

I. Constitution and Purpose

The Compensation 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 with the oversight of the executive performance and compensation, succession planning and the Corporation's overall compensation strategy.

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 as defined by the regulation. "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.

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 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 twice per year and/or as deemed appropriate by the Committee Chair. At the end of or during each meeting, the members of management of the Corporation who are present at such meeting shall leave the meeting in order for the independent directors to meet. The Chair of the Committee, any member of the Committee, the Chairman of the Board or the Chief Executive Officer ("**CEO**") may call a meeting of the Committee by notifying the Corporation's Corporate Secretary, who will notify the members of the Committee.

A quorum at meetings of the Committee shall be its Chair and one of its other members or the Chairman of the Board. The Committee may hold its meetings, and members of the Committee

may attend meetings, by means of teleconference.

The Committee may invite any officer or employee of the Corporation, legal counsel, the Corporation's compensation 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 and the CEO or such other officer acting in that capacity. Supporting schedules and information reviewed by the Committee shall be made 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 authorized by the Board to:

- a) Investigate any matter within its Terms of Reference.
- b) Seek any information it requires from any employee of the Corporation.
- c) Retain, at its discretion, outside legal, compensation 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.

The Committee shall fulfill its responsibilities by:

1. Reviewing and making recommendations with respect to the Corporation's overall human resources and compensation strategies including incentive-based and equity-based compensation plans and any material changes therein.
2. Developing and making recommendations to the Board with respect to the appropriate compensation strategy for the non-executive members of the Board and annually reviewing the adequacy and form of the compensation strategy of non-executive Directors to ensure that it properly aligns the interests of Directors with the long-term interests of the Corporation and shareholders and that it realistically reflects the responsibilities and risks involved in being an effective Director of the

Corporation. The Committee shall report and make recommendations to the Board accordingly.

3. Assisting the Board with the selection and appointment of the CEO of the Corporation.
4. Providing oversight to the appointment and termination of other executive officers of the Corporation.
5. Developing recommendations for the Board's approval of the framework or broad policy for the compensation of the CEO and other executive officers (including base compensation, short and long-term incentive-based compensation, equity-based plans, benefit plans, pension and other retirement benefits).
6. Considering and making recommendations to the Board in respect of the terms of the service contracts of the CEO and other executives and any proposed changes to these contracts and ensuring that contractual terms on termination, and any payments made, are fair to the individual and the Corporation, that poor performance is not rewarded and that the duty to mitigate loss is fully recognised.
7. Reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives and determining the CEO's compensation level based on this evaluation.
8. Monitoring the performance of other executive officers versus the approved strategies and objectives and provide oversight to the determination of the compensation of executive officers particularly with respect to incentive-based and equity-based compensation plans.
9. As part of the annual review of the performance of the CEO and other executive officers, satisfying itself as to the integrity of the executive officers and the contribution of the executive officers in creating a culture of integrity throughout the organization, and reporting those determinations to the Board.
10. Reviewing of executive compensation disclosure before the Corporation publicly discloses such information.
11. Assisting the Board in overseeing that succession planning programs are in place, including programs to appoint, set objectives, train, develop and monitor the performance of the officers and other key employees of the Corporation.

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 Board 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 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 Board.

Members of the Committee shall be provided with appropriate and timely training to enhance their understanding of developments in governance rules and regulations in Canada, governance best practices adopted by other companies, and developments in compensation practices and disclosure requirements.

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