru that are considered immaterial. The Corporation does not anticipate that any disruption to its operations in Brazil or Peru, either individually or as a group, would have a material effect on the Corporation's economic viability.

A 40-year armed conflict between government forces and anti-government insurgent groups and illegal paramilitary groups, both thought to be funded by the drug trade, continues in Colombia. Insurgents continue to attack civilians and violent guerrilla activity continues in many parts of the country. The Putumayo region has been prone to guerrilla activity in the past. Pipelines have also been targets, including the Trans-Andean export pipeline which transports oil from the Putumayo region. The Catatumbo Basin borders Venezuela and has historically been an area of high security risk where there continues to be guerrilla activity. The Corporation has significant operations in the Caguan-Putumayo region. Since August 2012, there have been peace negotiations between the Colombian government and the Fuerzas Armadas Revolucionarias de Colombia (FARC) guerrillas. The attempt by the president, Juan Manuel Santos, to end the 50-year conflict is intended to bring further institutional strengthening and development, particularly to rural regions. The government's biggest challenge is perceived to be to ensure that the negotiations lead to a long-lasting peace and that demobilised members of the FARC rejoin civilian life, rather than regrouping in criminal bands. Continuing attempts to reduce or prevent guerrilla activity may not be successful and guerrilla activity may disrupt operations in the future.

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

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

United States Relations with Colombia

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

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

Social Disruptions and Instability

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

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

Fluctuating Prices

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

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

From time to time the Corporation has and may in the future enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Corporation will not benefit from such increases. Further, to the extent that Canacol engages in risk management activities related to commodity prices, it will be subject to credit risks associated with counter parties with which it contracts.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of proved, probable and possible reserves and cash flows to be derived therefrom, including many factors beyond the control of Canacol. The reserve and cash flow information set forth in this Annual Information Form represent estimates only. The reserves and estimated future net cash flows from Canacol's properties have been independently evaluated by DeGolyer with an effective date of June

30, 2014. These evaluations include a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of oil and natural gas, operating costs, abandonment and salvage values, royalties and other government levies that may be imposed over the producing life of the reserves. These assumptions were based on price forecasts for each jurisdiction Canacol has reserves that are in use at the date the relevant evaluations were prepared and many of these assumptions are subject to change and are beyond the control of Canacol. Actual production and cash flows derived therefrom will vary from these evaluations, and such variations could be material. Due to the limited history of Canacol's producing wells, reserves have been estimated on a volumetric basis.

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

Additional Financing

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

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

Industry Risks

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

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

Oil and natural gas exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration or development activities by Canacol will result in discoveries of oil or natural gas that are commercially or economically feasible. It is difficult to project the costs of implementing any exploratory drilling

program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

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

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

Exploration and Development

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

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

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

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

Operations

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

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

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

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

Disruptions in Production

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

Maintenance of Partner Work Commitments

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

Minimum Work Commitments on Exploration Blocks

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

Environmental Concerns

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

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

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

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

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

To prevent and/or mitigate potential environmental liabilities from occurring, the Corporation has policies and procedures designed to prevent and contain oil spills. The Corporation works to minimize spills through a program of well-designed facilities that are safely operated, effective operations integrity management, continuous employee training, regular upgrades to facilities and equipment and implementation of a comprehensive inspection and

surveillance system. Also, the Corporation's facilities and operations are subject to routine inspection by various Federal and Provincial authorities, in Colombia and Ecuador, to evaluate the Corporation's compliance with the various laws and regulations.

Gathering and Processing Facilities and Pipeline Systems

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

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

Conflicting Interests with Joint Venture Partners

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

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

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

Inability to Market Oil and Gas Production

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

Third Party Credit Risks

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

Natural Disasters and Weather-Related Risks

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

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

Risks of Foreign Operations Generally

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

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

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

Canacol may in the future acquire oil and natural gas properties and operations outside of Colombia, Ecuador, Brazil and Peru, which expansion may present challenges and risks that Canacol has not faced in the past, any of which

could adversely affect the results of operations and/or financial condition of Canacol. The Corporation is an experienced operator in South America.

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

Security

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

Legal Systems

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

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

Changes in Legislation

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

Also, Canadian federal and provincial tax laws and government incentive programs relating to the oil and gas industry have a material effect on the advisability of investing in the Common Shares. The return on an investment in securities of Canacol is subject to changes in such laws and incentive programs and there can be no assurance that

such laws or programs will not be changed in a manner which adversely affects Canacol or the holding or disposing of Common Shares.

Conflicts of Interest

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

Governmental Regulation

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

Availability of Drilling Equipment and Access Restrictions

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

No Assurance of Title

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

Price Volatility of Publicly Traded Securities

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

Cost of New Technologies

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

Alternatives to/Changing Demand for Petroleum Products

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

Legal Proceedings

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

Breach of Confidentiality

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

Income Taxes

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

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

Expansion into New Activities

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

Dependence on Key Personnel

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

Reliance on Strategic Relationships

Canacol's existing business relies on strategic relationships in the form of joint ventures with local government bodies, other oil and gas companies and other overseas companies. Specific to strategic relationships with other oil and gas companies, Canacol is somewhat reliant on, amongst others, ConocoPhillips Colombia, the operator under the Santa Isabel E&P Contract, Emerald, the operator under the Ombu E&P Contract (Capella conventional heavy oil discovery), Tecpetrol International S.A., the operator under the Ecuador IPC, ExxonMobil Colombia, the operator of VMM 2, Shell-Colombia, the operator of VMM 3, and Platino, the operator under the Coati E&P Contract. There can be no assurance that ConocoPhillips Colombia, Emerald, Tecpetrol International S.A., ExxonMobil Colombia, Platino or the other companies Canacol has a strategic relationship with, will be able to continue, or will continue, to fund their share of expenditures. In addition, there can be no assurances that all of these strategic relationships will continue to be maintained; however, at present management is not aware of any issues regarding its strategic relationships.

Uninsurable Risks

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

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

Reserve Replacement

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

Currency Risks

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

Foreign Location of Assets

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

Permits and Licenses

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

Repatriation of Earnings

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

Dividends

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

Corruption

The Corporation's operations are governed by the laws of many jurisdictions, which generally prohibit bribery and other forms of corruption. The Corporation has policies in place to prevent any form of corruption or bribery, which includes requiring that all employees participate in an ethics awareness seminar, enforcement of policies against giving or accepting money or gifts in certain circumstances and an annual certification from each employee confirming that each employee has received and understood the Corporation's anticorruption policies , it is possible that the Corporation, or some of its subsidiaries, employees or contractors, could be charged with bribery or corruption as a result of the unauthorized actions of its employees or contractors. If the Corporation is found guilty of such a violation, which could include a failure to take effective steps to prevent or address corruption by its employees or contractors, the Corporation could be subject to onerous penalties and reputational damage. A mere investigation itself could lead to significant corporate disruption, high legal costs and forced settlements (such as the

imposition of an internal monitor). In addition, bribery allegations or bribery or corruption convictions could impair the Corporation's ability to work with governments or nongovernmental organizations. Such convictions or allegations could result in the formal exclusion of the Corporation from a country or area, national or international lawsuits, government sanctions or fines, project suspension or delays, reduced market capitalization and increased investor concern.

Operational Constraints Due to Debt

Upon drawing down on the 2013 Credit Facility, the Corporation may have a significant amount of indebtedness and this level of indebtedness could materially and adversely affect it in a number of ways. For example, it could:

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

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

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

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

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

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

Ability to Make Scheduled Repayments or to Re-finance

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

Risk Factors Relating to the 2010 Debentures

Existing and Prior Ranking Indebtedness

The 2010 Debentures are subordinate to Senior Indebtedness of the Corporation. The 2010 Debentures are also effectively subordinate to claims of creditors of the Corporation's subsidiaries, except to the extent that the Corporation is a creditor of such subsidiaries ranking at least *pari passu* with such creditors. In the event of the Corporation's insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up, its assets would be made available to satisfy the obligations of the creditors of such Senior Indebtedness before being available to pay the Corporation's obligations to the holders of the 2010 Debentures. Accordingly, all or a substantial portion of the Corporation's assets could be unavailable to satisfy the claims of the holders of the 2010 Debentures.

The Corporation's ability to meet its debt-service requirements will depend on its ability to generate cash in the future, which depends on many factors, including the Corporation's financial performance, debt-service obligations, working capital and future capital-expenditure requirements. In addition, the Corporation's ability to borrow funds in the future and to make payments on outstanding debt will depend on the satisfaction of covenants in then existing credit agreements and other agreements. A failure to comply with any covenants or obligations under the Corporation's consolidated indebtedness could result in a default, which, if not cured or waived, could result in the acceleration of the relevant indebtedness. If such indebtedness were to be accelerated, there can be no assurance that the Corporation's assets would be sufficient to repay such indebtedness in full. There can also be no assurance that

the Corporation will generate cash flow in amounts sufficient to pay outstanding indebtedness or to fund any other liquidity needs.

Repayment of the 2010 Debentures

The Corporation may not be able to refinance the principal amount of the 2010 Debentures in order to repay the principal outstanding or may not have generated enough cash from operations to meet this obligation. The Corporation may, at its option, on not more than 60 days' and not less than 40 days' prior notice and subject to any required regulatory approvals, unless an Event of Default (as defined in the 2010 Debenture Indenture) has occurred and is continuing, elect to satisfy its obligation to repay, in whole or in part, the principal amount of the 2010 Debentures which are to be redeemed or which have matured by issuing and delivering Common Shares to the holders of the 2010 Debentures. There is no guarantee that the Corporation will be able to repay the outstanding principal amount in cash upon maturity of the 2010 Debentures and there is no requirement for the Corporation to establish a fund to provide for the ultimate repayment of the principal amount of the 2010 Debentures at expiry.

Prevailing Yields on Similar Securities

Prevailing yields on similar securities will affect the market value of the 2010 Debentures. Assuming all other factors remain unchanged, the market value of the 2010 Debentures will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline.

Redemption on a Change of Control

The Corporation will be required to offer to purchase for cash all outstanding 2010 Debentures upon the occurrence of a Change of Control (as defined in the 2010 Debenture Indenture). However, it is possible that following a Change of Control, the Corporation will not have sufficient funds at that time to make the required purchase of outstanding 2010 Debentures or that restrictions contained in other indebtedness will restrict those purchases. See "*Description of Capital Structure – 2010 Debentures*". In addition, the Corporation's ability to purchase the 2010 Debentures in such an event may be limited by law, by the 2010 Debenture Indenture, by the terms of other present or future agreements relating to indebtedness, and agreements that the Corporation may enter into in the future which may replace, supplement or amend the Corporation's future debt. The Corporation's future credit agreements or other agreements may contain provisions that could prohibit the purchase of the 2010 Debentures by the Corporation. The Corporation's failure to purchase the 2010 Debentures would constitute an Event of Default under the 2010 Debenture Indenture, which might constitute a default under the terms of the Corporation's other indebtedness at that time.

If a holder of 2010 Debentures converts its 2010 Debentures in connection with a Change of Control, the Corporation may, in certain circumstances, be required to increase the conversion rate, as described under "*Description of Capital Structure – 2010 Debentures*". While the increased conversion rate is designed, *inter alia*, to compensate a holder of 2010 Debentures for the lost option time value of its 2010 Debentures as a result of a Change of Control in certain circumstances, the increased conversion rate amount is only an approximation of such lost value and may not adequately compensate the holder for such loss. In addition, in some circumstances as described under "*Description of 2010 Debentures – Cash Change of Control*", no adjustment will be made.

Absence of Covenant Protection

Provided that the Corporation does not issue additional convertible debentures ranking higher in priority to the 2010 Debentures, the 2010 Debenture Indenture does not restrict the Corporation or any of its subsidiaries from incurring additional indebtedness or from mortgaging, pledging or charging its assets to secure any indebtedness. The 2010 Debenture Indenture does not contain any provisions specifically intended to protect holders of the 2010 Debentures in the event of a future leveraged transaction involving the Corporation or any of its subsidiaries.

Redemption Prior to Maturity

Subject to certain conditions, the 2010 Debentures may be redeemed, at the option of the Corporation, on or after June 30, 2014 and prior to June 30, 2015 at anytime and from time to time, at the redemption prices set forth in the

2010 Debenture Indenture, together with any accrued and unpaid interest. See "*Description of Capital Structure – 2010 Debentures*". Holders of 2010 Debentures should assume that this redemption option will be exercised if the Corporation is able to refinance at a lower interest rate or it is otherwise in the interest of the Corporation to redeem the 2010 Debentures.

Dilutive Effects on Holders of Common Shares

The Corporation may issue Common Shares upon conversion, redemption or maturity of the 2010 Debentures. Additionally, the Corporation may issue Common Shares in connection with the payment of interest on the 2010 Debentures. Accordingly, holders of Common Shares may suffer dilution.

Conversion Right Following Certain Transactions

In the event of certain transactions, pursuant to the terms of the 2010 Debenture Indenture, each Debenture will become convertible into securities, cash or property receivable by a holder of Common Shares in such transactions. This change could substantially reduce or eliminate any potential future value of the conversion privilege associated with the 2010 Debentures. For example, if the Corporation were acquired in a cash merger, each Debenture would become convertible solely into cash and would no longer be convertible into securities whose value would vary depending on future prospects and other factors. See "*Description of Capital Structure – 2010 Debentures*".

Credit Risk

The likelihood that purchasers of the 2010 Debentures will receive payments owing to them under the terms of the 2010 Debentures will depend on the Corporation's financial health and creditworthiness at the time of such payments.

Tax Laws

The 2010 Debenture Indenture does not contain a requirement that the Corporation increase the amount of interest or other payments to holders of 2010 Debentures in the event that the Corporation is required to withhold amounts in respect of income or similar taxes on payment of interest or other amounts on the 2010 Debentures. At present, no amount is required to be withheld from such payments to holders of 2010 Debentures, but no assurance can be given that, in the future, applicable income tax laws or treaties will not be changed in a manner that may require the Corporation to withhold amounts in respect of tax payable on such amounts.

ADDITIONAL FINANCIAL AND OTHER INFORMATION

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

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

Additional financial information is provided in the Corporation's comparative financial statements and management's discussion and analysis for the year ended June 30, 2014, which are also available on SEDAR.

SCHEDULE A

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

DeGOLYER AND MacNAUGHTON CANADA LIMITED
311 SIXTH AVENUE S.W., SUITE 1430
INTACT PLACE, EAST TOWER
CALGARY, ALBERTA, CANADA, T2P 3H2

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

REPORT on RESERVES DATA

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

1. We have evaluated the Company's reserves data as at June 30, 2014. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as June 30, 2014, estimated using forecast prices and costs.

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

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

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

4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the year ended June 30, 2014, and identifies the respective portions thereof that we have evaluated and reported on to the Company's management:

Independent Qualified Reserves Evaluator	Description & Preparation Date of Evaluation Report	Location of Reserves	Net Present Value of Future Net Revenue (before income tax, 10% discount rate)			
			Audited	Evaluated	Reviewed	Total
			M U.S.$	M U.S.$	M U.S.$	M U.S.$
DeGolyer and MacNaughton Canada Limited	Appraisal Report as of June 30, 2014 on Certain Properties owned by Canacol Energy Ltd. in Colombia and Ecuador dated September 11, 2014	Colombia*	-		3,350	3,350
		Colombia		742,069	-	742,069
		Ecuador	-	141,325	-	141,325
		Total Company	-	883,394	3,350	886,744

* This represents the net present value of the Morichito property which may not match the original evaluation.

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

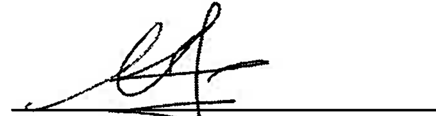
6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.

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

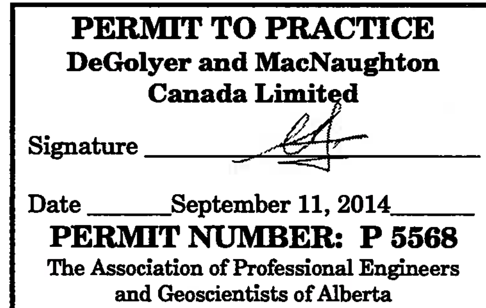
Executed as to our report referred to above:

DeGolyer and MacNaughton Canada Limited, Calgary, Alberta, dated September 11, 2014.

DEGOLYER and MACNAUGHTON
CANADA LIMITED



Nahla R. Boury, P.Eng.



SCHEDULE B

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

Management of Canacol Energy Ltd. (the "**Corporation**") are responsible for the preparation and disclosure of information with respect to the Corporation's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data which are estimates of proved reserves and probable reserves and related future net revenue as at June 30, 2014, estimated using forecast prices and costs.

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

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

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

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

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

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

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

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

(c) the content and filing of this report.

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

(signed) "Charle Gamba"

Charle Gamba, Chief Executive Officer, President and Director

(signed) "Mark Teare "

Mark Teare, VP Exploration

(signed) "Michael Hibberd"

Michael Hibberd, Chairman and Director

(signed) "David Winter"

David Winter, Director

Dated: September 22, 2014

SCHEDULE C

CANACOL ENERGY LTD.

AUDIT COMMITTEE'S TERMS OF REFERENCE

I. Constitution and Purpose

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

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

II. Composition

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

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

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

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

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

III. Meetings

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

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

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

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

IV. Authority

The Committee is authorised by the Board to:

a) Investigate any matter within its Terms of Reference

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

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

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

V. Roles and Responsibilities

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

a) Accounting and Financial Reporting Matters

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

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

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

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

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

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

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

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

   (c) Significant adjustments resulting from the audit

   (d) The going concern assumption

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

   (f) Compliance with stock exchange and legal requirements

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

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

   (i) Disclosure requirements for commitments

   (j) Compliance with covenants under loan agreements

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

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

   (m) Timeliness of statutory payments

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

b) External Auditors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

d) ***Risk management***

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

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

3. Review on an annual basis the adequacy and effectiveness of the Corporation's insurance policies

including coverage for property damage, business interruption, liabilities, and directors and officers.

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

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

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

1. Establish procedures for:

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

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

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

VI. Committee Effectiveness Procedures

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

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

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

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

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

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

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

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