

CANACOL ENERGY LTD.

NOTICE OF MEETING AND MANAGEMENT INFORMATION CIRCULAR

**The Annual General and Special Meeting of Shareholders
of Canacol Energy Ltd. will be held:**

**July 10, 2020, 8:00 a.m. (EST)
Hotel NH Collection Teleport
Salón Ciprés
Calle 113 No. 7-65
Bogotá, Colombia**

Dated: May 21, 2020



CANACOL ENERGY LTD.

**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON JULY 10, 2020**

NOTICE IS HEREBY GIVEN THAT AN ANNUAL GENERAL AND SPECIAL MEETING (the “**Meeting**”) of holders of common shares of Canacol Energy Ltd. (the “**Corporation**”) will be held at the Hotel NH Collection Teleport, Salón Ciprés, Calle 113 No. 7-65, Bogotá, Colombia, at 8:00 a.m. (EST), on July 10, 2020 for the following purposes:

1. **TO RECEIVE** and consider the financial statements of the Corporation for the financial year ended December 31, 2019 and the report of the auditor thereon;
2. **TO FIX** the number of directors of the Corporation to be elected at the Meeting at eight;
3. **TO ELECT** the Board of Directors of the Corporation for the ensuing year;
4. **TO APPOINT** the auditor of the Corporation for the ensuing year and to authorize the Board of Directors to fix the auditor’s remuneration;
5. **TO APPROVE** the amended stock option plan of the Corporation and the unallocated stock options thereunder; and
6. **TO TRANSACT** such other business as may be properly brought before the meeting or any adjournment thereof.

The management information circular (the “**Circular**”) accompanying this Notice provides information relating to the matters to be addressed at the Meeting and is incorporated into this Notice.

Note of Caution Concerning the COVID-19 Outbreak

Due to the public health restrictions implemented to combat the spread of the COVID-19 pandemic, including restrictions on mass gatherings implemented by local governments and taking into account the health and safety of our employees, shareholders, service providers and other stakeholders, **the Corporation strongly encourages shareholders not to attend the Meeting in person. The Corporation strongly encourages shareholders to vote by proxy, by mail, by telephone or on the internet, rather than attending the Meeting in person.** To this end, only registered shareholders and proxyholders will be permitted to attend the Meeting in person. Further restrictions with regard to the Meeting may be implemented by the Corporation as required in accordance with applicable laws and to comply with public health restrictions. At the Meeting, the Corporation may adopt screening or other measures for identifying COVID-19 symptoms or risk factors as may be recommended or required by applicable health authorities. These measures may include requiring registered shareholders or duly appointed proxy holders still wishing to attend the Meeting in person to sign a confirmation letter at the Meeting that they are not a confirmed case of COVID-19 or a close contact of a confirmed case of COVID-19, they are not experiencing cold or flu-like symptoms, including fever, cough, difficulty breathing, muscle aches, fatigue, headache, sore throat or runny nose, and that they have not travelled outside of Colombia for a period of two weeks preceding the Meeting date. The Corporation reserves the right to refuse admission to a shareholder or proxyholder seeking to attend the Meeting if the Corporation believes the shareholder or proxyholder poses a health risk to attendees at the Meeting or would otherwise breach public health restrictions. **THE CORPORATION MAY LIMIT ATTENDEES AS REQUIRED BY MASS GATHERING RESTRICTIONS AT THE TIME OF THE MEETING.** In addition, any attendees will be required to practice social distancing at the Meeting.

In order to permit shareholders and proxyholders to listen to the Meeting in real time, without having to attend in person, a conference call of the Meeting will be available as follows:

Conference call participation:

- Dial In Toll Free: 1-844-784-1724
- Canada Toll Free: 1-866-450-4696
- Colombia Toll Free: 01800-9-156803
- International Dial In: 1-412-317-6716
- UK Toll Free: 08082389064

Please ask the operator to be joined into the Canacol Energy Ltd. conference call. **Shareholders will not be able to vote through the conference call.**

As the COVID-19 outbreak continues to be a rapidly evolving situation, and in light of changing public health restrictions and recommendations related to COVID-19, there may be changes to the date, time and location of the Meeting, or the Corporation may adjourn or postpone the Meeting. The Corporation will continue to monitor and review provincial and federal governmental guidance in order to assess and implement measures to reduce the risk of spreading the virus at the Meeting. Any such changes will be communicated by news release which will be made available under the Corporation's profile on SEDAR at www.sedar.com.

WE STRONGLY ENCOURAGE ALL SHAREHOLDERS TO VOTE ELECTRONICALLY BY PROXY RATHER THAN ATTENDING THE MEETING IN PERSON.

The record date for the determination of shareholders entitled to receive notice of and to vote at the Meeting (the "**Record Date**") is at the close of business on May 21, 2020. Shareholders whose names have been entered in the register of shareholders at the close of business on the Record Date will be entitled to receive notice of and vote at the Meeting.

While registered shareholders are entitled to attend the Meeting in person, we strongly recommend that all shareholders vote by proxy and accordingly ask that registered shareholders complete, date, sign and return the enclosed form of proxy for use at the Meeting or any adjournment thereof. A proxy will not be valid unless it is deposited with the Corporation's transfer agent, Olympia Trust Company, (i) by email at proxy@olympiustrust.com, (ii) by web voting at <https://css.olympiustrust.com/pxlogin>, or (iii) by mail to Olympia Trust Company, PO Box 128, STN M Calgary, Alberta T2P 2H6. All instructions are listed in the enclosed form of proxy. Your proxy or voting instructions must be received in each case no later than 8:00 a.m. (EST) on July 8, 2020 or, if the Meeting is adjourned, 48 hours (excluding Saturdays and holidays) before the beginning of any adjournment of the Meeting. Late proxies may be accepted or rejected by the Chairman of the Meeting in his discretion, and the Chairman is under no obligation to accept or reject any particular late proxy.

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

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

If you have any questions relating to the proxy voting, please contact Olympia Trust Company by telephone at 1-866-668-8379. BVC Shareholders should contact Deceval by telephone at 57.1.313.9800 should they have any questions or concerns regarding their applicable proxy voting procedures.

DATED this 21st day of May, 2020.

BY ORDER OF THE BOARD OF DIRECTORS

“Charle Gamba”

Charle Gamba

President and Chief Executive Officer

MANAGEMENT INFORMATION CIRCULAR

This Management Information Circular (“Circular”) is furnished in connection with the solicitation of proxies by the management of CANACOL ENERGY LTD. (the “Corporation” or “Canacol”) for use at the annual general and special meeting (the “Meeting”) of the holders of common shares of the Corporation (“Common Shares”) to be held on the 10th day of July, 2020 at 8:00 a.m. (EST) at the Hotel NH Collection Teleport, Salón Ciprés, Calle 113 No. 7-65, Bogotá, Colombia, and at any adjournment thereof, for the purposes set forth in the notice of annual general and special meeting (“Notice of Meeting”). The board of directors of the Corporation (the “Board”) has fixed the record date for the Meeting at the close of business on May 21, 2020 (the “Record Date”). Shareholders of the Corporation of record as at the Record Date are entitled to receive notice of the Meeting and to vote those Common Shares included in the list of shareholders entitled to vote at the Meeting prepared as at the Record Date, unless any such shareholder transfers Common Shares after the Record Date and the transferee of those Common Shares, having produced properly endorsed certificates evidencing such Common Shares or having otherwise established that he or she owns such Common Shares, demands, not later than 10 days before the Meeting, that the transferee’s name be included in the list of shareholders entitled to vote at the Meeting, in which case such transferee shall be entitled to vote such Common Shares at the Meeting.

Unless otherwise stated, the information contained in this Circular is given as at May 21, 2020. Except as otherwise indicated, all dollar amounts in this Circular are expressed in Canadian dollars and references to \$ are to Canadian dollars. References to US\$ are to United States dollars.

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WE STRONGLY ENCOURAGE ALL SHAREHOLDERS TO VOTE ELECTRONICALLY BY PROXY RATHER THAN ATTENDING THE MEETING IN PERSON.

NON-GAAP TERMS

This Circular refers to certain financial measures that are not determined in accordance with Generally Acceptable Accounting Principles applicable to publicly traded companies in Canada (“GAAP”). Measures such as earnings before interest, tax, depreciation, amortization and exploration (“EBITDAX”) are not standard measures under GAAP and, therefore, may not be comparable to similar measures reported by other entities. Management believes that these supplemental measures facilitate the understanding of the Corporation's results of operations and financial position. These financial measures are considered additional GAAP or non-GAAP financial measures. Readers are cautioned that these measures should not be construed as an alternative to measures determined in accordance with GAAP as an indication of the Corporation's performance. Readers should refer to the Corporation's 2019 annual financial statements and associated management discussion and analysis filed on SEDAR at www.sedar.com for a full discussion of the Corporation's financial performance and a reconciliation of these measures to their most closely related GAAP measures.

SOLICITATION OF PROXIES

The solicitation is made on behalf of the management of the Corporation. The costs incurred in the preparation and mailing of the enclosed form of proxy (“Instrument of Proxy”), the Notice of Meeting and this Circular will be borne by the Corporation. In addition to solicitation by mail, proxies may be solicited by personal interviews, telephone or other means of communication and by directors, officers and employees of the Corporation, who will not be specifically remunerated therefor. In accordance with National Instrument 54-101 – *Communication with Beneficial Owner of Securities of a Reporting Issuer* (“NI 54-101”), arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of Common Shares held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so.

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

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

An Instrument of Proxy will not be valid unless it is deposited with the Corporation's transfer agent, Olympia Trust Company, (i) by email at proxy@olympiatrust.com, (ii) by web voting at <https://css.olympiatrust.com/pxlogin>, or (iii) by mail to Olympia Trust Company, PO Box 128, STN M Calgary, Alberta T2P 2H6. All instructions are listed in the Instrument of Proxy. The Instrument of Proxy or voting instructions must be received in each case no later than 8:00 a.m. (EST) on July 8, 2020 or, if the Meeting is adjourned, 48 hours (excluding Saturdays and holidays) before the beginning of any adjournment of the Meeting. Late proxies may be accepted or rejected by the Chairman of the Meeting in his discretion, and the Chairman is under no obligation to accept or reject any particular late proxy.

REVOCABILITY OF PROXY

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

EXERCISE OF DISCRETION BY PROXY

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

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

BENEFICIAL HOLDERS OF SHARES

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

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The majority of brokers delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**") in Canada. Broadridge typically prepares and mails a machine-readable voting instruction form (a "**VIF**") in lieu of the Instrument of Proxy. The Beneficial Shareholder is requested to complete and return the VIF to Broadridge by mail or facsimile, or to otherwise communicate voting instructions to Broadridge (by way of the internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. **A Beneficial Shareholder who receives a VIF cannot use that VIF to vote Common Shares directly at the Meeting. The VIF must be returned to Broadridge (or instructions respecting the voting of Common Shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the Common Shares voted. If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his or her broker or other intermediary, a Beneficial Shareholder may attend at the Meeting as a proxyholder for the registered holder and vote the Common Shares in that capacity. **Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the registered Shareholder should enter their own names in the blank space on the applicable form of proxy or VIF provided to them and return the document to their broker (or other intermediary or the agent of such broker or other intermediary) in accordance with the instructions provided by such broker, intermediary or agent, well in advance of the Meeting. See "Note of Caution Concerning the COVID-19 Outbreak".**

All references to shareholders in this Circular and the accompanying form of proxy and Notice of Meeting are to registered shareholders unless specifically stated otherwise.

BENEFICIAL SHAREHOLDERS IN COLOMBIA

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

NOTICE-AND-ACCESS

Canacol has elected to use the notice-and-access provisions under NI 54-101 (the "**Notice-and-Access Provisions**") for the Meeting in respect of mailings to Beneficial Shareholders but not in respect of mailings to registered shareholders (i.e. a shareholder whose name appears on the records of the Corporation). The Notice-and-Access Provisions are a set of rules developed by the Canadian Securities Administrators ("**CSA**") that reduce the volume of materials which are mailed to shareholders by allowing a reporting issuer to post online an information circular in respect of a meeting of its shareholders and related materials.

More specifically, Canacol has elected to use procedures known as 'stratification' in relation to its use of the Notice-and-Access Provisions. As a result, registered shareholders will receive a paper copy of the Notice of Meeting, this Circular and the Instrument of Proxy, whereas Beneficial Shareholders will receive a notice containing information prescribed by the Notice-and-Access Provisions and a VIF. In addition, a paper copy of the Notice of Meeting, this Circular, and a VIF will be mailed to those shareholders who do not hold their Common Shares in their own name but who have previously requested to receive paper copies of these

materials. Furthermore, a paper copy of the financial information in respect of the most recently completed financial year of Canacol was mailed to those registered shareholders and Beneficial Shareholders who previously requested to receive information.

Canacol will be delivering proxy-related materials to non-objecting Beneficial Shareholders directly with the assistance of Broadridge. The Corporation intends to pay for intermediaries to deliver proxy-related materials to objecting Beneficial Shareholders.

MATTERS TO BE ACTED UPON AT THE MEETING

1. Report and Financial Statements

The Board has approved all of the information in the audited financial statements of the Corporation for the financial year ended December 31, 2019 and the report of the auditor thereon, copies of which are delivered herewith and are also available on www.sedar.com under the Corporation's SEDAR profile. No vote by the shareholders is required to be taken on the financial statements.

2. Election of Directors

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

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

Charle Gamba	Gregory D. Elliott
Michael Hibberd	Gonzalo Fernández-Tinoco
Oswaldo Cisneros	Ariel Merenstein
Francisco Diaz	David Winter

Information Regarding the Proposed Directors

The following table set out information regarding each of the director nominees, including a brief summary of their experience and qualifications, provinces or states and countries of residence, age, the number of voting securities of the Company beneficially owned, or controlled or directed, directly or indirectly, the number of stock options of the Corporation ("**Options**") held, the number of restricted share units ("**RSUs**") held, the period served as director and the principal occupation, business or employment of each as well as the committees of the Board on which they serve. The information as to Common Shares beneficially owned or controlled or directed, directly or indirectly, is based upon information furnished to the Corporation by the nominees as of May 21, 2020.

The Board has determined that all of the director nominees with the exception of Charle Gamba are independent within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**").

CHARLE GAMBA
President and Chief Executive Officer

Bogotá, Colombia

Director since: October 30, 2008

Age: 55

Key Experience and Expertise:

Strategic Planning
Industry knowledge
Capital markets/investor relations
Financial
Risk management
Government relations
Corporate governance
Leadership/CEO
International operations
Oil and gas exploration

Mr. Gamba founded Canacol in 2008. Mr. Gamba has held a variety of technical and management roles with major and mid-sized international oil companies, with the majority of his professional career focused on exploration and production in South America. Prior to founding Canacol, Mr. Gamba was Vice President of Exploration for Occidental Oil & Gas Company based in Bogotá, Colombia. In his eight years with Occidental, he lived and worked in Ecuador, Qatar, Colombia, and the United States, working in a variety of technical and management roles. Mr. Gamba has also worked for Alberta Energy Company in Argentina and Ecuador, and for Canadian Occidental in Australia, Canada, and Indonesia. Mr. Gamba started his career as a geologist with Imperial Oil in Calgary, and holds an MSc and PhD in Geology.

Board and Committee Membership ⁽¹⁾	2019 Attendance
Board of Directors	9/9 – 100%
Reserves Committee	1/1 – 100%
Number of Common Shares Owned, Directed or Controlled	Number of Options Held
837,138	1,125,000
Number of RSUs Held	Other Public Boards
175,000	Horizon Petroleum Ltd. Pieridae Energy Limited

MICHAEL HIBBERD
Chairman

Calgary, Alberta, Canada

Director since: October 30, 2008

Age: 64

Key Experience and Expertise:

Financial
Industry knowledge
Compensation
Capital markets/investor relations
Risk management
Corporate governance
Leadership/CEO
International operations/marketing
Mergers and acquisitions

For over 21 years, Mr. Hibberd has been Chairman and CEO of MJH Services Inc., a corporate finance advisory firm. Through MJH, Mr. Hibberd has been involved in numerous privatization and development projects in North America, Africa, the Middle East, Latin America and Asia. From 1983-1995, he was Senior Vice President and Director of Corporate Finance for ScotiaMcLeod. He is currently Vice Chairman of Sunshine Oilsands Ltd. and serves as board member of Pan Orient Energy Corp. and PetroFrontier Corp. Formerly, he was Chairman of Heritage Oil Plc and Heritage Oil Corporation; and former director of Montana Exploration Corp., Avalite Inc., Challenger Energy Corp., Deer Creek Energy, Iteration Energy Ltd., Rally Energy Corp., Sagres Energy, Skope Energy Inc. and Zapata Energy Corporation.

Board and Committee Membership ⁽¹⁾	2019 Attendance
Board of Directors	9/9 – 100%
Audit Committee (Chair)	4/4 – 100%
Corporate Governance and Nominating Committee	1/1 – 100%
Compensation Committee	4/4 – 100%
Corporate Governance and Compensation Committee	1/1 – 100%
Number of Common Shares Owned, Directed or Controlled	Number of Options Held
243,080	249,600
Number of RSUs Held	Other Public Boards
38,500	Pan Orient Energy Corp. PetroFrontier Corp. Sunshine Oilsands Ltd.

OSWALDO CISNEROS⁽²⁾
Independent Director

Caracas, Venezuela

Director since: October 16, 2015

Age: 79

Key Experience and Expertise:

Financial
 Industry knowledge
 Human resources/compensation
 Corporate governance
 Leadership/CEO
 International operations

Mr. Cisneros is currently the Principal of Cavengas Holdings S.R.L. (“**Cavengas**”) and President of Corporación Digitel, a telecom company, Maritime Contractors de Venezuela, an oil drilling services company, Fabrica Nacional de Vidrios, a glass bottle manufacturer, and Central Azucarero Portuguesa, a sugar mill factory. Previously, Mr. Cisneros served as the President of Pepsi Cola Venezuela and of Telcel Celular, C.A., a partner of Bellsouth International.

Board and Committee Membership⁽¹⁾	2019 Attendance
Board of Directors	7/9 – 78%
Audit Committee	4/4 – 100%
Compensation Committee (Chair)	4/4 – 100% ⁽³⁾
Number of Common Shares Owned, Directed or Controlled	Number of Options Held
32,613,072 ⁽⁴⁾	96,800
Number of RSUs Held	Other Public Boards
28,000	C.A. Fábrica Nacional de Vidrio

FRANCISCO DIAZ
Independent Director

Bogotá, Colombia

Director since: January 16, 2015

Age: 58

Key Experience and Expertise:

Financial
 Industry knowledge
 Capital markets/investor relations
 Risk management
 Government relations
 Corporate governance
 International operations

Mr. Diaz is currently the Managing Partner at Evolvere Capital, a Private Equity firm that manages various portfolio companies in Colombia and Latin America and Spain, and he is also the Chairman of the Board and head of the Audit Committee of Systemgroup, a financial services company which operates in seven Latin American countries and manages a loan portfolio of over US\$12 billion. Mr. Diaz was previously the President and CEO of Organización Corona (2004 to 2011), one of the largest private groups in Colombia. Prior to his association with Corona, he was with Monsanto Company in St. Louis, MO (1991 to 2003) where he held various executive positions among them President of the Global Food Ingredients Division, Corporate Vice President of Global Strategy in Chicago, IL and Vice President and General Manager for Latin America in Buenos Aires, Argentina. Mr. Diaz received a Bachelor of Science degree in Chemical Engineering from Northeastern University in Boston, MA and has a Master of Science in Business Management from Arthur D. Little School of Management in Cambridge, MA. He is also a graduate of the Advanced Executive Management Program from J. L. Kellogg Graduate School of Management of Northwestern University.

Board and Committee Membership⁽¹⁾	2019 Attendance
Board of Directors	7/9 – 78% ⁽⁵⁾
Audit Committee	4/4 – 100%
Corporate Governance and Nominating Committee	0/1 – 0% ⁽⁵⁾
Number of Common Shares Owned, Directed or Controlled	Number of Options Held
Nil	120,800
Number of RSUs Held	Other Public Boards
28,000	None

GREGORY D. ELLIOTT
Independent Director

Oakdale, Louisiana, United States

Director since: December 21, 2012
Age: 61

Key Experience and Expertise:

Engineering/operational
Industry knowledge
Human resources/compensation
Risk management
Corporate governance
Leadership
International operations

Mr. Elliot is currently the President and Founder of Workstrings International, a Superior Energy Services, Inc. (NYSE-SPN) company. Mr. Elliott started his career in 1981 at Chevron serving in various engineering positions both Domestic US and International through 1996. He served as a well test Engineer, frequently traveling to Africa, Europe and Southeast Asia before joining Chevron's International Drilling team in 1989 where he planned and drilled wells in Africa, Europe, Southeast Asia, Kazakhstan and South America. Mr. Elliott continues to manage and grow Workstrings International, currently the largest oilfield rental tool company in the world. Mr. Elliott was a Charter member of Geoproduction Oil & Gas Company, founded in 2001. Mr. Elliott earned his degree in Petroleum Engineering in 1981 from Louisiana State University.

Board and Committee Membership ⁽¹⁾	2019 Attendance
Board of Directors	9/9 – 100%
Reserves Committee	1/1 – 100%
Compensation Committee	4/4 – 100%
Corporate Governance and Compensation Committee	1/1 – 100%
Number of Common Shares Owned, Directed or Controlled	Number of Options Held
1,381,724	120,800
Number of RSUs Held	Other Public Boards
28,000	None

GONZALO FERNÁNDEZ-TINOCO⁽²⁾
Independent Director

Caracas, Venezuela

Director since: November 8, 2018
Age: 56

Key Experience and Expertise:

Industry knowledge
Financial
Technology knowledge
Risk management
Corporate governance
Leadership
International operations

Mr. Fernández-Tinoco is currently the director of Fundacion Venezuela Sin Limites, a non-profit organization; Corporation Digitel, a telecom company; Produvisa, a glass bottle manufacturer; Maritime Contractors de Venezuela, an oil drilling company; DP Delta Servicios, oil Services; Petrodelta, a joint venture; Delta Finance and Escuela Campo Alegre. Previously, Mr. Fernández-Tinoco served as General Manager of Microsoft Venezuela, Vice President of Telecel, a local partner for BellSouth; Farmahorro, Grupo Mistral, Televen, YPO y otros. Mr. Fernández-Tinoco received a degree in law from Universidad Católica Andrés Bello, UCAB; and study management at IESA.

Board and Committee Membership ⁽¹⁾	2019 Attendance
Board of Directors	9/9 – 100%
Corporate Governance and Nominating Committee (Chair)	1/1 – 100%
Corporate Governance and Compensation Committee	1/1 – 100%
Number of Common Shares Owned, Directed or Controlled	Number of Options Held
125,999	Nil
Number of RSUs Held	Other Public Boards
29,620	C.A. Fábrica Nacional de Vidrio

Ariel Merenstein Independent Director

São Paulo, Brazil

Director since: March 17, 2020

Age: 36

Key Experience and Expertise:

Financial

Industry knowledge

Capital markets/investor relations

Corporate governance

International operations

Mr. Merenstein is the Managing Partner and Portfolio Manager of Fourth Sail Capital. Prior to founding Fourth Sail in 2019, he spent eleven years at Prince Street Capital Management, a global Emerging and Frontier markets fund, where he was a Partner on the Research team and the Portfolio Manager of the Prince Street Latin America Long/Short fund. In addition to his PM responsibilities, Mr. Merenstein oversaw the firm's investments in Latin America, and regularly reviewed global macroeconomics for the firm. Prior to joining Prince Street, Mr. Merenstein worked at Lehman Brothers and Bear Stearns. He is a magna cum laude graduate of the New York University Stern School of Business. He holds dual citizenship in Costa Rica, where he was born, as well as the United States. Mr. Merenstein is based in São Paulo, and is fluent in Spanish, Portuguese and English.

Board and Committee Membership ⁽¹⁾	2019 Attendance
Board of Directors	N/A
Number of Common Shares Owned, Directed or Controlled	Number of Options Held
27,584,529 ⁽⁶⁾	Nil
Number of RSUs Held	Other Public Boards
Nil	None

DAVID WINTER Independent Director

Calgary, Alberta, Canada

Director since: February 6, 2009

Age: 62

Key Experience and Expertise:

Industry knowledge

Oil and gas exploration

Government relations

Corporate governance

Leadership/CEO

International operations

Oil and gas development

Mergers and acquisitions

Dr. Winter is the Chief Executive Officer and Director of each of Horizon Petroleum Ltd. and Miramar Hydrocarbons Ltd. He was a co-founder of Canacol in 2008. Previously, Dr. Winter was the Founder, Chief Executive Officer and Director of Excelsior Energy Limited, an oil sands focused exploration company. Dr. Winter brings 37 years of international experience in a variety of technical, management and leadership roles living and working in Latin America, Middle East, Southeast Asia and the UK North Sea. His experience was gained working at British Petroleum working in China, the UK North Sea, Indonesia and Australia, Sun Oil, Canadian Occidental (now Nexen) living and working in Yemen and Indonesia, Alberta Energy Company (now EnCana) where he was a member of the leadership team that grew its international business to over 60,000 barrels of oil equivalent per day, Calvalley Petroleum and Excelsior Energy Limited. Dr. Winter holds a Bachelor of Science degree in Geology from the University of London, a Master of Science degree in Structural Geology from Imperial College, University of London and PhD degree in Structural Geology from Edinburgh University.

Board and Committee Membership ⁽¹⁾	2019 Attendance
Board of Directors	8/9 – 89%
Reserves Committee (Chair)	1/1 – 100%
Compensation Committee	4/4 – 100%
Corporate Governance and Nominating Committee	1/1 – 100%
Corporate Governance and Compensation Committee (Chair)	1/1 – 100%
Number of Common Shares Owned, Directed or Controlled	Number of Options Held
14,367	100,800
Number of RSUs Held	Other Public Boards
30,000	Horizon Petroleum Ltd. Sonoro Energy Ltd.

Notes:

- (1) Effective January 28, 2019, the Board changed its committees from the Audit Committee, Corporate Governance and Compensation Committee and Reserves Committee to the Audit Committee, Compensation Committee, Corporate Governance and Nominating Committee and Reserves Committee.
- (2) Under the terms of the investment agreement between the Corporation and Cavengas dated August 28, 2015, Cavengas has the right to appoint two nominees to the Board provided Cavengas maintains ownership of at least 10% of the Corporation's issued and outstanding Common Shares. Mr. Cisneros and Mr. Fernández-Tinoco are the director nominees appointed by Cavengas.
- (3) Compensation Committee meetings attended by Mr. Cisneros or his representative director Mr. Fernández-Tinoco.
- (4) Mr. Cisneros is the Principal and owns 100% of the shares of Cavengas, which owns 32,613,072 Common Shares as at May 21, 2020. Please refer to "INFORMATION CONCERNING THE CORPORATION – Voting Securities and Principal Holders Thereof" for further information.
- (5) Mr. Diaz did not attend the meetings of the Board and Corporate Governance and Nominating Committee each held on December 10, 2019 due to a valid excuse. If able to attend Mr. Diaz's Board attendance would have been 89% and his Corporate Governance and Nominating Committee attendance would have been 100%.
- (6) Mr. Merenstein is the Managing Partner and Portfolio Manager of Fourth Sail Capital, LP, which owns 27,584,529 Common Shares as at May 21, 2020. Please refer to "INFORMATION CONCERNING THE CORPORATION – Voting Securities and Principal Holders Thereof" for further information.

Majority Voting for Directors

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

Cease Trade Orders, Bankruptcies Penalties or Sanctions

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

David Winter is a director and officer and Charle Gamba is a director of Horizon Petroleum Ltd. Horizon Petroleum Ltd. is subject to a cease trade order from the Alberta Securities Commission for failure to file its 2019 year end financial statements and MD&A. The cease trade order was issued on January 6, 2020 and, as at the date hereof, is still in effect.

Charle Gamba was formerly a director of Solimar Energy Limited (“**Solimar**”) from September 12, 2011 to December 12, 2014, upon which date all of the directors and officers resigned. On December 3, 2015, December 8, 2015 and December 21, 2015, the common shares of Solimar were cease traded by the Alberta Securities Commission, the British Columbia Securities Commission and the Ontario Securities Commission, respectively, as a result of the failure by Solimar to file various continuous disclosure documents, including interim financial statements and related management’s discussion and analysis for the three-month period ended September 30, 2014, together with the related certification of filings thereto.

Michael Hibberd was formerly a director of Skope Energy Inc. (a Toronto Stock Exchange (“**TSX**”) listed oil and gas company), which commenced proceedings in the Court of Queen’s Bench of Alberta under the *Companies’ Creditors Arrangement Act* (Canada) to implement a restructuring in November, 2012, which was completed on February 19, 2013. Michael Hibberd was a director of Montana Exploration Corp. at the time that an order was issued to suspend trading until 2017 year end financial statements and MD&A were filed and compliance with TSX Venture Exchange requirements was confirmed. The order was issued by the Alberta Securities Commission on May 4, 2018.

3. Appointment of Auditors

Unless otherwise directed, it is management’s intention to vote the proxies in favour of an ordinary resolution to appoint the firm of KPMG LLP, Chartered Professional Accountants, to serve as auditors of the Corporation until the next annual meeting of the shareholders and to authorize the directors to fix their remuneration as such. KPMG LLP was appointed auditor of the Corporation effective October 4, 2019 by the Board.

The table below shows fees billed by KPMG LLP for the fiscal year ended December 31 2019:

Audit fees ⁽¹⁾	\$426,295
Audit related fees ⁽²⁾	-
Tax fees ⁽³⁾	-
All other fees ⁽⁴⁾	-
Total	\$426,295
Non-Audit Fees as a Percentage of Audit Fees	0%

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.

Deloitte LLP, Chartered Professional Accountants, the former auditor, resigned as auditor at the request of the Corporation on October 4, 2019. The Audit Committee’s recommendation to the Board for the change of auditor was made due to the Corporation’s desire to move to a different audit firm. In accordance with Part 4.11 of National Instrument 51-102 — *Continuous Disclosure Obligations* (“**NI 51-102**”), the “Reporting Package”,

which includes the notice of change of auditor, letter from the former auditor, and the letter from the successor auditor, is attached hereto as Schedule B, and was filed with the necessary securities commissions and on SEDAR on October 7, 2019.

4. Approval of the Amended Stock Option Plan and Unallocated Stock Options

Stock Option Plan Amendments

On June 4, 2020, the Board approved certain amendments to the Corporation's stock option plan (the "**Option Plan**") resulting in the amended stock option plan (the "**Amended Option Plan**"). A summary of the material differences between the Amended Option Plan and the Stock Option Plan is set forth below. Additional details about the Amended Option Plan and the Option Plan are provided in this Circular under the heading "*Statement of Executive Compensation – Incentive Plan Awards – Option Plan*". The summary information is qualified in its entirety by the full text of the Amended Option Plan, attached hereto as Schedule C.

- (a) **Shareholder Approval for a Reduction in Exercise Price.** The Amended Option Plan will require shareholder approval for the reduction of the exercise price of all Options, including a cancellation of an Option and re-grant of an Option in conjunction therewith.
- (b) **Cashless Exercise.** The Amended Option Plan provides participants with an election, if permitted by the Board, for a cashless exercise of a participant's vested and exercisable Options. If a participant elects a cashless exercise the participant shall surrender each Option in exchange for the issuance by Canacol of that number of Common Shares equal to the number determined by dividing the Market Price (as defined in the Amended Option Plan and as calculated as at the date of exercise) into the difference between the Market Price and the exercise price of such Option.
- (c) **Surrender Offer.** The Amended Option Plan provides participants the right to make an offer to Canacol to surrender any of the Options held by such person for an amount (not to exceed the fair market value) specified therein by the participant and Canacol may, but is not obligated to, accept the surrender offer, subject to any regulatory approval required.
- (d) **Withholding Taxes.** The Amended Option Plan provides the Corporation with authority to take steps for the deduction and withholding, or for the advance payment or reimbursement by a participant to the Corporation, of any taxes or other required source deductions which the Corporation is required by law or regulation of any governmental authority whatsoever to remit in connection with the Amended Option Plan, or any issuance of Common Shares thereunder.

Unallocated Stock Options

The Common Shares that are reserved for issuance under outstanding Options are referred to as allocated Common Shares; however, the Corporation will have additional Common Shares that may be reserved for issuance pursuant to future grants of Options under the Amended Option Plan, but as they will not be subject to Option grants, they are referred to as unallocated Options.

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

As at May 21, 2020, the maximum number of Common Shares that may be issued from treasury under the Option Plan and all other security based compensation arrangements, including the restricted share unit plan of the Corporation (the “**RSU Plan**”), was 18,085,464, representing 10% of the number of issued and outstanding Common Shares on that date. As at May 21, 2020, the Corporation had Options to potentially acquire 16,030,882 Common Shares outstanding under the Option Plan (representing approximately 8.86% of the outstanding Common Shares) and no RSUs that the Board has determined to be redeemable for Common Shares from treasury (“**Equity Based RSUs**”) outstanding under the RSU Plan, leaving up to 2,054,582 Common Shares to be issued from treasury available for future grants under the Amended Option Plan and all other security based compensation arrangements, including the RSU Plan, based on the number of outstanding Common Shares as at that date (representing approximately 1.14% of the outstanding Common Shares).

Notwithstanding that the TSX requires shareholder approval for the grant of unallocated Options every three years, the Board intends to expand the Corporation’s long-term incentive program prior to its next annual general meeting of shareholders and has only approved the grant of unallocated Options under the Amended Option Plan until July 10, 2021. Therefore, if approval is obtained at the Meeting, the Corporation will seek further approval of the grant of unallocated Options under the Amended Option Plan at its next annual general meeting of shareholders.

If the necessary shareholder approval is not obtained at the Meeting, the Corporation will no longer be able to issue Common Shares from treasury upon the exercise of unallocated Options, being those Options which have not been granted as of July 10, 2020. Options granted prior to this date will continue to be unaffected; provided, however, that if any such Options are cancelled prior to being exercised, they will not be available for reallocation unless shareholder approval is obtained. If approval is not obtained at the Meeting, the Compensation Committee and the Board may consider alternate forms of performance based compensation, including additional cash bonuses, a share appreciation plan or other means in order to attract and retain qualified personnel.

The Resolution

At the Meeting, shareholders will be asked to consider and, if thought advisable, pass an ordinary resolution substantially in the form set forth below:

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

1. the amended stock option plan of Canacol Energy Ltd. (the “**Corporation**”) substantially in the form as described in the management information circular of the Corporation dated May 21, 2020 (the “**Amended Option Plan**”) with such other conforming changes as the board of directors of the Corporation considers necessary or appropriate, is hereby ratified, confirmed and approved;
2. all unallocated stock options issuable pursuant to the Amended Option Plan are hereby approved and authorized until July 10, 2021; and
3. any officer or director of the Corporation be and is hereby authorized for and on behalf of the Corporation (whether under its corporate seal or otherwise) to execute and deliver all such documents and instruments and to take all such other actions as such officer or director may deem necessary or desirable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of such documents and other instruments or the taking of any of such actions.”

Unless otherwise directed, it is management's intention to vote the proxies in favour of the foregoing resolution. In order for the foregoing resolution to be passed, it must be approved by a simple majority of the votes cast by shareholders who vote in person or by proxy at the Meeting on such resolution.

INFORMATION CONCERNING THE CORPORATION

Voting Securities and Principal Holders Thereof

As at May 21, 2020, there were 180,854,647 Common Shares issued and outstanding, each such share carrying the right to one vote on a ballot at the Meeting. A quorum for the transaction of business at the Meeting will be present if there are not less than two persons present at the Meeting holding or representing by proxy not less than 5% of the shares entitled to be voted at the Meeting. The Board has fixed the Record Date for the Meeting at the close of business on May 21, 2020.

To the knowledge of the directors and executive officers of the Corporation, as at May 21, 2020, no person or company beneficially owned or controlled or directed, directly or indirectly, voting securities of the Corporation carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation other than as set forth below:

Name	Number of Common Shares ⁽¹⁾	Percent of Outstanding Common Shares ⁽²⁾
Cavengas Holdings S.R.L.	32,613,072	18.03%
Fourth Sail Capital, LP	27,584,529	15.25%

Notes:

- (1) Based on information disclosed in the public filings of the applicable party.
- (2) Based on a total of 180,854,647 Common Shares issued and outstanding as at May 21, 2020.

Corporate Governance

The Board and management are committed to high standards of ethical conduct and corporate governance. Canacol's corporate governance practices and policies comply with the CSA's corporate governance guidelines, as well as the CSA's rules relating to audit committees and certification of financial information. Canacol's approach to corporate governance is developed by the Corporate Governance and Nominating Committee, with the Board having final approval of Canacol's governance program.

BOARD AND GOVERNANCE HIGHLIGHTS

Board Composition and Policies

- ✓ Independent directors (seven or 88% - all except the President and Chief Executive Officer)
- ✓ Every Board meeting provides for an in-camera session
- ✓ Director orientation and continuing education
- ✓ Formal Board evaluation process by external consultant
- ✓ Majority Voting Policy

Shareholder Rights

- ✓ Annual election of directors
- ✓ Directors elected individual (not by slate)

Governance

- ✓ Fully independent Audit, Compensation and Corporate Governance and Nominating Committees
- ✓ Separate Board Chair and Chief Executive Officer
- ✓ Chief Executive Officer evaluation and succession planning

- ✓ Diversity Policy
- ✓ Code of Business Conduct and Ethics Policy
- ✓ Anti-hedging Policy

Compensation

- ✓ Solicit feedback from third party consultants
- ✓ Executive incentive compensation Clawback Policy

Please refer to Schedule A hereto for more detail on the Corporation's corporate governance practices, policies and highlights.

Environmental, Social and Governance

Canacol's purpose is to improve the quality of life of millions of people through the exploration, production and supply of conventional natural gas. Its primary objective is to generate value for all its stakeholders in a sustainable, collaborative, co-responsible, respectful, and transparent way. Thanks to the transition to natural gas, the Corporation now has a more environmentally friendly value proposition that contributes to the reduction of CO² emissions in Colombia and a more efficient use of resources. Canacol also continues to support its stakeholders in essential social projects such as access to water and utility gas, productive projects, construction and improvement of public and community infrastructure, technical and university scholarships, among others.

All of the actions that Canacol carries out in response and benefit of its stakeholders are framed in its sustainability model and are based on its corporate values, strategies and objectives from an Environmental, Social and Governance (ESG) perspective. With the goal of becoming a leading company in sustainability, continuous improvement has become a fundamental axis within Canacol. Therefore, Canacol has decided to create a comprehensive model focused on implementing and leading best practices in corporate sustainability affairs at a global level.

In 2020, the Corporation reviewed how different stakeholders access and use ESG information, in order to understand their needs. Based on this review, Canacol made improvements to the way it reports sustainability. The Corporation has reduced duplications, integrating more information in the Corporation's Annual Sustainability Report thereby increasing the coverage of ESG methodologies and standards. In 2020, the Corporation's Annual Sustainability Report will cover: RobecoSam CSA, Principles for Responsible Investment, ODS, Carbon Disclosure Project, Global Reporting Initiative and the UN Global Compact. Also, through a solid corporate sustainability structure, the Corporation will guarantee a business model aligned with the interests of its stakeholders, ensuring the creation of sustainable long-term value.

Statement of Executive Compensation

Role and Composition of the Compensation Committee

The Corporation's executive compensation program is administered by the Compensation Committee of the Board. The Compensation Committee's mandate includes reviewing and determining or making recommendations to the Board in respect of compensation matters relating to the executive officers, employees and directors, including the "Named Executive Officers" which are identified in the "Summary Compensation Table" below. The Compensation Committee is presently comprised of Oswaldo Cisneros (Chair), David Winter, Michael Hibberd and Greg Elliott. Each of these directors are "independent" for the purposes of NI 58-101. The relevant education and experience of each member of the Compensation Committee that enables such member to make decisions on the suitability of the Corporation's compensation policies and practice is set forth under the heading "MATTERS TO BE ACTED UPON AT THE MEETING CORPORATION – Election of Directors". See Schedule A hereto for a description of the responsibilities, powers and operation of the Compensation Committee.

Compensation Discussion and Analysis

Executive Compensation Principles

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

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

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

Compensation Review Process

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

In arriving at recommendations for executive compensation, including the assessment of the competitiveness of the Corporation's compensation practices, compensation information reviewed includes that available in the public domain, through private conversation during the competitive hiring process of new executives, and from widely available compensation surveys and studies. In addition, the Compensation Committee engaged Hugessen Consulting Inc. during the year ended December 31, 2019 to undertake a review of, and make recommendations to the Board on, the compensation and compensation procedures for the executive officers and directors, having regard to peer group data from similar companies, including performing a peer group review as well as performing certain compensation benchmarking.

The following table sets forth information concerning the fees paid by the Corporation to compensation advisors for the periods presented:

Advisor	Financial Year Ending	Executive Compensation	All Other Fees
		Related Fees (\$) ⁽¹⁾	(\$) ⁽²⁾
Hugessen Consulting Inc. ⁽³⁾	December 31, 2019	32,355	Nil
Lane Caputo Compensation Inc.	December 31, 2018	29,400	Nil

Notes:

- (1) “Executive Compensation Related Fees” means the aggregate fees billed by the advisor, or any of its affiliates, for services related to determining compensation for any of the Corporation’s directors and executive officers.
- (2) “All Other Fees” means the aggregate fees billed by the advisor, or any of its affiliates, that are not included under “Executive Compensation Related Fees”.
- (3) Hugessen Consulting Inc. was retained in 2019.

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

The Corporation’s compensation philosophy has been to encourage the maximization of shareholder value at all levels of the organization by making cash bonuses a component of compensation, taking into consideration performance by both the Corporation and the respective executive officer. Although no formal bonus plan has been implemented, all executive officers are eligible to receive a bonus. The size of the bonus pool is based on the recommendation of the Compensation Committee. Bonus levels for the senior executive officers are established by the Compensation Committee and are subject to approval of the Board. The award of cash bonuses has not traditionally been targeted at maintaining the Corporation’s cash compensation at any specific level relative to its peer group.

2019 Corporate Performance Goals

The Board approves corporate performance goals, based on business and performance measures commonly used in the oil and natural gas industry. Corporate goals for 2019 were approved in early 2019 for each of the performance areas. These goals were subjective, based on the view of the Board of key performance requirements for the Corporation, and certain goals were adjusted by the Board based on a three month long third party pipeline delay that constrained the Corporation’s ability to sell into pre-negotiated contracts. The table below is a summary of the key performance goals that assist the Compensation Committee in determining how Canacol’s executives are paid.

Performance Goal	Target for 2019	Result Achieved in 2019
Realized Contractual Natural Gas Sales	Average of 152 million cubic feet per day	Average of 143 million cubic feet per day
Operating Income	US\$201 million	US\$202.4 million
EBITDAX	US\$172 million	US\$167.5 million
Proved Plus Probable Plus Possible Reserve Additions	63 billion cubic feet from eight wells	112 billion cubic feet from seven wells
Lost Time Accidents For Employees	Zero	Zero
Total Registrable Incident Rate for Contractors	0.61	0.63
Manager Visits To Field	100%	100%
Target Safety	85%	98%

Elements of our Executive Compensation Program

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

Base Salaries

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

Short Term Incentive Compensation – Discretionary Cash Bonuses

In addition to base salaries, the Corporation may award discretionary cash bonuses to employees of the Corporation, including executive officers. The Corporation does not have a formal bonus plan and the amount of bonuses paid is not set in relation to any formula or specific criteria but is a result of a subjective determination based on, in the case of non-executive employees, the employee's contribution in adding share value and reducing costs and the employee's contribution to overall corporate goals. In the case of executive officers, including the President and Chief Executive Officer, bonus awards are discretionary and while there are no specific targets or criteria set out, matters such as achievement of goals, changes in share price, cash flow per share, income per share, net asset value per share, reserve replacement costs and production levels are considered (see "2019 Corporate Performance Goals" above). No maximum bonus has been established for any executive officer.

Long Term Incentive Compensation – Stock Options, RSUs and PSUs

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

Options are normally awarded by the Board upon the commencement of an individual's employment with the Corporation based on the level of responsibility within the Corporation. Additional grants may be made periodically to ensure that the number of Options granted to any particular individual is commensurate with

the individual's level of ongoing responsibility within the Corporation. In considering additional grants, the Board evaluates the number of Options an individual has been granted, the role the individual plays in the Corporation, the exercise price and value of the Options and the term remaining on those Options. See “*Statement of Executive Compensation – Incentive Plan Awards – Option Plan*” for further information.

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

In January 2020, the Compensation Committee recommended the expansion of the Corporation's long-term incentive program to include the adoption of a performance share unit plan, which will be designed to reward achievement against key performance metrics. The Committee's intention was to establish the performance measures for presentation and approval by the Board in the first quarter of 2020; however, this was delayed due to the current market conditions related to the Covid-19 pandemic. The Compensation Committee intends to develop, finalize and implement the revised program for presentation to the Board when it determines it is appropriate to do so.

Executive Share Ownership Policy

In addition to the expansion of the Corporation's long-term incentive program to include the adoption of a performance share unit plan, the Compensation Committee intends to recommend a mandatory share ownership policy for all executive officers in order to further align the interests of the executive officers with the interests of shareholders. This recommendation to the Board will coincide with the recommendation regarding the Corporation's long-term incentive program as described above.

Employment Agreements

As described under “*Termination and Change of Control Benefits*”, the Corporation has entered into employment agreements with various executive officers of the Corporation, including each of the Named Executive Officers. The employment agreements were entered into in order to ensure continuity of management and in consideration for the mutual covenants and agreements contained in the agreements.

Clawback Policy

The Corporation emphasizes strong governance supporting its compensation practices and as such it intends to institute a formal recoupment or “clawback” policy (the “**Clawback Policy**”) along side the implementation of the expanded long-term incentive program. The Clawback Policy will be applicable to all executive officers of the Corporation. The Clawback Policy will allow for discretionary recovery by the Board of incentive-based compensation where there is a material restatement of the Corporation's financial results due in whole or in part to the willful fraud or misconduct by one or more of the executive officers. Pursuant to the Clawback Policy, the Board will have discretion to cancel any bonus payments or unvested incentive awards and/or require reimbursement of paid bonuses or incentive awards when a clawback is triggered. In carrying out the recovery of the clawback amount, the Board will be entitled to pursue all legal and other remedies at its disposal including, without limitation, initiating legal action.

Risk Implications Associated with Compensation Policies and Practices

The Compensation Committee and the Board have considered the implications of the risks associated with the Corporation's compensation policies and practices and have determined that there are no significant areas of

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

Hedging Policies

The Corporation's Insider Trading and Anti-Hedging Policy provides that the practice of selling "short" securities of the Corporation and the practice of buying or selling a "call" or "put" or any other derivative security including but not limited to swaps, forwards and futures in respect of any securities of the Corporation is not permitted at any time by the directors, officers, employees, contract workers and consultants of the Corporation.

Summary

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

Summary Compensation Table

The following table sets forth for the financial years ended December 31, 2019, 2018 and 2017, information concerning the compensation paid to the Chief Executive Officer and Chief Financial Officer and the three most highly compensated executive officers of the Corporation, other than the Chief Executive Officer and Chief Financial Officer, for the financial year ended December 31, 2019 (each a "Named Executive Officer" or "NEO" and collectively, the "Named Executive Officers" or "NEOs").

Name and Principal Position	Year Ended Dec 31	Salary (\$)	Share-Based Awards (\$) ⁽¹⁾⁽²⁾	Option-Based Awards (\$) ⁽³⁾⁽⁴⁾	Non-Equity Incentive Plan Compensation (\$)			All Other Compensation (\$) ⁽⁶⁾	Total Compensation (\$)
					Annual Incentive Plans ⁽⁵⁾	Long-Term Incentive Plans	Pension Value (\$)		
Charle Gamba ⁽⁷⁾	2019	623,643 ⁽⁸⁾	516,850	Nil	656,861 ⁽⁸⁾	Nil	Nil	92,907 ⁽⁸⁾	1,890,261
	2018	608,979 ⁽⁸⁾	418,901	239,985	304,409 ⁽⁸⁾	Nil	Nil	88,172 ⁽⁸⁾	1,660,446
President and Chief Executive Officer	2017	610,342 ⁽⁸⁾	645,000	543,035	244,137 ⁽⁸⁾	Nil	Nil	88,498 ⁽⁸⁾	2,131,012
Jason Bednar	2019	386,500	381,990	Nil	368,878 ⁽⁸⁾	Nil	Nil	Nil	1,137,368
Chief Financial Officer	2018	380,000	307,287	159,990	239,705 ⁽⁸⁾	Nil	Nil	Nil	1,086,982
	2017	380,000	430,000	356,690	197,585 ⁽⁸⁾	Nil	Nil	Nil	1,364,275

Ravi Sharma	2019	490,953 ⁽⁸⁾	381,990	Nil	490,953 ⁽⁸⁾	Nil	Nil	61,397 ⁽⁸⁾	1,425,293
Chief	2018	479,409 ⁽⁸⁾	307,287	159,990	250,394 ⁽⁸⁾	Nil	Nil	58,188 ⁽⁸⁾	1,255,268
Operating Officer	2017	480,482 ⁽⁸⁾	430,000	356,690	192,193 ⁽⁸⁾	Nil	Nil	55,759 ⁽⁸⁾	1,515,124
Anthony Zaidi	2019	464,415 ⁽⁸⁾	381,990	Nil	368,878 ⁽⁸⁾	Nil	Nil	83,412 ⁽⁸⁾	1,298,695
Vice President, Business Development and General Counsel	2018	453,495 ⁽⁸⁾	307,287	159,990	226,748 ⁽⁸⁾	Nil	Nil	64,673 ⁽⁸⁾	1,212,193
	2017	454,510 ⁽⁸⁾	430,000	356,690	181,804 ⁽⁸⁾	Nil	Nil	94,750 ⁽⁸⁾	1,517,754
Mark Teare	2019	386,500	381,990	Nil	368,878 ⁽⁸⁾	Nil	Nil	Nil	1,137,368
Senior Vice President, Exploration	2018	380,000	307,287	159,990	250,394 ⁽⁸⁾	Nil	Nil	Nil	1,097,671
	2017	380,000	430,000	356,690	197,585 ⁽⁸⁾	Nil	Nil	Nil	1,364,275

Notes:

- (1) “Share-Based Award” means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units and stock.
- (2) Based on the number of RSUs granted multiplied by the market price of the underlying Common Shares on the grant date. This methodology was chosen in order to be consistent with industry.
- (3) “Option-Based Award” means an award under an equity incentive plan of options, including, for greater certainty, share options, share appreciation rights and similar instruments that have option-like features.
- (4) This does not represent cash paid to the NEO. This figure is based on the grant date fair value of such options. The grant date fair value was determined in accordance with International Financial Reporting Standards. This methodology was chosen in order to be consistent with the accounting fair value used by the Corporation in its financial statements and since the Black-Scholes option pricing model is a commonly used methodology for valuing options which provides an objective and reasonable estimate of fair value. The key assumptions of this valuation include current market price of the stock, exercise price of the option, option term, risk-free interest rate, dividend yield of stock and volatility of stock return. Calculating the value of stock options using the Black-Scholes option pricing model is very different from a simple “in-the-money” value calculation. In fact, stock options that are well out-of-the-money can still have a significant “grant date fair value” based on a Black-Scholes option pricing model, especially where, as in the case of the Corporation, the price of the share underlying the option is highly volatile. Accordingly, caution must be exercised in comparing grant date fair value amounts with cash compensation or an in-the-money option value calculation.
- (5) Represents annual cash bonus awards that are declared and paid annually. See “*Elements of our Executive Compensation Program – Short Term Incentive Compensation – Discretionary Cash Bonuses*” discussion above.
- (6) This amount represents the aggregate amount of perquisites paid to the Named Executive Officer. Mr. Gamba’s amount for the year ended December 31, 2019 includes an annual living allowance of \$68,299 and executive benefits in the aggregate amount of \$24,209. Mr. Sharma’s amount for the year ended December 31, 2019 includes an annual living allowance of \$61,257. Mr. Zaidi’s amount for the year ended December 31, 2019 includes an annual living allowance of \$63,534 and executive benefits in the aggregate amount of \$20,821.
- (7) Mr. Gamba did not receive any additional compensation for serving as a director of the Corporation.
- (8) Compensation was paid in US dollars and converted to Canadian dollars for purposes of this disclosure using the average annual exchange rates for each of the following years (2019 - 1.3269, 2018 - 1.2957, and 2017 - 1.2986).

Incentive Plan Awards

Option Plan

Canacol adopted the Option Plan in order to provide incentive compensation to directors, officers, employees and consultants of Canacol and its subsidiaries as well as to assist Canacol and its subsidiaries in attracting, motivating and retaining qualified directors, management personnel and consultants. The Option Plan is administered by the Board, or a committee thereof, which will designate, from time to time, the recipients of

grants and the terms and conditions of each grant, in each case in accordance with applicable securities laws and stock exchange requirements.

On June 4, 2020, the Board approved the Amended Option Plan that will be effective upon receipt of shareholder approval at the Meeting. For additional information on the proposed amendments to the Option Plan, see “MATTERS TO BE ACTED UPON AT THE MEETING CORPORATION – Approval of Amended Stock Option Plan and Unallocated Stock Options”.

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

- (a) the aggregate number of Common Shares reserved for issuance to any one person under the Option Plan, together with all other security based compensation arrangements of the Corporation, must not exceed 5% of the then outstanding Common Shares (on a non-diluted basis);
- (b) in the aggregate, no more than 10% of the issued and outstanding Common Shares (on a non-diluted basis) may be reserved at any time for insiders under the Option Plan, together with all other security based compensation arrangements of the Corporation;
- (c) the number of securities of the Corporation issued to insiders, within any 12 month period, under all security based compensation arrangements, cannot exceed 10% of the issued and outstanding Common Shares;
- (d) Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Common Shares in any 12 month period to any one consultant of the Corporation (or any of its subsidiaries); and
- (e) Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Common Shares in any 12 month period to persons employed to provide investor relations activities. Options granted to consultants performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than ¼ of the Options vesting in any three month period.

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

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

Pursuant to the Option Plan, the Corporation can assist participants to pay for the income tax withholdings upon the exercise of an Option. Specifically, subject to applicable law, the Corporation may, in its sole discretion, arrange for the Corporation to make loans to assist participants to pay for the income tax

withholdings upon the exercise of an Option so granted and/or to assist the participants. Any loans granted by the Corporation to assist participants to purchase Common Shares upon the exercise of an Option shall be full recourse to the participant, and shall be at such rates of interest, if any, and on such other terms as may be determined by the Corporation.

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

The Option Plan contains provisions for the adjustment in the exercise price and the number of Common Shares issuable on the exercise of Options in the event of a share consolidation, split, reclassification or other relevant change in the Common Shares, an amalgamation, merger or other relevant change in the Corporation's corporate structure, special distributions or any other relevant change in the Corporation's capitalization.

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

- (a) reduce the exercise price of an Option held by an insider of the Corporation (to be amended under the Amended Option Plan, see "*MATTERS TO BE ACTED UPON AT THE MEETING CORPORATION – Approval of Amended Stock Option Plan and Unallocated Stock Options*");
- (b) extend the expiry date of an Option held by an insider of the Corporation (subject to such date being extended by virtue of the black-out provision noted above);
- (c) amend the limitations on the maximum number of Common Shares reserved or issued to insiders;
- (d) increase the maximum number of Common Shares issuable pursuant to the Option Plan; or
- (e) amend the amendment provisions of the Option Plan.

Pursuant to the Option Plan, all benefits, rights and options accruing to any participant are not transferable or assignable except for a transfer or assignment to a holding company or trust controlled by the participant, upon the approval of the Board, or a transfer or assignment in the event of the death of a participant.

During the year ended December 31, 2019, the Corporation granted Options as follows: (1) on January 28, 2019, the Corporation granted an aggregate of 2,100,000 Options at an exercise price of \$4.45; and (2) on August 28, 2019, the Corporation granted an aggregate of 1,008,000 Options at an exercise price of \$4.62. All of such Options have vesting provisions of 50% on the date of grant, 25% on the first anniversary date of the date of

grant and 25% on the second anniversary date of the date of grant and expire on the five year anniversary of the date of grant.

The Corporation's annual burn rate, as described in Section 613(d) of the TSX Company Manual, under the Option Plan was 2.9% in fiscal 2017, 2.1% in fiscal 2018 and 1.7% in fiscal 2019. The burn rate is subject to change from time to time, based on the number of Options granted and the total number of Common Shares issued and outstanding.

RSU Plan

On March 22, 2016, the Board approved the RSU Plan. The RSU Plan is meant to complement the Option Plan to offer, through combinations of these equity-based incentive programs, optimal alignment of the interest of management and employees of the Corporation to that of its shareholders. The choice of implementing a RSU Plan was taken by the Board after an analysis of various alternative equity-based plans. Of the potential equity-based plans considered, a combination of the Option Plan together with the RSU Plan was considered to provide the best balance between alignment with shareholder interests, protection against downside risk, share price volatility protection and employee retention. The following is a summary of certain provisions of the RSU Plan and is qualified in its entirety by reference to the full text of the RSU Plan.

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

The key features of the RSU Plan are as follows:

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

- (iii) the number of securities of the Corporation issued to insiders, within any one year period, under all security based compensation arrangements, cannot exceed 10% of the issued and outstanding Common Shares; and
 - (iv) Equity Based RSUs shall not be settled if the redemption thereof would result in the issuance of more than 2% of the issued Common Shares in any 12 month period to any one consultant of the Corporation (or any of its subsidiaries);
- (d) the Board has the discretion to determine the vesting date for each RSU or any other vesting requirements provided that no such vesting condition for a RSU granted to an officer or employee shall extend beyond December 15 of the third calendar year following the year in which the RSUs were granted;
- (e) subject to the terms of the RSU Plan, the Board may determine other terms or conditions of any RSUs, relating to: (a) the market price of the Common Shares; (b) the return to holders of Common Shares, with or without reference to other comparable companies; (c) the financial performance or results of the Corporation; (d) the operational performance criteria (reserves growth, production growth, etc.) relating to the Corporation; (e) any other terms and conditions the Board may in its discretion determine with respect to vesting or the acceleration of vesting; and (f) the vesting date;
- (f) unless otherwise determined by the Board, in its sole discretion, or specified in the applicable RSU agreement:
 - (i) upon the termination for cause of a participant, all of the participant's RSUs which remain unvested shall be forfeited without any entitlement to such participant;
 - (ii) upon the retirement or death of a participant, all of the participant's RSUs which remain unvested shall vest immediately; and
 - (iii) upon termination without cause, all of the participant's RSUs which remain unvested shall continue to vest (and be paid out) in accordance with their terms;
- (g) upon the occurrence of a Change of Control (as defined in the RSU Plan), all outstanding RSUs at that time shall vest in full and become payable;
- (h) the RSU Plan contains provisions for adjustment in the value of RSUs or the number of Common Shares issuable on redemption of RSUs in the event of a share consolidation, split, reclassification or other relevant change in the Common Shares, an amalgamation, merger or other relevant change in the Corporation's corporate structure, special distributions or any other relevant change in the Corporation's capitalization;
- (i) the assignment or transfer of RSUs, or any other benefits under the RSU Plan, is not permitted, except through devolution by death or incompetency or, in the case of non-residents of Canada, to a holding company or trust controlled by such holder, subject to certain conditions set forth in the RSU Plan; and
- (j) the RSU Plan may be amended at any time by the Board in whole or in part, without the consent of the holders of RSUs, provided that such amendment shall not alter or impair any RSU previously granted under the RSU Plan. In addition, the only amendments to the RSU Plan that would be subject to shareholder approval and, if required, TSX approval are amendments that would: (i) increase the maximum number of Common Shares issuable from treasury pursuant to the RSU Plan; (ii) remove or amend the limitations contained in the RSU

Plan as described in paragraph (c) above; (iii) remove or amend the amendment provisions of the RSU Plan; or (iv) in any other circumstances where TSX and shareholder approval is required by the TSX.

During the year ended December 31, 2019, the Corporation granted RSUs as follows: (1) on January 28, 2019, the Corporation granted an aggregate of 970,500 RSUs based on a Common Share price at the date of grant of \$4.45 per Common Share; and (2) on August 28, 2019, the Corporation granted an aggregate of 490,000 RSUs based on a Common Share price at the date of grant of \$4.62 per Common Share. All of such RSUs have vesting provisions of 50% on the six month anniversary date of the date of grant and 50% on the 12 month anniversary date of the date of grant and a maximum expiry date of December 15 on the third year from grant.

The Corporation's annual burn rate, as described in Section 613(d) of the TSX Company Manual, under the RSU Plan was 0.68% in fiscal 2017, 0.59% in fiscal 2018 and 0.82% in fiscal 2019. The burn rate is subject to change from time to time, based on the number of RSUs granted and the total number of Common Shares issued and outstanding.

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth for each Named Executive Officer all awards outstanding at the end of the financial year ended December 31, 2019, including awards granted before the most recently completed financial year.

Name and Title	Option-Based Awards				Share-Based Awards ⁽¹⁾		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price ⁽¹⁾ (\$)	Option Expiration Date	Value of Unexercised in-the-money Options ⁽²⁾ (\$)	Number of Shares or Units of Shares that have not vested (#)	Market or Payout Value of Share-Based Awards that have not vested ⁽³⁾ (\$)	Market or Payout Value of vested Share-Based Awards not paid out or distributed (\$)
Charle Gamba	185,000	2.13	January 5, 2020	469,900	72,500	338,575	Nil
President and	125,000	3.13	January 21, 2020	192,500			
Chief Executive	200,000	2.20	August 18, 2020	494,000			
Officer	250,000	2.93	November 27, 2020	435,000			
	250,000	4.14	August 24, 2021	132,500			
	150,000	4.22	January 16, 2022	67,500			
	125,000	4.18	August 14, 2022	61,250			
	150,000	4.34	January 26, 2023	49,500			
Jason Bednar	20,000	3.13	January 21, 2020	30,800	53,500	249,845	Nil
Chief Financial	150,000	2.97	May 25, 2020	255,000			
Officer	120,000	2.20	August 18, 2020	296,400			
	150,000	2.93	November 27, 2020	261,000			
	150,000	4.14	August 24, 2021	79,500			
	100,000	4.22	January 16, 2022	45,000			
	80,000	4.18	August 14, 2022	39,200			
	100,000	4.34	January 26, 2023	33,000			

Name and Title	Option-Based Awards				Share-Based Awards ⁽¹⁾		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price ⁽¹⁾ (\$)	Option Expiration Date	Value of Unexercised in-the-money Options ⁽²⁾ (\$)	Number of Shares or Units of Shares that have not vested (#)	Market or Payout Value of Share-Based Awards that have not vested ⁽³⁾ (\$)	Market or Payout Value of vested Share-Based Awards not paid out or distributed (\$)
Ravi Sharma	200,000	3.18	October 16, 2020	298,000	53,500	249,845	Nil
Chief Operating Officer	66,000	2.93	November 27, 2020	114,840			
	150,000	4.14	August 24, 2021	79,500			
	100,000	4.22	January 16, 2022	45,000			
	80,000	4.18	August 14, 2022	39,200			
	100,000	4.34	January 26, 2023	33,000			
Anthony Zaidi	120,000	2.13	January 5, 2020	304,800	53,500	249,845	Nil
Vice President, Business Development and General Counsel	80,000	3.13	January 21, 2020	123,200			
	120,000	2.20	August 18, 2020	296,400			
	150,000	2.93	November 27, 2020	261,000			
	150,000	4.14	August 24, 2021	79,500			
	100,000	4.22	January 16, 2022	45,000			
	80,000	4.18	August 14, 2022	39,200			
	100,000	4.34	January 26, 2023	33,000			
Mark Teare	70,000	3.13	January 21, 2020	107,800	53,500	249,845	Nil
Senior Vice President, Exploration	120,000	2.20	August 18, 2020	296,400			
	150,000	2.93	November 27, 2020	261,000			
	150,000	4.14	August 24, 2021	79,500			
	100,000	4.22	January 16, 2022	45,000			
	80,000	4.18	August 14, 2022	39,200			
	100,000	4.34	January 26, 2023	33,000			

Notes:

- (1) The Corporation made a special distribution to the shareholders of the Corporation of common shares of Arrow Exploration Ltd. by way of a return of capital (the “Return of Capital”) valued at US\$20 million. In the event of a special distribution by the Corporation such as the Return of Capital, (a) the Option Plan provides that for each outstanding Option the exercise price will be reduced by such amount as determined by the Board, and (b) the RSU Plan provides for an increase in the value of the outstanding and vested RSUs by such amount as determined by the Board. All the then outstanding Options and the value of all of the then outstanding and vested RSUs were adjusted by an amount equal to \$0.08 effective October 3, 2018.
- (2) Calculated based on the difference between the closing price of \$4.67 per Common Share on the TSX on December 31, 2019, the last day the Common Shares were traded before the year end, and the exercise price of the option-based award, multiplied by the number of Common Shares available for the purchase under the option-based award.
- (3) The value of share-based awards that have not vested has been calculated using the closing price of the Common Shares on December 31, 2019 of \$4.67.

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

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth for each Named Executive Officer, the value of option-based awards and the value of share-based awards which vested during the financial year ended December 31, 2019. No non-equity incentive plan compensation was earned during the financial year ended December 31, 2019 by the Named Executive Officers.

Name and Title	Option-Based Awards - Value vested during the year (\$) ⁽¹⁾	Share-Based Awards - Value vested during the year (\$) ⁽²⁾
Charle Gamba President and Chief Executive Officer	24,563	466,714
Jason Bednar Chief Financial Officer	15,950	356,838
Ravi Sharma Chief Operating Officer	15,950	356,838
Anthony Zaidi Vice President, Business Development and General Counsel	15,950	356,838
Mark Teare Senior Vice President, Exploration	15,950	356,838

Notes:

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

Pension Plan Benefits

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

Termination and Change of Control Benefits

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

Each Named Executive Officer has entered into an executive employment agreement with the Corporation which provides for payment of (a) two times the sum of (i) the Named Executive Officer’s current annual base salary, plus (ii) an amount equal to the average amount of the annual bonus payments, if any, paid to the Named Executive Officer by the Corporation for the two full calendar years prior to the termination date (prorated to the full year equivalent for bonuses paid in respect of periods covering less than a year), and (b) a lump sum payment of US\$40,000 (or C\$40,000 in the case of Jason Bednar and Mark Teare) representing compensation for the loss of other benefits and perquisites, in the event of: (A) a Change of Control (as defined below) of the Corporation and if the NEO does not continue to be employed at a level of responsibility at least commensurate with the NEO’s level of responsibility immediately prior to the Change of Control; or (B) termination “without cause” (each, a “**Triggering Event**”).

“Change of Control” in these employment agreements means: (i) any persons acting jointly or in concert, whether directly or indirectly, acquiring beneficial ownership of more than 40% of the Common Shares; (ii) an amalgamation, arrangement or other form of business combination of the Corporation with another corporation that results in the holders of voting securities of that other corporation holding, in the aggregate, more than 50% of the Common Shares; (iii) the sale, lease or exchange of all or substantially all of the property

of the Corporation to another person, other than in the ordinary course of business of the Corporation or to a subsidiary or an affiliate of the Corporation; (iv) a change in the composition of the Board over any 12 month period such that more than 50% of the persons who were directors of the Corporation at the beginning of such period are no longer directors at the end of the period, unless such change is a consequence of normal attrition; and (v) any determination by the majority of incumbent members of the Board that a change of control has occurred or is about to occur.

For the financial year ended December 31, 2019, the NEOs would have been entitled to the following payments in the event of a Triggering Event: Charle Gamba – US\$1,710,000, Jason Bednar – \$1,431,743, Ravi Sharma – US\$1,243,000, Anthony Zaidi – US\$1,193,000 and Mark Teare – \$1,431,753.

Director Compensation

The Corporation currently has eight directors, one of whom, Charle Gamba, is also a Named Executive Officer. For a description of the compensation paid to Charle Gamba, see “*Statement of Executive Compensation*”.

General

Through the Compensation Committee, the Board is responsible for the development and implementation of a compensation plan for the directors who are not officers or employees of the Corporation or its subsidiaries (“**Non-Employee Directors**”). The main objectives of the compensation plan for Non-Employee Directors are to attract and retain the services of the most qualified individuals and to compensate the directors in a manner that is commensurate with the risks and responsibilities assumed in board and committee membership and at a level that is similar to the compensation paid to directors of a peer group of oil and gas companies.

To meet and maintain these objectives, the Compensation Committee annually performs a review of the Non-Employee Directors’ compensation plan, which includes reviewing the compensation paid to directors of an industry specific peer group. The Compensation Committee then recommends any changes to the compensation plan to the Board for consideration and, if deemed appropriate, approval.

Non-Employee Directors are eligible to participate in the Option Plan, the RSU Plan and other long-term compensation plans adopted by the Corporation from time to time. Although historically Non-Employee Directors have been eligible to participate in the stock option plan of the Corporation, no Options were granted to Non-Employee Directors in 2019.

Director Share Ownership Policy

The Compensation Committee intends to recommend a mandatory share ownership policy for all Non-Employee Directors to coincide with the expansion of the Corporation’s long-term incentive program and the recommendation of a mandatory share ownership plan for all executive officers of the Corporation as described above under the heading “*Statement of Executive Compensation – Compensation Discussion and Analysis*”.

Directors' Summary Compensation Table

The following table sets forth for the financial year ended December 31, 2019, information concerning the compensation paid to the Non-Employee Directors. Ariel Merenstein, a Non-Employee Director, was appointed to the Board effective March 17, 2020.

Name	Fees Earned (\$)	Share- Based Awards \$(⁽¹⁾⁽²⁾)	Option- Based Awards \$(⁽³⁾)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
Michael Hibberd	106,760	79,468	Nil	Nil	Nil	Nil	186,228
David Winter	71,210	60,755	Nil	Nil	Nil	Nil	131,965
Gregory D. Elliott	62,000	60,755	Nil	Nil	Nil	Nil	122,755
Francisco Diaz	58,760	60,755	Nil	Nil	Nil	Nil	119,515
Oswaldo Cisneros	65,279	60,755	Nil	Nil	Nil	Nil	126,034
Gonzalo Fernández-Tinoco	58,509	60,755	Nil	Nil	Nil	Nil	119,264

Notes:

- (1) "Share-Based Award" means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units and stock.
- (2) Based on the number of RSUs granted multiplied by the market price of the underlying Common Shares on the grant date.
- (3) "Option-Based Award" means an award under an equity incentive plan of options, including, for greater certainty, share options, share appreciation rights and similar instruments that have option-like features.

The following table sets forth the annual retainer fees for the Non-Employee Directors for the year ended December 31, 2019. The Board changed its committees from the Audit Committee, Corporate Governance and Compensation Committee and Reserves Committee to the Audit Committee, Compensation Committee, Corporate Governance and Nominating Committee and Reserves Committee effective January 28, 2019 and the annual retainer amounts were paid to the Non-Employee Directors on a pro rata basis for the year.

Title	Annual Retainer Amount (\$)
Directors	40,000
Chairman of Board	30,000
Chair of Audit Committee	12,000
Member of Audit Committee	5,000
Chair of Reserves Committee	9,000
Member of Reserves Committee	3,000
Chair of Compensation Committee	9,000
Member of Compensation Committee	3,000
Chair of Corporate Governance and Nominating Committee	9,000
Member of Corporate Governance and Nominating Committee	3,000
Chair of Corporate Governance and Compensation Committee	9,000
Member of Corporate Governance and Compensation Committee	3,000

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

The following table sets forth, for each person who was a Non-Employee Director during the last completed financial year of the Corporation, all awards outstanding at the end of the financial year ended December 31, 2019, including awards granted before the most recently completed financial year.

Name	Option-Based Awards				Share-Based Awards ⁽¹⁾		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price ⁽¹⁾ (\$)	Option Expiration Date	Value of Unexercised in-the-money Options ⁽²⁾ (\$)	Number of Shares or Units of Shares that have not vested (#)	Market or Payout Value of Share-Based Awards that have not vested ⁽³⁾ (\$)	Market or Payout Value of vested Share-Based Awards not paid out or distributed (\$)
Michael Hibberd	36,000	2.13	January 5, 2020	91,440	11,333	52,925	Nil
	24,000	3.13	January 21, 2020	36,960			
	40,000	2.20	August 18, 2020	98,800			
	46,000	2.93	November 27, 2020	80,040			
	46,000	4.14	August 24, 2021	24,380			
	30,000	4.22	January 16, 2022	13,500			
	33,600	4.18	August 14, 2022	16,464			
	30,000	4.34	January 26, 2023	9,900			
David Winter	14,000	3.13	January 21, 2020	21,560	8,750	40,863	Nil
	4,000	2.20	August 18, 2020	9,880			
	24,000	2.93	November 27, 2020	41,760			
	24,000	4.14	August 24, 2021	12,720			
	16,000	4.22	January 16, 2022	7,200			
	16,800	4.18	August 14, 2022	8,232			
	16,000	4.34	January 26, 2023	5,280			
Gregory D. Elliott	21,000	2.13	January 5, 2020	53,340	8,750	40,863	Nil
	14,000	3.13	January 21, 2020	21,560			
	24,000	2.2	August 18, 2020	59,280			
	24,000	2.93	November 27, 2020	41,760			
	24,000	4.14	August 24, 2021	12,720			
	16,000	4.22	January 16, 2022	7,200			
	16,800	4.18	August 14, 2022	8,232			
	16,000	4.34	January 26, 2023	5,280			
Francisco Diaz	30,000	3.13	January 21, 2020	46,200	8,750	40,863	Nil
	24,000	2.20	August 18, 2020	59,280			
	24,000	2.93	November 27, 2020	41,760			
	24,000	4.14	August 24, 2021	12,720			
	16,000	4.22	January 16, 2022	7,200			
	16,800	4.18	August 14, 2022	8,232			
	16,000	4.34	January 26, 2023	5,280			
Oswaldo Cisneros	24,000	2.93	November 27, 2020	41,760	8,750	40,863	Nil
	24,000	4.14	August 24, 2021	12,720			
	16,000	4.22	January 16, 2022	7,200			
	16,800	4.18	August 14, 2022	8,232			
	16,000	4.34	January 26, 2023	5,280			

Name	Option-Based Awards				Share-Based Awards ⁽¹⁾		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price ⁽¹⁾ (\$)	Option Expiration Date	Value of Unexercised in-the-money Options ⁽²⁾ (\$)	Number of Shares or Units of Shares that have not vested (#)	Market or Payout Value of Share-Based Awards that have not vested ⁽³⁾ (\$)	Market or Payout Value of vested Share-Based Awards not paid out or distributed (\$)
Gonzalo Fernández-Tinoco	Nil	N/A	N/A	N/A	8,750	40,863	Nil

Notes:

- (1) The Corporation made a special distribution to the shareholders of the Corporation of common shares of Arrow Exploration Ltd. by way of a return of capital (defined herein as the “Return of Capital”) valued at US\$20 million. In the event of a special distribution by the Corporation such as the Return of Capital, (a) the Option Plan provides that for each outstanding Option the exercise price will be reduced by such amount as determined by the Board, and (b) the RSU Plan provides for an increase in the value of the outstanding and vested RSUs by such amount as determined by the Board. All the then outstanding Options and the value of all of the then outstanding and vested RSUs were adjusted by an amount equal to \$0.08 effective October 3, 2018.
- (2) Calculated based on the difference between the closing price of \$4.67 per Common Share on the TSX on December 31, 2019, the last day the Common Shares were traded before the year end, and the exercise price of the option-based award, multiplied by the number of Common Shares available for the purchase under the option-based award.
- (3) The value of share-based awards that have not vested has been calculated using the closing price of the Common Shares on December 31, 2019 of \$4.67.

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

The following table sets forth for each person who was a Non-Employee Director during the last completed financial year of the Corporation, the value of option-based awards and the value of share-based awards which vested during the financial year ended December 31, 2019. No non-equity incentive plan compensation was earned during the financial year ended December 31, 2019 by the Non-Employee Directors.

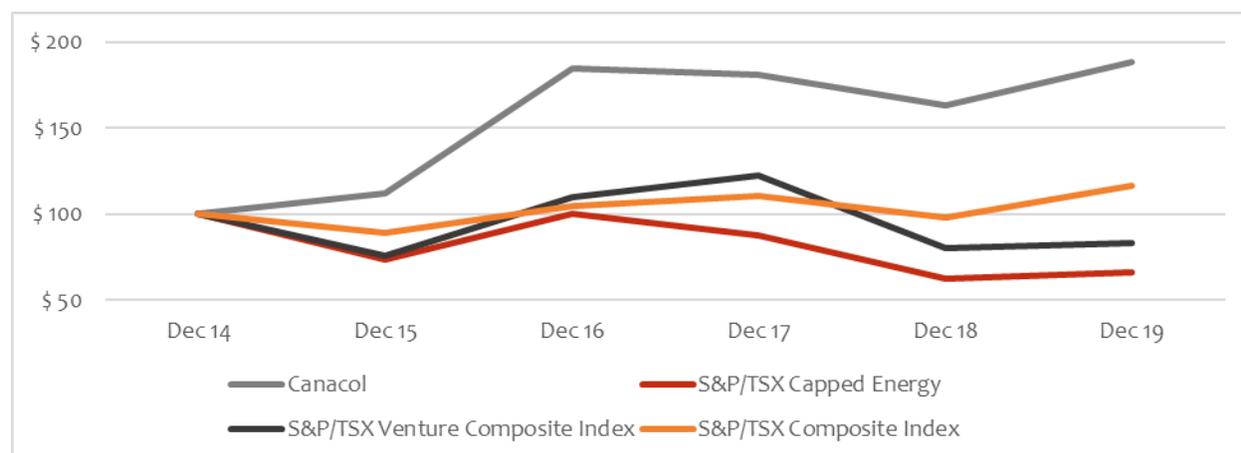
Name and Title	Option-Based Awards - Value vested during the year (\$) ⁽¹⁾	Shares-Based Awards - Value vested during the year (\$) ⁽²⁾
Michael Hibberd	6,009	71,532
David Winter	3,062	53,647
Gregory D. Elliott	3,062	53,647
Francisco Diaz	3,062	53,647
Oswaldo Cisneros	3,062	53,647
Gonzalo Fernández-Tinoco	Nil	22,943

Notes:

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

Performance Graph

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



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

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following sets forth information in respect of securities authorized for issuance under the equity compensation plans as at December 31, 2019.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) ⁽¹⁾
Equity compensation plans approved by security holders	14,234,470	\$3.92	3,772,997
Equity compensation plans not approved by security holders	Nil	N/A	Nil
Total	14,234,470	\$3.92	3,772,997

Note:

- (1) Based on 180,074,674 outstanding Common Shares as at December 31, 2019 and the number of Options and Equity Based RSUs outstanding at December 31, 2019. As at December 31, 2019, there were a total of 14,234,470 Options outstanding and no Equity Based RSUs outstanding, leaving a total of 3,772,997 remaining available for issue under the Option Plan and the RSU Plan. Pursuant to the Option Plan and the RSU Plan, the maximum number of Common Shares that may be subject to Options or Equity Based RSUs granted and outstanding thereunder at any time could not exceed 10% of the outstanding Common Shares.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Aggregate Indebtedness

The following table sets out the aggregate indebtedness to the Corporation and its subsidiaries, as at May 21, 2020, of the executive officers, directors, employees and former executive officers, directors and employees of the Corporation and its subsidiaries. As at May 21, 2020, the indebtedness, if any, of such persons to other entities was not the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any subsidiary thereof.

Purpose	To Canacol or its Subsidiaries (\$)	To Another Entity (\$)
Common Share Purchases Related to Expiring Options	277,320	-

Indebtedness of Directors and Executive Officers under Securities Purchase and Other Programs

The following table sets out for: (i) each individual who is, or at any time during the fiscal year ended December 31, 2019 was, a director or executive officer of the Corporation; (ii) each proposed nominee for election as a director of the Corporation; and (iii) each associate of any such director, executive officer or proposed nominee, the indebtedness of such person since January 1, 2019, to: (a) the Corporation or any of its subsidiaries; or (b) another entity, if such indebtedness has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any subsidiary thereof, other than “routine indebtedness” as defined in NI 51-102.

Name and Principal Position	Involvement of Canacol or Subsidiary	Largest Amount Outstanding During Year End December 31, 2019 (\$)	Amount Outstanding as at May 21, 2020 (\$)	Financially Assisted Securities Purchases during 2019 (#)	Security for Indebtedness	Amount Forgiven During Year End December 31, 2019 (\$)
Securities Purchase Programs						
Michael Hibberd Chairman	Lender	Nil	186,326 ⁽¹⁾	Nil	Common Shares	Nil
Greg Elliott Director	Lender	Nil	90,994 ⁽¹⁾	Nil	Common Shares	Nil
Other Programs						
N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

- (1) On January 3, 2020, the Corporation provided loans to Mr. Hibberd and Mr. Elliott for the sole purpose of exercising Options to acquire Common Shares scheduled to expire in the period. Each loan is due on December 31, 2020 and bears interest at a rate of 7.25% per annum.

- (2) On January 3, 2020, the Corporation provided a loan in the amount of \$785,300 to Charle Gamba, the President, Chief Executive Officer and a director of the Corporation, for the sole purpose of exercising Options to acquire Common Shares scheduled to expire in the period. Mr. Gamba's loan was repaid in full on February 25, 2020.

INTEREST OF MANAGEMENT AND INFORMED PERSONS IN MATERIAL TRANSACTIONS

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

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

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

MANAGEMENT CONTRACTS

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

ADDITIONAL INFORMATION

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

Also see "Audit Committee Information" in the Corporation's annual information form for the financial year ended December 31, 2019, which is available on SEDAR at www.sedar.com, for information relating to the Audit Committee, including its mandate and composition and fees paid to the Corporation's auditors.

A shareholder may contact the Corporation at Suite 2650, 585 - 8th Avenue S.W., Calgary, Alberta T2P 1G1, Attention: Chief Financial Officer, to obtain a copy of the Corporation's most recent financial statements, management discussion and analysis and annual information form.

GENERAL

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

OTHER MATTERS

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

APPROVAL

The contents and sending of this Circular has been approved by the Board.

SCHEDULE A

CORPORATE GOVERNANCE DISCLOSURE

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

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

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

1. **Board of Directors**

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

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

Michael Hibberd
David Winter
Gregory D. Elliott
Francisco Diaz
Oswaldo Cisneros
Gonzalo Fernández-Tinoco
Ariel Merenstein

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

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

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

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

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

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

Director	Other Reporting Issuers
Charle Gamba	Horizon Petroleum Ltd. Pieridae Energy Limited
Michael Hibberd ⁽¹⁾	Pan Orient Energy Corp. PetroFrontier Corp. Sunshine Oilsands Ltd.
David Winter	Horizon Petroleum Ltd. Sonoro Energy Ltd.
Oswaldo Cisneros	C.A. Fábrica Nacional de Vidrio
Gonzalo Fernández-Tinoco	C.A. Fábrica Nacional de Vidrio

Note:

(1) Mr. Hibberd is a director of Greenfields Petroleum Corporation as at the date hereof. On June 3, 2020 Greenfields Petroleum Corporation received shareholder approval for de-listing and ceasing reporting issuer status.

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

At the end of or during each meeting of the Board, the members of management of the Corporation and the non-independent directors of the Corporation who are present at such meeting leave the meeting in order for the independent directors to meet. Nine meetings of independent directors were held during the financial year ended December 31, 2019. In addition, other meetings of the independent directors may be held from time to time if required.

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

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

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

The attendance record of each of the directors of the Corporation for meetings and committee meetings held during the financial year ended December 31, 2019 was as follows:

Name	Board Meetings Attended / Held	Audit Committee Meetings Attended / Held	Reserves Committee Meetings Attended / Held	Corporate Governance and Nominating Committee Meetings Attended / Held ⁽²⁾	Compensation Committee Meetings Attended / Held ⁽²⁾	Corporate Governance and Compensation Committee Meetings Attended / Held ⁽²⁾
Charle Gamba	9/9	N/A	1/1	N/A	N/A	N/A
Michael Hibberd	9/9	4/4	N/A	1/1	4/4	1/1
David Winter	8/9	N/A	1/1	1/1	4/4	1/1
Gregory D. Elliott	9/9	N/A	1/1	N/A	4/4	1/1
Francisco Diaz	7/9 ⁽³⁾	4/4	N/A	0/1 ⁽³⁾	N/A	N/A
Oswaldo Cisneros	7/9	4/4	N/A	N/A	4/4 ⁽⁴⁾	N/A
Gonzalo Fernández-Tinoco	9/9	N/A	N/A	1/1	N/A	1/1
Ariel Merenstein ⁽¹⁾	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

- (1) Mr. Merenstein was appointed to the Board effective March 17, 2020.
- (2) Effective January 28, 2019, the Board changed its committees from the Audit Committee, Corporate Governance and Compensation Committee and Reserves Committee to the Audit Committee, Compensation Committee, Corporate Governance and Nominating Committee and Reserves Committee.
- (3) Mr. Diaz did not attend the meetings of the Board and Corporate Governance and Nominating Committee each held on December 10, 2019 due to a valid excuse. If able to attend Mr. Diaz’s Board attendance would have been 8/9 and his Corporate Governance and Nominating Committee attendance would have been 1/1.
- (4) Compensation Committee meetings attended by Mr. Cisneros or his representative director Mr. Fernandez-Tinoco.

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

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

3. **Position Descriptions**

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

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

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

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

4. **Orientation and Continuing Education**

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

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

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

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

5. **Ethical Business Conduct**

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

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

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

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

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

The Board monitors compliance with the Code by requiring that each of the employees and consultants of the Corporation affirm in writing on an annual basis his or her agreement to abide by the Code, his or her ethical conduct during the year and disclosure with respect to any conflicts of interest. In addition, management is required to provide reports on compliance with the Code to the Board on a regular basis.

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

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

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

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

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

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

6. **Nomination of Directors**

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

The Corporate Governance and Nominating Committee has the responsibility to review with the Board, on an annual basis, the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board and any perceived needs. The Corporate Governance and Nominating Committee also has the responsibility to assist the Board with identifying individuals qualified to become new directors of the Corporation and recommending to Board the new director nominees for the next annual general meeting of shareholders. The following is an outline of the process for nomination of candidates for election to the Board:

- (i) the Chairman or CEO, the Corporate Governance and Nominating Committee or other members of the Board identify the need to add new Board members, with careful

consideration of the mix of qualifications, skills and experience represented on the Board;

- (ii) the Corporate Governance and Nominating Committee coordinates the search for qualified candidates with input from management and other Board members;
- (iii) the Corporate Governance and Nominating Committee engages a candidate search firm to assist in identifying potential nominees, if it deems such engagement necessary and appropriate;
- (iv) selected members of management and the Board will interview prospective candidates; and
- (v) the Corporate Governance and Nominating Committee will recommend a nominee and seek full Board endorsement of the selected candidate, based on its judgment as to which candidate will best serve the interests of the Corporation's shareholders. The Corporate Governance and Nominating Committee considers any candidates submitted by shareholders in accordance with the by-laws of the Corporation on the same basis as any other candidate.

In addition to the requirements of the Diversity Policy (as defined below), the Corporate Governance and Nominating Committee shall ensure the Board and any recommendations for new nominee directors to the Board comply with the following requirements:

- (i) Each director should possess the following minimum qualifications:
 - A. the highest personal and professional ethics, integrity and values;
 - B. commitment to representing the long-term interest of the shareholders;
 - C. broad experience at the policy-making level in business, government, education, technology or public interest; and
 - D. sufficient time to effectively fulfill duties as a Board member.
- (ii) The Corporate Governance and Nominating Committee will endeavor to recommend qualified individuals to the Board who, if added to the Board, would provide the mix of director characteristics and diverse experiences, perspectives and skills appropriate for the Corporation.

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

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

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

The Corporate Governance and Nominating Committee is comprised of four independent directors.

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

See item 6(a) above.

7. **Compensation**

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

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

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

The Compensation Committee is comprised of four independent directors.

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

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

- (i) 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;
- (ii) 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 Compensation Committee shall report and make recommendations to the Board accordingly;

- (iii) assisting the Board with the selection and appointment of the CEO of the Corporation;
- (iv) providing oversight to the appointment and termination of other executive officers of the Corporation;
- (v) 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);
- (vi) 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 recognized;
- (vii) 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;
- (viii) 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;
- (ix) 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;
- (x) reviewing of executive compensation disclosure before the Corporation publicly discloses such information; and
- (xi) assisting the Board in overseeing that succession planning programs are in place, including programs to appoint, set objectives, train, develop and monitor the performance of the officers and other key employees of the Corporation.

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

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

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

In addition to its responsibilities with respect to nominating matters as described above, the Corporate Governance and Nominating Committee also has the following duties with respect to corporate governance matters:

- (a) assisting the Board in establishing and monitoring the Corporation's corporate governance policies and practices to ensure they comply with applicable rules or guidelines provided by the securities regulators;
- (b) preparing the Corporation's response to applicable securities laws or stock exchange rules when required, and explaining as required any differences between the Corporation's governance system and policies and the recommended governance standards by securities regulators;
- (c) proposing changes as necessary from time to time to respond to particular governance recommendations or guidelines from regulatory authorities as well as changes in the Corporation's business environment and ensuring that all appropriate or necessary governance systems remain in place and are periodically reviewed for effectiveness;
- (d) assisting the Board with an annual review of the Board and committee structure;
- (e) ensuring that all members of the Board have been informed of and are aware of their duties and responsibilities as directors of the Corporation;
- (f) ensuring that the Corporation has in effect adequate policies and procedures to allow the Corporation to meet all of its continuous disclosure as well as its communication and confidentiality requirements;
- (g) ensuring that the Corporation has in effect adequate policies and procedures to identify and manage the principal risks of the Corporation's business;
- (h) developing and monitoring the Corporation's policies relating to trading in securities of the Corporation by insiders;
- (i) annually reviewing areas of potential personal liability of directors and ensuring reasonable protective measures are in place;
- (j) causing the Board to annually review its definition of an "independent" director and establishing formal processes for determining the independence of the Board members as well as dealing with conflict of interest situations;
- (k) developing written corporate governance guidelines and mandate for the Board in which it explicitly acknowledges responsibility for the stewardship of the Corporation and considers (i) measures for receiving feedback from stakeholders and (ii) expectations and responsibilities of directors, including basic duties and responsibilities with respect to attendance at Board meetings and advance review of meeting materials;
- (l) overseeing the development of terms of references for the committees of the Board and reviewing, or arranging for the review by appropriate committees, of such terms of references on an annual basis, and, in consultation with the other committees as appropriate, making recommendations to the Board as to changes to improve such terms of references;

- (m) developing clear position descriptions for the Chairman of the Board and the chair of each Board committee, and together with the CEO, developing a clear position description for the CEO, delineating roles and responsibilities between the Board and the executive officers;
- (n) assessment of the Board, its committees and each individual director in respect of effectiveness and contribution;
- (o) developing a comprehensive orientation and continuing education program for all directors;
- (p) monitoring the process for developing annual meeting planners for the Board and its committees to ensure compliance with the requirements of the Board's mandate and the committees' terms of references, respectively;
- (q) developing a written code of business conduct and ethics that is applicable to all directors, officers and employees of the Corporation;
- (r) assisting the Board with the disclosure of the Corporation's corporate governance policies and practices in the Corporation's disclosure documents; and
- (s) implementing the majority voting policy for the election of uncontested directors and disclose the Corporation's approach to the election and resignation of directors in public disclosure documents.

In addition to the Audit, Compensation and Corporate Governance and Nominating Committees, the Corporation has established a Reserves Committee.

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

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

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

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

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

In addition, the Corporation engages an outside consultant to perform an assessment of the Board, its committees and individual Board members every 24 months. The most recent assessment was performed in May, 2020.

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

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

However, when considering nominees for the Board, the Corporate Governance and Nominating Committee reviews the skills and experience of the current directors with the objective of recommending a group of directors that can best perpetuate the Corporation's success and represent

shareholder interests through the exercise of sound judgment and the application of its diversity of experience. The Corporate Governance and Nominating Committee also considers both the term of service and age of individual directors, the average term of the Board as a whole and turnover of directors over the prior years when proposing nominees for election of the directors of the Corporation. In addition, the Corporate Governance and Nominating Committee also assesses the knowledge, experience and character of all nominees to the Board and other factors such as independence of the directors to ensure that the Board is operating effectively and independently of management. The Corporate Governance and Nominating Committee also considers whether the individual will enhance the diversity of views and experiences available to the Board in its deliberations.

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

The Corporation does not have a written policy relating solely to the identification and nomination of female directors. However, the Board has adopted a written discrimination and diversity policy (the “**Diversity Policy**”) that recognizes and embraces the benefits of having a diverse Board with a mix of skills, regional and industry experience, background, race, gender and other distinctions, which the Board believes is more appropriate than a separate written policy focused on gender diversity. All appointments to the Board are made on merit, in the context of the skills and experience of the Board, as a whole, requires to be effective. The Corporate Governance and Nominating Committee oversees the conduct of the annual review of Board effectiveness and monitors compliance with the Diversity Policy.

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

Pursuant to the Diversity Policy, diversity (including the representation of women on the Board and the executive officer positions) is factor considered in determining the optimum composition of the Board. In identifying suitable candidates for appointment to the Board, the Corporate Governance and Nominating Committee considers candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board. Moreover, as to gender, the Board is receptive to increasing the representation of women on the Board as turnover occurs, taking into account the skills, background, experience and knowledge desired at that particular time by the Board. As part of the annual performance evaluation of the effectiveness of the Board, committees of the Board and individual directors, the Corporate Governance and Nominating Committee considers the balance of skills, experience, independence and knowledge of the Corporation on the Board and the diversity of the Board. Although the Board is responsible for Board appointments, the Corporate Governance and Nominating Committee is consulted for potential recommendations.

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

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

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

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

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

Presently, the Corporation has one woman, Tracy Whitmore, Vice President, Tax & Corporate Affairs, serving in an executive officer position, representing 17% of the executive officer positions of the Corporation, and no women serving on the Board.

APPENDIX “A”

MANDATE OF THE BOARD OF DIRECTORS

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

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

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

1. **Independence**

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

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

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

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

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

2. **Nomination of Directors**

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

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

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

3. Election and Resignation of Directors

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

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

4. Leadership in Corporate Strategy

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

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

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

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

5. Ethical Standards

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

The Board shall ensure that there are adequate procedures for it to be apprised on a timely basis and in sufficient detail of all concerns raised by employees, officers and directors of the Corporation and external parties regarding instances of misconduct including illegal or unethical behaviour, fraudulent activities, and violation of company policies, particularly with respect to accounting, internal accounting controls or auditing matters and that such concerns are properly received, reviewed, investigated, documented and brought to an appropriate resolution.

6. Management of Risk

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

7. Approach to Corporate Governance

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

8. Oversight of Management

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

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

9. Succession Planning

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

10. Expectations of Board Members

(a) Commitment and Attendance

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

(b) Participation in Meetings

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

(c) Financial Knowledge

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

(d) Other Directorships

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

(e) Contact with Management

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

(f) Confidentiality

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

11. Monitoring of Financial Performance and Other Financial Reporting Matters

- (a) The Board, through the Audit Committee, shall be responsible for approving the Corporation's financial statements, Management's Discussion & Analysis, Annual Information Form and earnings press releases prior to their public disclosure
- (b) The Board shall approve the annual budget and periodically shall receive an analysis of actual results versus approved budgets.
- (c) The Board is responsible for reviewing and approving material transactions outside the ordinary course of business and those matters which the Board is required to approve under the Corporation's governing statute, including the payment of dividends, issuance, purchase and redemptions of securities, acquisitions and dispositions of material capital assets and material capital expenditures as outlined in the Corporation's General Authority Guidelines.

12. Shareholder Communications and Disclosure

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

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

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

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

13. Integrity of Corporate Control and Management Information Systems

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

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

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

14. Legal Requirements

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

15. Environmental and Safety Matters

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

16. Board Delegation to Committees

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

17. Authority

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

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

18. Limitation

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

SCHEDULE B

CHANGE OF AUDITOR - REPORTING PACKAGE

CANACOL ENERGY LTD.
Suite 2650, 585 - 8th Avenue SW
Calgary, Alberta T2P 1G1

NOTICE OF CHANGE OF AUDITOR
Pursuant to NI 51-102 (Part 4.11)

TO: Deloitte LLP

AND TO: KPMG LLP

AND TO: British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
The Manitoba Securities Commission
Ontario Securities Commission
Financial and Consumer Services Commission, New Brunswick
Nova Scotia Securities Commission
Prince Edward Island Securities Office
Government of Newfoundland and Labrador Financial Services Regulation Division

It is proposed that Canacol Energy Ltd. (the "**Company**") will change its auditor from Deloitte LLP (the "**Former Auditor**") to KPMG LLP (the "**Successor Auditor**") effective as of October 4, 2019.

The Former Auditor resigned at the request of the Company effective October 4, 2019. The Audit Committee's recommendation to the Board of Directors for the change of auditor was made due to the Company's desire to move to a different audit firm.

The Company further reports there were no reservations in the Former Auditor's reports on the Company's financial statements for the period commencing at the beginning of the Company's two most recently completed financial years and ending on the date of resignation of the Former Auditor.

There are no reportable events including disagreements, consultations, or unresolved issues as defined in NI 51-102 (Part 4.11) between the Company and the Former Auditor.

The change of the auditor and the recommendation to appoint the Successor Auditor was approved by the Audit Committee and the Board of Directors of the Company.

DATED this 4th day of October, 2019.

CANACOL ENERGY LTD.

Per: *(signed) "Jason Bednar"*

Jason Bednar
Chief Financial Officer



KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB
T2P 4B9
Telephone (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
The Manitoba Securities Commission
Ontario Securities Commission
Financial and Consumer Services Commission, New Brunswick
Nova Scotia Securities Commission
Prince Edward Island Securities Office
Government of Newfoundland and Labrador Financial Services Regulation Division

October 4, 2019

Dear Sir/Madam

Re: Canacol Energy Ltd. (the "Company")

We have read the notice of change of auditor (the "Notice") of the Company dated October 4, 2019 and are in agreement with the statements in such Notice.

Yours very truly,

KPMG LLP

Chartered Professional Accountants
Calgary, Canada



Deloitte LLP
700, 850 2 Street SW
Calgary, AB T2P 0R8
Canada

Tel: 403-267-1700
Fax: 587-774-5379
www.deloitte.ca

October 4, 2019

To: British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
The Manitoba Securities Commission
Ontario Securities Commission
Financial and Consumer Services Commission, New Brunswick
Nova Scotia Securities Commission
Prince Edward Island Securities Office
Government of Newfoundland and Labrador Financial Services Regulation Division

Dear Sirs/Mesdames:

As required by subparagraph (5)(a)(ii) of section 4.11 of National Instrument 51-102, we have reviewed the change of auditor notice of Canacol Energy Ltd. dated October 4, 2019 (the "Notice") and, based on our knowledge of such information at this time, we agree with all the statements contained in the Notice.

Yours very truly,

Deloitte LLP

Chartered Professional Accountants

SCHEDULE C

AMENDED OPTION PLAN

CANACOL ENERGY LTD.

AMENDED STOCK OPTION PLAN

1. Purpose

The purpose of the Stock Option Plan (the “**Plan**”) of Canacol Energy Ltd., a corporation incorporated under the *Business Corporations Act* (Alberta) (the “**Corporation**”) is to advance the interests of the Corporation by encouraging the directors, officers, employees and consultants of the Corporation, and of its subsidiaries and affiliates, if any, to acquire common shares in the share capital of the Corporation (the “**Shares**”), thereby increasing their proprietary interest in the Corporation, encouraging them to remain associated with the Corporation and furnishing them with additional incentive in their efforts on behalf of the Corporation in the conduct of its affairs.

2. Administration

The Plan shall be administered by the Board of Directors of the Corporation or by a special committee of the directors appointed from time to time by the Board of Directors of the Corporation pursuant to rules of procedure fixed by the Board of Directors (such committee or, if no such committee is appointed, the Board of Directors of the Corporation, is hereinafter referred to as the “**Board**”). A majority of the Board shall constitute a quorum, and the acts of a majority of the directors present at any meeting at which a quorum is present, or acts unanimously approved in writing, shall be the acts of the directors.

Subject to the provisions of the Plan, the Board shall have authority to construe and interpret the Plan and all option agreements entered into thereunder, to define the terms used in the Plan and in all option agreements entered into thereunder, to prescribe, amend and rescind rules and regulations relating to the Plan and to make all other determinations necessary or advisable for the administration of the Plan. All determinations and interpretations made by the Board shall be binding and conclusive on all participants in the Plan and on their legal personal representatives and beneficiaries.

Each option granted hereunder may be evidenced by an agreement in writing, signed on behalf of the Corporation and by the optionee, in such form as the Board shall approve. Each such agreement shall recite that it is subject to the provisions of this Plan.

Each option granted by the Corporation prior to the date of the approval of the Plan by the shareholders of the Corporation, including options granted under previously approved stock option plans of the Corporation, be and are continued under and shall be subject to the terms of the Plan after the Plan has been approved by the shareholders of the Corporation.

3. Stock Exchange Rules

All options granted pursuant to this Plan (each, an “**Option**”) shall be subject to rules and policies of any stock exchange or exchanges on which the Shares of the Corporation are then listed and any other regulatory body having jurisdiction hereinafter (hereinafter collectively referred to as, the “**Exchange**”).

4. Shares Subject to Plan

Subject to adjustment as provided in Section 18 hereof, the Shares to be offered under the Plan shall consist of Shares of the Corporation's authorized but unissued Shares. The aggregate number of Shares issuable upon the exercise of all Options granted under the Plan shall not exceed 10% of the issued and outstanding Shares of

the Corporation from time to time. If any Option granted hereunder shall expire or terminate for any reason in accordance with the terms of the Plan without being exercised, the unpurchased Shares subject thereto shall again be available for the purpose of this Plan.

5. Maintenance of Sufficient Capital

The Corporation shall at all times during the term of the Plan reserve and keep available such numbers of Shares as will be sufficient to satisfy the requirements of the Plan.

6. Eligibility and Participation

Directors, officers, consultants, and employees of the Corporation or its subsidiaries, and employees of a person or company which provides management services to the Corporation or its subsidiaries (“**Management Company Employees**”) shall be eligible for selection to participate in the Plan (such persons hereinafter collectively referred to as “**Participants**”). Subject to compliance with applicable requirements of the Exchange, Participants may elect to hold Options granted to them in an incorporated entity wholly owned by them and such entity shall be bound by the Plan in the same manner as if the Options were held by the Participant.

Subject to the terms hereof, the Board shall determine to whom Options shall be granted, the terms and provisions of the respective Option agreements, the time or times at which such Options shall be granted and vested, and the number of Shares to be subject to each Option. In the case of employees or consultants of the Corporation or Management Company Employees, the Option agreements to which they are party must contain a representation of the Corporation that such employee, consultant or Management Company Employee, as the case may be, is a bona fide employee, consultant or Management Company Employee of the Corporation or its subsidiaries.

A Participant who has been granted an Option may, if such Participant is otherwise eligible, and if permitted under the policies of the Exchange, be granted an additional Option or Options if the Board shall so determine.

7. Exercise Price

Options may be exercised at a price that shall be fixed by the Board at the time that the Option is granted. No Option shall be granted with an exercise price at a discount to the Market Price. The market price shall be the closing price of the Shares on the Exchange on the first day preceding the date of grant on which at least one board lot of Shares traded (the “**Market Price**”).

8. Number of Optioned Shares

(a) The aggregate number of Shares that may be issued pursuant to the exercise of Options awarded under the Plan and all other security based compensation arrangements of the Corporation is 10% of the issued and outstanding Shares from time to time, subject to the following additional limitations:

- (i) the aggregate number of Shares reserved for issuance to any one person under the Plan, together with all other security based compensation arrangements of the Corporation, must not exceed 5% of the then outstanding Shares (on a non-diluted basis);
- (ii) in the aggregate, no more than 10% of the issued and outstanding Shares (on a non-diluted basis) may be reserved at any time for insiders as defined in subsection 1(i) of the *Securities Act* (Alberta) and includes an associate, as defined in subsection 1(a.1) of the *Securities Act* (Alberta) (“**Insider(s)**”) under the Plan, together with all other security based compensation arrangements of the Corporation;

- (iii) the number of securities of the Corporation issued to Insiders, within any one year period, under all security based compensation arrangements, cannot exceed 10% of the issued and outstanding Shares;
 - (iv) Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Shares of the Corporation in any twelve-month period to any one consultant of the Corporation (or any of its subsidiaries); and
 - (v) Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Shares of the Corporation in any twelve month period to persons employed to provide investor relations activities. Options granted to consultants performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than ¼ of the Options vesting in any 3 month period.
- (b) The number of Shares subject to an Option granted to any one Participant shall be determined by the Board, but no one Participant shall be granted an Option which exceeds the maximum number permitted by the Exchange.

9. Duration of Option

Each Option and all rights thereunder shall be expressed to expire on the date set out in the Option agreement and shall be subject to earlier termination as provided in Sections 13 and 14, provided that in no circumstances shall the duration of an Option exceed the maximum term permitted by the Exchange. For greater certainty, the Toronto Stock Exchange does not impose a maximum term for the duration of an Option.

Should the expiry date of an Option fall within a Black Out Period or within nine business days following the expiration of a Black Out Period, such expiry date of the Option shall be automatically extended without any further act or formality to that date which is the tenth business day after the end of the Black Out Period, such tenth business day to be considered the expiry date for such Option for all purposes under the Plan. The ten business day period referred to in this Section 9 may not be extended by the Board.

“**Black Out Period**” means the period during which the relevant Participant is prohibited from exercising an Option due to trading restrictions imposed by the Corporation pursuant to any policy of the Corporation respecting restrictions on trading that is in effect at that time.

10. Option Period, Consideration and Payment

- (a) The option period shall be a period of time fixed by the Board not to exceed the maximum term permitted by the Exchange, provided that the option period shall be reduced with respect to any Option as provided in Sections 13 and 14 covering cessation as a director, officer, consultant, employee or Management Company Employee of the Corporation or its subsidiaries, or death of the Participant.
- (b) Subject to any vesting restrictions imposed by the Exchange, the Board may, in its sole discretion, determine the time during which Options shall vest and the method of vesting, or that no vesting restriction shall exist.
- (c) Subject to any vesting restrictions imposed by the Board, Options may be exercised in whole or in part at any time and from time to time during the option period. To the extent required by the Exchange, no Options may be exercised under this Plan until this Plan has been approved by a resolution duly passed by the shareholders of the Corporation.

- (d) Except as set forth in Sections 13 and 14, no Option may be exercised unless the Participant is at the time of such exercise a director, officer, consultant, or employee of the Corporation or any of its subsidiaries, or a Management Company Employee of the Corporation or any of its subsidiaries.
- (e) The exercise of any Option will be contingent upon receipt by the Corporation at its head office in Calgary, Alberta of a written notice of exercise, specifying the number of Shares with respect to which the Option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such Shares with respect to which the Option is exercised. No Participant or his legal representatives, legatees or distributees will be, or will be deemed to be, a holder of any Shares of the Corporation unless and until the certificates for Shares issuable pursuant to Options under the Plan are issued to him or them under the terms of the Plan.

11. Cashless Exercise

Subject to the provisions of the Plan, if permitted by the Board, a Participant may elect to exercise an Option by surrendering such Option in exchange for the issuance of Shares equal to the number determined by dividing the Market Price (calculated as at the date of exercise) into the difference between the Market Price (calculated as at the date of exercise) and the exercise price of such Option (a “**Cashless Exercise**”). An Option may be exercised pursuant to this Section 11 from time to time by delivery to the Corporation at its head office in Calgary, Alberta of a written notice of exercise specifying that the Participant has elected to a Cashless Exercise of such Option and the number of Options to be exercised. The Corporation will not be required, upon the exercise of any Options pursuant to this Section 11, to issue fractions of Shares or to distribute certificates which evidence fractional Shares. In lieu of fractional Shares, there will be paid to the Participant by the Corporation upon the exercise of such Options pursuant to this Section 11 within 10 business days after the exercise date, an amount in lawful money of Canada equal to the then fair market value of such fractional interest (as determined by the Board), provided that the Corporation will not be required to make any payment, calculated as aforesaid, that is less than \$10.00. Upon exercise of the foregoing, the number of Shares actually issued shall be deducted from the number of Shares reserved with the Exchange for future issuance under the Plan and the balance of the Shares that were issuable pursuant to the Options so surrendered shall be considered to have been cancelled and available for further issuance. The Corporation may at its sole discretion elect to allow a Participant to claim such deductions in computing the taxable income of such Participant, if any, that may be available to the Participant in respect of the Shares received by the Participant in respect of a Cashless Exercise, however, the Corporation is under no obligation, express or implied, to make such election.

12. Surrender Offer

A Participant may make an offer (the “**Surrender Offer**”) to the Corporation, at any time, for the disposition and surrender by the Participant to the Corporation (and the termination thereof) of any of the Options granted hereunder for an amount of money (not to exceed fair market value) specified therein by the Participant and the Corporation may, but is not obligated to, accept the Surrender Offer, subject to any regulatory approval required. If the Surrender Offer, either as made or as renegotiated, is accepted, the Options in respect of which the Surrender Offer relates shall be surrendered and deemed to be terminated and cancelled and shall cease to grant the Participant any further rights thereunder upon payment of the amount of the agreed Surrender Offer by the Corporation to the Participant. Upon the surrender and termination of Options pursuant to a Surrender Offer, the Shares issuable pursuant to such Options shall, for purposes of the number of Shares reserved for issuance with the Exchange, be available for further grants. The Corporation may at its sole discretion elect to allow a Participant to claim such deductions in computing the taxable income of such Participant, if any, that may be available to the Participant in respect of any amount of money received by the Participant in respect of a Surrender Offer, however, the Corporation is under no obligation, express or implied, to make such election.

13. Ceasing To Be a Director, Officer, Consultant or Employee

If a Participant shall cease to be a director, officer, consultant, employee of the Corporation, or its subsidiaries, or ceases to be a Management Company Employee, for any reason (other than death), such Participant may exercise his Option to the extent that the Participant was entitled to exercise it at the date of such cessation, provided that such exercise must occur within 90 days after the Participant ceases to be a director, officer, consultant, employee or a Management Company Employee, subject to extension at the discretion of the Board, unless such Participant was engaged in investor relations activities, in which case such exercise must occur within 30 days after the cessation of the Participant's services to the Corporation, subject to extension at the discretion of the Board.

Nothing contained in the Plan, nor in any Option granted pursuant to the Plan, shall as such confer upon any Participant any right with respect to continuance as a director, officer, consultant, employee or Management Company Employee of the Corporation or of any of its subsidiaries or affiliates.

14. Death of Participant

Notwithstanding Section 13, in the event of the death of a Participant, the Option previously granted to him shall be exercisable only within the one (1) year after such death and then only:

- (a) by the person or persons to whom the Participant's rights under the Option shall pass by the Participant's will or the laws of descent and distribution; and
- (b) if and to the extent that such Participant was entitled to exercise the Option at the date of his death.

15. Rights of Participant

No person entitled to exercise any Option granted under the Plan shall have any of the rights or privileges of a shareholder of the Corporation in respect of any Shares issuable upon exercise of such Option until certificates representing such Shares shall have been issued and delivered.

16. Financial Assistance for Purchase of Shares

Subject to applicable law, the Corporation may, in its sole discretion, arrange for the Corporation to make loans to assist Participants to purchase Shares upon the exercise of an Option so granted and/or to assist the Participants to pay any income tax payable upon exercise of an Option. Any loans granted by the Corporation to assist Participants to purchase Shares upon the exercise of an Option shall be full recourse to the Participant and may be secured by the Shares purchased with the proceeds of the loan, and shall be at such rates of interest, if any, and on such other terms as may be determined by the Corporation.

17. Proceeds from Sale of Shares

The proceeds from the sale of Shares issued upon the exercise of Options shall be added to the general funds of the Corporation and shall thereafter be used from time to time for such corporate purposes as the Board may determine.

18. Adjustments

- (a) Share Reorganization. Whenever the Corporation issues Shares to all or substantially all holders of Shares by way of a stock dividend or other distribution, or subdivides all outstanding Shares into a greater number of Shares, or combines or consolidates all outstanding Shares into a lesser number of Shares (each of such events being herein called a “**Share Reorganization**”) then effective immediately after the record date for such dividend or other distribution or the effective date of such subdivision,

combination or consolidation, the Board shall make such adjustments to this Plan and to the Options then outstanding under this Plan as the Board determine to be appropriate and equitable under the circumstances, so that the proportionate interest of each Participant shall, to the extent practicable, be maintained as before the occurrence of such Share Reorganization. Such adjustments may include, without limitation:

- (i) a change in the number or kind of shares of the Corporation covered by such Options; and
- (ii) a change in the exercise price payable per Share.

For the purposes of this Section 18(a), and without limitation, neither:

- (i) the issuance of additional securities of the Corporation in exchange for adequate consideration (including services); nor
- (ii) the conversion of outstanding securities of the Corporation into Shares,

shall be deemed to be Share Reorganizations.

(b) Special Distribution. Subject to the prior approval of the Exchange, whenever the Corporation issues by way of a dividend or otherwise distributes to all or substantially all holders of Shares:

- (i) shares of the Corporation, other than the Shares;
- (ii) evidences of indebtedness;
- (iii) any cash or other assets, excluding cash dividends (other than cash dividends which the Board has determined to be outside the normal course); or
- (iv) rights, options or warrants,

then to the extent that such dividend or distribution does not constitute a Share Reorganization (any of such non-excluded events being herein called a “**Special Distribution**”), and effective immediately after the record date at which holders of Shares are determined for purposes of the Special Distribution, for each Option the exercise price will be reduced by such amount, if any, as is determined by the Board in its sole and unfettered discretion to be appropriate in order to properly reflect any diminution in value of the Shares as a result of such Special Distribution.

(c) Corporate Organization. Whenever there is:

- (i) a reclassification of outstanding Shares, a change of Shares into other shares or securities, or any other capital reorganization of the Corporation, other than as described in Sections 18(a) or 18(b) hereof;
- (ii) a consolidation, merger or amalgamation of the Corporation with or into another corporation resulting in a reclassification of outstanding Shares into other shares or securities or a change of Shares into other shares or securities; or
- (iii) a transaction whereby all or substantially all of the Corporation's undertaking and assets become the property of another corporation,

(any such event being herein called a “**Corporate Reorganization**”) the Participant will have an option to purchase (at the times, for the consideration, and subject to the terms and conditions set out in the

Plan) and will accept on the exercise of such option, in lieu of the Shares which he would otherwise have been entitled to purchase, the kind and amount of shares or other securities or property that he would have been entitled to receive as a result of the Corporate Reorganization if, on the effective date thereof, he had been the holder of all Shares or if appropriate, as otherwise determined by the Board.

- (d) Determination of Exercise Price and Number of Shares. If any questions arise at any time with respect to the exercise price or number of Shares deliverable upon exercise of an Option following a Share Reorganization, Special Distribution or Corporate Reorganization, such questions shall be conclusively determined by the Board, whose decisions as to what adjustments or determination shall be made, and the extent thereof, shall be final, binding, and conclusive.
- (e) Regulatory Approval. Any adjustment to the exercise price or the number of Shares purchasable under the Plan pursuant to the operation of any one of Sections 18(a), (b) or (c) hereof is subject to the approval of the Exchange where required pursuant to their policies, and compliance with the applicable securities rules or regulations of any other governmental authority having jurisdiction.

19. Transferability

All benefits, rights and options accruing to any Participant in accordance with the terms and conditions of the Plan shall not be transferable or assignable unless specifically provided herein. During the lifetime of a Participant, any benefits, rights and options may only be exercised by the Participant. Notwithstanding the foregoing, upon the approval of the Board of Directors, Options may be transferred and assigned to a holding company or trust controlled by the Participant. Notwithstanding the foregoing, in the case of Participants that are not residents of Canada, Options may be transferred and assigned to a holding company or trust controlled by the Participant, provided that the Participant submits to the Corporation a written notice to that effect as well as an undertaking not to transfer or otherwise dispose of ownership of such controlled holding company or trust to any non-Participant without first exercising the Options so held or retransferring them to the Participant's own name.

20. Withholding Taxes

Without limiting the generality of the foregoing, the Corporation may, in its sole discretion, (a) deduct and withhold additional amounts from other amounts payable to a Participant, (b) require, as a condition of the issuance of Shares to a Participant, that the Participant make a cash payment to the Corporation equal to the amount, in the Corporation's opinion, required to be withheld and remitted by the Corporation for the account of the Participant to the appropriate governmental authority and the Corporation, in its discretion, may withhold the issuance or delivery of Shares until the Participant makes such payment, or (c) sell, on behalf of the Participant, all or any portion of Shares otherwise deliverable to the Participant until the net proceeds of sale equal or exceed the amount which, in the Corporation's opinion, would satisfy any and all withholding taxes and other source deductions for the account of the Participant.

21. Amendment and Termination of Plan

The Board may terminate or discontinue the Plan at any time without the consent of the Participants provided that such termination or discontinuance shall not alter or impair any Option previously granted under the Plan.

The Board may by resolution amend this Plan and any Options granted under it without shareholder approval, however, the Board will not be entitled, in the absence of shareholder and Exchange approval, to:

- (a) reduce the exercise price of an Option, including a cancellation of an Option and re-grant of an Option in conjunction therewith, constituting a reduction of the exercise price of the Option;

- (b) extend the expiry date of an Option held by an Insider of the Corporation (subject to such date being extended by virtue of Section 9 hereof);
- (c) amend the limitations on the maximum number of Shares reserved or issued to Insiders under Sections 8(a)(ii) and 8(a)(iii) hereof;
- (d) increase the maximum number of Shares issuable pursuant to this Plan; or
- (e) amend the amendment provisions of this Plan under this Section 21.

Where shareholder approval is sought for amendments under subsections (a), (b) and (c) above, the votes attached to Shares held directly or indirectly by Insiders benefiting from the amendments will be excluded.

22. Necessary Approvals

The ability of a Participant to exercise Options and the obligation of the Corporation to issue and deliver Shares in accordance with the Plan is subject to any approvals which may be required from shareholders of the Corporation and any regulatory authority or stock exchange having jurisdiction over the securities of the Corporation. If any Shares cannot be issued to any Participant for whatever reason, the obligation of the Corporation to issue such Shares shall terminate and any Option exercise price paid to the Corporation will be returned to the Participant.

23. Effective Date of Plan

The Plan has been adopted by the Board of the Corporation subject to the approval of the Exchange and, if so approved, subject to the discretion of the Board, the Plan shall become effective upon such approvals being obtained.

24. Interpretation

The Plan will be governed by and construed in accordance with the laws of the Province of Alberta.