CANACOL ENERGY LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE MONTHS ENDED MARCH 31, 2016

FINANCIAL & OPERATING HIGHLIGHTS

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

Financial	Three months ended March 31,		
	2016	2015	Change
Total petroleum and natural gas revenues, net of royalties	**22,700**	26,429	(14%)
Adjusted petroleum and natural gas revenues, net of royalties, including revenues related to the Ecuador IPC [2]	**29,000**	32,811	(12%)
Cash provided by (used in) operating activities	**7,249**	(2,011)	n/a
Per share – basic ($)	**0.05**	(0.02)	n/a
Per share – diluted ($)	**0.05**	(0.02)	n/a
Adjusted funds from operations [1] [2]	**13,451**	10,922	23%
Per share – basic ($)	**0.08**	0.10	(20%)
Per share – diluted ($)	**0.08**	0.10	(20%)
Net income (loss) and comprehensive income (loss)	**461**	(15,638)	n/a
Per share – basic ($)	**-**	(0.14)	n/a
Per share – diluted ($)	**-**	(0.14)	n/a
Capital expenditures, net, including acquisitions	**15,548**	62,482	(75%)
Adjusted capital expenditures, net, including acquisitions and capital expenditures related to the Ecuador IPC [1][2]	**15,949**	68,778	(77%)
	March 31, 2016	December 31, 2015	Change
Cash	**30,015**	43,257	(31%)
Restricted cash	**62,033**	61,721	1%
Working capital surplus, excluding non-cash items [1]	**29,439**	46,310	(36%)
Bank debt	**248,848**	248,228	-
Total assets	**681,285**	668,349	2%
Common shares, end of period (000's)	**159,384**	159,266	-

Operating	Three months ended March 31,		
	2016	2015	Change
Petroleum and natural gas production, before royalties (boepd)			
Petroleum [3]	**4,526**	7,448	(39%)
Natural gas	**6,407**	3,502	83%
Total [2]	**10,933**	10,950	-
Petroleum and natural gas sales, before royalties (boepd)			
Petroleum [3]	**4,578**	7,636	(40%)
Natural gas	**6,329**	3,462	83%
Total [2]	**10,907**	11,098	(2%)
Realized contractual sales, before royalties (boepd)			
Natural gas	**6,642**	3,462	92%
Colombia oil	**2,856**	5,932	(52%)
Ecuador tariff oil [2]	**1,722**	1,704	1%
Total [2]	**11,220**	11,098	1%
Operating netbacks ($/boe) [1]			
LLA-23 (oil)	**8.78**	18.71	(53%)
Esperanza (natural gas)	**27.53**	22.72	21%
VIM-5 (natural gas)	**21.75**	-	n/a
Ecuador (tariff oil) [2]	**38.54**	38.54	-
Total [2]	**23.90**	20.56	16%

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Advisories

The following management's discussion and analysis ("MD&A") is dated May 10, 2016 and is the Corporation's explanation of its financial performance for the period covered by the financial statements along with an analysis of the Corporation's financial position. Comments relate to and should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Corporation for the three months ended March 31, 2016 and 2015 (the "financial statements"), and the audited consolidated financial statements and management's discussion and analysis for the six months ended December 31, 2015. The financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", and all amounts herein are expressed in United States dollars, unless otherwise noted, and all tabular amounts are expressed in thousands of United States dollars, except per share amounts or as otherwise noted. Additional information for the Corporation, including the Annual Information Form, may be found on SEDAR at www.sedar.com.

Forward-Looking Statements *– Certain information set forth in this document contains forward-looking statements. All statements other than historical fact contained herein are forward-looking statements, including, without limitation, statements regarding the future financial position, business strategy, production rates, and plans and objectives of or involving the Corporation. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Corporation's control, including the impact of general economic conditions, industry conditions, governmental regulation, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and the ability to access sufficient capital from internal and external sources. In particular with respect to forward-looking comments in this MD&A, readers are cautioned that there can be no assurance that the Corporation will complete its planned capital projects on schedule or that petroleum and natural gas production will result from such capital projects, that additional natural gas sales contracts will be secured, that the Ecuadorian government will not renegotiate tariff prices on certain fixed priced contracts during low oil price environment, or that hydrocarbon-based royalties assessed will remain consistent or that royalties will continue to be applied on a sliding-scale basis as production increases on any one block. The Corporation's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits the Corporation will derive therefrom.*

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

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

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

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

	Three months ended March 31,	
	2016	2015
Cash provided by (used in) operating activities	**$ 7,249**	$ (2,011)
Changes in non-cash working capital	**122**	6,581
Ecuador IPC revenue, net of current income taxes	**6,080**	6,352
Adjusted funds from operations	**$ 13,451**	$ 10,922

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

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

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

Results of Operations

For the three months ended March 31, 2016, the Corporation's production primarily consisted of natural gas from its Nelson, Palmer and Clarinete fields in the Lower Magdalena Basin in Colombia, crude oil from its Leono, Labrador, Pantro, Tigro and Maltes fields in the Llanos Basin in Colombia, tariff oil from the Ecuador IPC, and, to a lesser extent, crude oil from its Rancho Hermoso, VMM-2, Capella and Santa Isabel properties in Colombia.

The Nelson and Palmer fields at the Esperanza block and Clarinete field at the VIM-5 block, located in the Lower Magdalena Basin in Colombia, produce dry natural gas for sale to local customers under long-term contracts. On July 13, 2015, the Corporation announced that the Autoridad Nacional de Licencias Ambientales has approved the environmental permit enabling Promigas S.A. E.S.P. ("Promigas") to commence construction necessary to increase capacity of the existing Jobo to Cartagena natural gas pipeline. The expansion allows Canacol to increase net gas production by an additional 65 million standard cubic feet per day ("MMscfpd") (11,400 boe per day ("boepd")). Further, the expansion of gas processing facilities at the Canacol operated Jobo station have been completed, with total gas processing capacity exceeding 180 MMscfpd and as a result, realized contractual gas sales currently total 90 MMscfpd.

On January 19, 2016, the Corporation spud the Oboe-1 gas exploration well on the VIM-5 block. The Oboe-1 well reached a total depth of 9,750 feet measured depth ("ft md") on February 7, 2016, which encountered 158 feet of net gas pay with average porosity of 23% within multiple stacked sandstone reservoirs in the primary Cienaga de Oro ("CDO") target, representing the thickest gas pay encountered in the CDO in the VIM-5 discovery thus far. Three separate reservoir intervals have been successfully tested during the three months ended March 31, 2016 at a combined rate of 66 MMscfpd (11,579 boepd) of dry gas. Upon the conclusion of the pressure buildup of the third flow test interval, all of the remaining gas bearing sands in the entire CDO has been perforated and the well is currently being tied into the Jobo gas production facility and will be placed on permanent production upon completion.

The Corporation, through a consortium, participates in an incremental production contract for the Libertador and Atacapi fields in Ecuador whereby the Corporation receives a tariff price of $38.54/bbl for each incremental barrel of oil produced over a pre-determined production base curve. Such incremental production volumes are reported as production in this MD&A. As further described above, as required under IFRS 11, the Ecuador IPC is being accounted for under the equity method of accounting versus the proportionate consolidation method of accounting. For purposes of this MD&A, management has provided supplemental measures for adjusted revenues and expenditures, which are inclusive of the Ecuador IPC, to supplement the IFRS disclosures of the Corporation's operations.

Both gas sales from Esperanza and VIM-5 and tariff oil from Ecuador, together comprising approximately 74% of production in the three months ended March 31, 2016, are insensitive to world oil prices, offering the Corporation a significant degree of protection from the effects of low benchmark crude oil prices. Despite the low crude oil average realized prices during the three months ended March 31, 2016, the Corporation's primary oil producing fields located on the LLA-23 block achieved a positive operating netback as a result of cost-cutting initiatives such as centralizing the production, loading, and water disposal operations from the different fields within our LLA-23 block to the Pointer platform, and so reducing operating expenses, transportation expenses and water handling costs via reinjection.

For the three months ended March 31, 2016, the Corporation also had other crude oil production from its Rancho Hermoso, VMM-2, Capella and Santa Isabel properties in Colombia. Rancho Hermoso is a mature field and its production and netbacks have become immaterial to the consolidated results overall. The Corporation's Rancho Hermoso, VMM-2, Capella and Santa Isabel properties individually contributed only a minor amount to total production in the three months ended March 31, 2016 and, therefore, they were aggregated into a single group for analysis purposes in this MD&A. These properties are susceptible to negative cash flows in a low oil price environment and the Corporation plans to shut-in any wells under its control that are uneconomic.

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

Average Daily Petroleum and Natural Gas Production and Sales Volumes

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

	Three months ended March 31,		
	2016	2015	Change
Production (boepd)			
LLA-23 (oil)	**2,107**	4,512	(53%)
Esperanza (gas)	**5,935**	3,502	69%
VIM-5 (gas)	**472**	-	n/a
Ecuador (tariff oil)	**1,722**	1,704	1%
Rancho Hermoso and other (oil)	**697**	1,232	(43%)
Total production	**10,933**	10,950	-
Inventory movements and other	**(26)**	148	n/a
Total sales	**10,907**	11,098	(2%)
Sales (boepd)			
LLA-23 (oil)	**2,131**	4,593	(54%)
Esperanza (gas)	**5,934**	3,462	71%
VIM-5 (gas)	**395**	-	n/a
Ecuador (tariff oil)	**1,722**	1,704	1%
Rancho Hermoso and other (oil)	**725**	1,339	(46%)
Total sales	**10,907**	11,098	(2%)
Realized Contractual Sales (boepd)			
Esperanza	**5,934**	3,462	71%
VIM-5	**395**	-	n/a
Take-or-pay volumes	**313**	-	n/a
Total natural gas	**6,642**	3,462	92%
Total Colombia oil	**2,856**	5,932	(52%)
Ecuador tariff oil	**1,722**	1,704	1%
Total realized contractual sales	**11,220**	11,098	1%

The overall decrease in production volumes in the three months ended March 31, 2016 compared to the same period in 2015 is primarily due to production declines from LLA-23 and Rancho Hermoso offset by an increase in gas production in Esperanza and VIM-5 as a result of the additional sales related to the Promigas pipeline expansion.

Petroleum and Natural Gas Revenues

	Three months ended March 31,		
	2016	2015	Change
LLA-23	**$ 4,390**	$ 15,885	(72%)
Esperanza	**16,920**	8,263	105%
VIM-5	**1,118**	-	n/a
Rancho Hermoso and other	**1,563**	4,768	(67%)
Petroleum and natural gas revenues, before royalties	**23,991**	28,916	(17%)
Royalties	**(2,229)**	(2,487)	(10%)
Petroleum and natural gas revenues, after royalties	**21,762**	26,429	(18%)
Take-or-pay natural gas income	**938**	-	n/a
Total petroleum and natural gas revenues, after royalties, as reported	**22,700**	26,429	(14%)
Ecuador tariff and other revenues (1)	**6,300**	6,382	(1%)
Adjusted petroleum and natural gas revenues, after royalties (1)	**$ 29,000**	$ 32,811	(12%)

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

The decrease in adjusted petroleum and natural gas revenues after royalties in the three months ended March 31, 2016 compared to the same period in 2015 is primarily the result of lower realized average prices during the quarter as a result of declines in benchmark crude oil prices, offset by an increase in natural gas revenues as a result of the additional sales related to the Promigas pipeline expansion.

Average Benchmark and Realized Sales Prices

	Three months ended March 31,		
	2016	2015	Change
Brent ($/bbl)	**$ 33.84**	$ 54.00	(37%)
West Texas Intermediate ($/bbl)	**$ 33.35**	$ 48.57	(31%)
LLA-23 ($/bbl)	**$ 22.64**	$ 38.43	(41%)
Esperanza ($/boe)	**31.33**	26.52	18%
VIM-5 ($/boe)	**31.10**	-	n/a
Ecuador ($/bbl)	**38.54**	38.54	-
Rancho Hermoso and other ($/bbl)	**23.68**	39.57	(40%)
Average realized sales price ($/boe) (1)	**$ 30.25**	$ 34.87	(13%)

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

The decrease in average realized crude oil sales prices in the three months ended March 31, 2016 compared to the same period in 2015 is mainly due to decreased benchmark crude oil prices.

The increase in average realized natural gas sales prices in the three months ended March 31, 2016 compared to the same period in 2015 is due to a) the increase in the Guajira price in December 2015, from $5.08/MMbtu to $6.17/MMbtu, and b) the Corporation's sales of natural gas on its new fixed price contracts at prices higher than the Guajira price.

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

Royalties

	Three months ended March 31,	
	2016	2015
LLA-23	**$ 469**	$ 1,477
Esperanza	**1,426**	651
VIM-5	**224**	-
Rancho Hermoso and other	**110**	359
Total royalties	**$ 2,229**	$ 2,487

In Colombia, light crude oil and natural gas royalties are generally at a rate of 8% and 6.4%, respectively, until net field production reaches 5,000 boepd, at which time they increase on a sliding scale to 20% up to field production of 125,000 boepd. The Corporation's LLA-23 and VMM-2 blocks are subject to an additional x-factor royalty of 3% (effectively 2.76%). Crude oil royalties in LLA-23 and VMM-2 are calculated from crude oil revenue net of transportation expenses. The Corporation's Capella heavy oil field is subject to a 6% royalty. Crude oil royalties in Labrador, Rancho Hermoso and Capella are taken in kind. There are no royalties on tariff production in Ecuador. The Corporation's Esperanza natural gas production is subject to an additional overriding royalty of 2% and the Corporation's VIM-5 natural gas production is subject to an additional x-factor royalty of 13% and an overriding royalty of 3%.

Production and Transportation Expenses

Total production and transportation expenses were as follows:

	Three months ended March 31,		
	2016	2015	Change
Production expenses	$ 3,426	$ 10,198	(66%)
Transportation expenses	656	1,609	(59%)
Total production and transportation expenses	$ 4,082	$ 11,807	(65%)
$/boe	$ 4.11	$ 11.82	(65%)

An analysis of production expenses is provided below:

	Three months ended March 31,		
	2016	2015	Change
LLA-23	$ 1,809	$ 5,615	(68%)
Esperanza	635	532	19%
VIM-5	112	-	n/a
Rancho Hermoso and other	870	4,051	(79%)
Total production expenses	$ 3,426	$ 10,198	(66%)
$/boe			
LLA-23	$ 9.33	$ 13.58	(31%)
Esperanza	$ 1.18	$ 1.71	(31%)
VIM-5	3.12	-	n/a
Total	$ 3.45	$ 10.21	(66%)

Production expenses at LLA-23 decreased 68% in the three months ended March 31, 2016 compared to the same period in 2015. The decrease is primarily due to lower production, the Corporation's cost-cutting initiatives of centralizing the production, loading, and water disposal operations from the different fields within the LLA-23 block to the Pointer platform, lower renegotiated operating costs and the devaluation of the Colombian peso versus the United States dollar. Despite a 53% decrease in LLA-23 oil production year over year, the production expenses per barrel have dropped to $9.33/bbl, down 31% from the $13.58/bbl posted for the same period in 2015.

Production expenses at Esperanza increased by 19% mainly due to a 69% increase in production in the three ended March 31, 2016 compared to the same period in 2015. Despite a 19% increase in total production expenses year over year, the production expenses have dropped to $1.18/boe, a 31% decrease from the $1.71/boe posted for the same period in 2015 due to the fact that majority of the production expenses at Esperanza are fixed.

Production expenses at Rancho Hermoso and other decreased 79% in the three months ended March 31, 2016 compared to the same period in 2015. The decrease is primarily the result of lower production, Ecopetrol's reimbursement of a portion of the production expenses in Rancho Hermoso, lower renegotiated operating costs and the devaluation of the Colombian peso versus the United States dollar. Under its contract with Ecopetrol, the Corporation has historically paid 100% of the production expenses at Rancho Hermoso while only recognizing non-tariff production before royalties of approximately 24%-25% of gross non-tariff production. On October 30, 2015, Ecopetrol has agreed to reimburse 40% of the gross production expenses at a fixed $15 per gross barrel of oil production, thereby reducing the Corporation's production expenses at Rancho Hermoso. However, production expenses for Rancho Hermoso remain higher than a similar operation that is subject to an ANH contract, such as LLA-23, Capella, VMM-2 and Santa Isabel, due to the reimbursement cap.

In light of continued weakness in benchmark crude oil prices, the Corporation continues to focus its efforts on reducing production expenses in order to maintain profitability in its operations. The Corporation has successfully renegotiated some tariffs with its major service providers to reduce production expenses. Further, the Corporation has centralized its production, loading, and water disposal operations from the different fields within the LLA-23 block to the Pointer platform; by doing so reducing operating expenses, transportation expenses and water handling costs via reinjection. The Corporation will continue to monitor its non-operated fields at VMM-2 and Capella and work with the operators to optimize profitability. As of March 31, 2016, the majority of the wells at the Capella and VMM-2 fields have been shut-in.

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

An analysis of transportation expenses is provided below:

	Three months ended March 31,		
	2016	2015	Change
LLA-23	**$ 409**	$ 1,061	(61%)
Rancho Hermoso and other	**247**	548	(55%)
Total transportation expenses	**$ 656**	$ 1,609	(59%)
$/boe			
LLA-23	**$ 2.11**	$ 2.57	(18%)
Total	**$ 0.66**	$ 1.61	(59%)

Total transportation expenses have decreased by 59% in the three months ended March 31, 2016 compared to the same period in 2015 mainly due to lower transportation rates, more delivery of crude oil at the fields and the devaluation of the Colombian peso versus the United States dollar.

The Corporation does not pay transportation costs at Esperanza or VIM-5 as gas pipeline costs are paid by the offtakers. The Corporation does not pay transportation costs in Ecuador.

Operating Netbacks

	Three months ended March 31,		
$/boe	**2016**	2015	Change
Corporate			
Petroleum and natural gas revenues	**$ 30.25**	$ 34.87	(13%)
Royalties	**(2.24)**	(2.49)	(10%)
Production and transportation expenses	**(4.11)**	(11.82)	(65%)
Operating netback [1]	**$ 23.90**	$ 20.56	16%

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

Operating netbacks by major production categories were as follows:

Natural gas

	Three months ended March 31,		
$/boe	**2016**	2015	Change
Esperanza			
Natural gas revenues	**$ 31.33**	$ 26.52	18%
Royalties	**(2.62)**	(2.09)	25%
Production expenses	**(1.18)**	(1.71)	(31%)
Operating netback	**$ 27.53**	$ 22.72	21%
VIM-5			
Natural gas revenues	**$ 31.10**	$ -	n/a
Royalties	**(6.23)**	-	n/a
Production expenses	**(3.12)**	-	n/a
Operating netback	**$ 21.75**	$ -	n/a
Total Natural Gas			
Natural gas revenues	**$ 31.32**	$ 26.52	18%
Royalties	**(2.86)**	(2.09)	37%
Production expenses	**(1.30)**	(1.71)	(24%)
Operating netback	**$ 27.16**	**$** 22.72	20%

Crude Oil

$/boe	Three months ended March 31, 2016	2015	Change
LLA-23			
Crude oil revenues	$ **22.64**	$ 38.43	(41%)
Royalties	**(2.42)**	(3.57)	(32%)
Production and transportation expenses	**(11.44)**	(16.15)	(29%)
Operating netback	$ **8.78**	$ 18.71	(53%)
Ecuador			
Tariff revenues [1]	$ **38.54**	$ 38.54	-
Operating netback	$ **38.54**	$ 38.54	-

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

General and administrative expenses

	Three months ended March 31, 2016	2015	Change
Gross costs	$ **4,544**	$ 6,646	(32%)
Less: capitalized amounts	**(782)**	(1,796)	(56%)
General and administrative expenses	$ **3,762**	$ 4,850	(22%)
$/boe	$ **3.79**	$ 4.86	(22%)

Gross general and administrative expenses decreased by 32% in the three months ended March 31, 2016 compared to same period in 2015 primarily due to the Corporation's efforts to manage its general and administrative expenses in light of the continued weakness in benchmark crude oil prices and the devaluation of the Colombian peso versus the United States dollar.

Net Finance Income and Expense

	Three months ended March 31, 2016	2015	Change
Net financing expense paid	$ **4,112**	$ 3,868	6%
Non-cash financing costs	**1,211**	1,394	(13%)
Net finance expense	$ **5,323**	$ 5,262	1%

Stock-Based Compensation and Restricted Share Units

	Three months ended March 31, 2016	2015	Change
Stock-based compensation expense	$ **1,027**	$ 1,713	(40%)
Restricted share unit expense	**3,021**	24	>999%
Stock-based compensation expense	$ **4,048**	$ 1,737	133%

Stock-based compensation and restricted share unit expense increased 133% in the three months ended March 31, 2016 compared the same period in 2015 primarily due to a restricted share units grant of $3 million during the quarter. Stock-based compensation and restricted share units expense is a non-cash expense recognized based on the fair value of units granted.

Depletion and Depreciation Expense

	Three months ended March 31, 2016	2015	Change
Depletion and depreciation expense	$ **5,834**	$ 12,289	(53%)
$/boe	$ **5.88**	$ 12.30	(52%)

Depletion and depreciation expense decreased 40% in the three months ended March 31, 2016 compared to 2015 primarily as a result of lower depletable cost base and higher reserves.

Income Tax Expense

	Three months ended March 31,			
		2016		2015
Current income tax expense	$	6,582	$	2,454
Deferred income tax (recovery) expense		(7,327)		4,662
Income tax (recovery) expense	$	(745)	$	7,116

The Corporation's pre-tax income is subject to the Colombian statutory income tax rate of 40%.

Cash and Funds from Operations and Net Income (Loss) and Comprehensive Income (Loss)

	Three months ended March 31,				
		2016		2015	Change
Cash provided by (used in) operating activities	$	7,249	$	(2,011)	n/a
Per share – basic	$	0.05	$	(0.02)	n/a
Per share – diluted	$	0.05	$	(0.02)	n/a
Adjusted funds from operations (1)	$	13,451	$	10,922	23%
Per share – basic	$	0.08	$	0.10	(20%)
Per share – diluted	$	0.08	$	0.10	(20%)
Net income (loss) and comprehensive income (loss)	$	461	$	(15,638)	n/a
Per share – basic	$	-	$	(0.14)	n/a
Per share – diluted	$	-	$	(0.14)	n/a

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

Capital Expenditures

	Three months ended March 31,			
		2016		2015
Drilling and completions	$	7,697	$	15,477
Facilities, work overs and infrastructure		3,857		1,880
Seismic, capitalized general and administrative expenses and other non-cash costs(2)		329		7,125
Property acquisitions		3,665		38,000
Net capital expenditures		15,548		62,482
Ecuador		401		6,296
Adjusted net capital expenditures (1)	$	15,949	$	68,778
Net capital expenditures recorded as:				
Expenditures on exploration and evaluation assets	$	8,328	$	14,034
Expenditures on property, plant and equipment		3,555		10,448
Property acquisitions		3,665		38,000
Net capital expenditures	$	15,548	$	62,482

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

Capital expenditures in the three months ended March 31, 2016 primarily related to:

- Facilities costs at LLA-23;
- Drilling, completion and testing of Oboe-1;
- Facilities and infrastructure costs at VIM-5 ;
- Facilities costs at Esperanza;
- Facilities costs related to the Ecuador IPC (accounted for under the equity method of accounting);
- Reserves addition related bonus payment in connection with the VIM-5 and VIM-19 acquisition; and
- Other capitalized costs (capitalized G&A of $0.8 million and reduction of non-cash decommissioning costs of $2.3 million)

LIQUIDITY AND CAPITAL RESOURCES

Capital Management

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

The Corporation monitors leverage and adjusts its capital structure based on its net debt level. Net debt is defined as the principal amount of its outstanding bank debt, less working capital, as defined above. In order to facilitate the management of its net debt, the Corporation prepares annual budgets, which are updated as necessary depending on varying factors including current and forecast crude oil prices, changes in capital structure, execution of the Corporation's business plan and general industry conditions. The annual budget is approved by the Board of Directors and updates are prepared and reviewed as required.

During the three months ended March 31, 2016, the Corporation took certain measures to counteract the continued weakness in crude oil prices and the resulting impact on cash flows. These measures include steps to reduce capital spending and preserve liquidity which, at March 31, 2016, had left the Corporation with $30.3 million in cash and $62 million in restricted cash. While crude oil prices remain weak in early 2016, significant new contracted sales have commenced in April 2016, thereby materially increasing revenues and funds from operations for the remainder of 2016. In the meantime, the Corporation plans to maintain a prudent capital spending program and to focus on cost reductions to maximize profitability of the existing producing assets.

		March 31, 2016
Bank debt – principal	$	255,000
Working capital surplus		(29,439)
Net debt	$	225,561

Credit Facilities and Debt

Senior Secured Term Loan

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

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

On April 24, 2015, the CS Senior Secured Term Loan was settled for the principal amount outstanding on the settlement date of $176 million and was replaced with a new senior secured term loan with a syndicate of banks led by

BNP Paribas ("BNP") for a principal amount of $200 million ("BNP Senior Secured Term Loan"). The BNP Senior Secured Term Loan is due March 31, 2019, with interest payable quarterly and principal repayable in eight equal quarterly installments starting on December 31, 2017, following an initial grace period. As such, the BNP Senior Secured Term Loan is classified as non-current as at March 31, 2016. The BNP Senior Secured Term Loan carries interest at LIBOR plus 4.75% and is secured by all of the material assets of the Corporation.

On September 30, 2015 the Corporation pre-paid $20 million on its BNP Senior Secured Term Loan, thus reducing the balance outstanding to $180 million. The carry value of the BNP Senior Secured Term Loan included $3.5 million of transaction costs netted against the principal amount as at March 31, 2016.

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

The Consolidated Leverage Ratio is calculated on a quarterly basis as consolidated total debt ("Consolidated Total Debt") divided by consolidated EBITDAX ("Consolidated EBITDAX"). The maximum allowable Consolidated Leverage Ratio is 3.50:1.00, except for the periods ended December 31, 2015 and March 31, 2016 whereby the allowable Consolidated Leverage Ratio was increased from 3.50:1.00 to 4.00:1.00. As at March 31, 2016, the Consolidated Leverage Ratio was 3.43:1.00. Consolidated Total Debt includes the principal amount of all indebtedness, which currently includes bank debt; additionally, restricted cash maintained in the debt service reserve account related to the BNP Senior Secured Term Loan is deductible against Consolidated Total Debt. Consolidated EBITDAX is calculated on a rolling 12-month basis and is defined as consolidated net income adjusted for interest, income taxes, depreciation, depletion, amortization, exploration expenses, share of joint venture profit/loss and other similar non-recurring or non-cash charges. Consolidated EBITDAX is further adjusted for the contribution to adjusted funds from operations, before taxes, of the results of the Ecuador IPC. The purpose of including this last amount is to capture the funds from operations of the Corporation's joint venture in Ecuador into the calculation as it is accounted for on an equity consolidation basis in the Corporation's consolidated financial statements. Consolidated Total Debt and Consolidated EBITDAX are calculated as follows:

Consolidated Total Debt		**March 31, 2016**
Bank debt (current and long-term) – principal	$	255,000
Debt service reserve account balance		(3,000)
Consolidated Total Debt	$	252,000

Consolidated EBITDAX	**Q2 2015**	**Q3 2015**	**Q4 2015**	**Q1 2016**	**Rolling**
Consolidated net income (loss) and comprehensive income (loss)	(58,524)	(19,029)	(84,462)	461	(161,554)
(+) Interest expense	14,122	6,250	5,575	5,361	31,308
(+/-) Income taxes (recovery)	(1,936)	6,334	9,450	(745)	13,103
(+) Wealth taxes	(18)	-	-	850	832
(+) Depletion and depreciation	12,662	12,573	13,906	5,834	44,975
(+) Exploration expenses	19	52	8,796	40	8,907
(-) Share of equity profit	(208)	135	193	(294)	(174)
(+/-) Other non-cash expenses (income) and non-recurring items	47,570	4,361	51,890	4,000	107,821
(+) Contribution of Ecuador IPC	6,595	7,941	7,481	6,300	28,317
Consolidated EBITDAX	20,282	18,617	12,829	21,807	73,535

Consolidated Leverage Ratio		**March 31, 2016**
Consolidated Total Debt	$	252,000
Consolidated EBITDAX		73,535
Consolidated Leverage Ratio		3.43

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

Consolidated Interest Coverage Ratio		**March 31, 2016**
Interest expense	$	22,748
Capitalized interest		414
Interest income		(2,634)
Consolidated Interest Expense	$	20,528
Consolidated EBITDAX	$	73,535
Consolidated Interest Coverage Ratio		3.58

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

The Corporation was in compliance with its covenants as at March 31, 2016.

Senior Notes

On October 29, 2014, the Corporation entered into the $100 million unsecured floating rate senior note indenture agreement with Apollo Investment Corporation ("Senior Notes"), of which, $50 million was drawn on October 29, 2014 and $25 million was drawn on April 2, 2015 for a total outstanding balance of $75 million at March 31, 2016. The Senior Notes are repayable in full on their maturity date of December 31, 2019 and carry interest at LIBOR plus 8.5% per annum (subject to a LIBOR floor of 1.00%), payable quarterly. The Senior Notes may be repaid at any time prior to maturity (subject to BNP's approval) and are subject to customary financial, performance and legal covenants which are consistent with the covenants under the BNP Senior Secured Term Loan. Standby fees on the undrawn portion of the Senior Notes are calculated at 1% per annum. The carrying value of the Senior Notes included $2.6 million of transaction costs netted against the principal amount as at March 31, 2016.

Other Colombian Credit Facilities

The Corporation has revolving lines of credit in place in Colombia with an aggregate borrowing base of $48.4 million (COP$ 146.3 billion). These lines of credit have interest rates ranging from 6% to 9% and are unsecured. The facilities were undrawn as at March 31, 2016.

Letters of Credit

At March 31, 2016, the Corporation had letters of credit outstanding totaling $75.6 million to guarantee work commitments on exploration blocks and to guarantee other contractual commitments. The total of these letters of credit, net of amounts counter-guaranteed by other financial institutions, reduce the amounts available under the Colombian revolving lines of credit by $43.8 million to $4.6 million at March 31, 2016.

At May 10, 2016, the Corporation had 160.3 million common shares, 13.1 million stock options and 1.2 million restricted share units outstanding.

CONTRACTUAL OBLIGATIONS

The following table provides a summary of the Corporation's cash requirements to meet its financial liabilities and contractual obligations existing at March 31, 2016:

	Less than 1 year	1-3 years	Thereafter	Total
Bank debt – principal	$ -	$ 135,000	$ 120,000	$ 255,000
Trade and other payables	15,069	-	-	15,069
Crude oil payable in kind	341	-	-	341
Taxes payable	15,195	-	-	15,195
Deferred income	3,274	-	3,731	7,005
Other long term obligations	-	-	2,910	2,910
Restricted share units	3,119	59	-	3,178
Exploration and production contracts	47,573	64,141	-	111,714
Office leases	851	1,785	1,566	4,202
Finance lease	10,163	19,406	18,733	48,302

Finance lease

The Corporation has entered into a lease agreement with Promisol SAS to construct and operate a natural gas processing plant commencing operation in May 2016. Upon commencement of operation, the Corporation is expected to recognize a finance lease asset and liability of approximately $27.7 million.

Exploration and Production Contracts

The Corporation has entered into a number of exploration contracts in Colombia and Peru which require the Corporation to fulfill work program commitments and issue financial guarantees related thereto. In aggregate, the Corporation has outstanding exploration commitments at March 31, 2016 of $111.7 million and has issued $75.6 million in financial guarantees related thereto. These commitments are planned to be satisfied by means of seismic work, exploration drilling and farm-outs.

Oleoducto Bicentenario de Colombia ("OBC") Pipeline

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

Ecuador Incremental Production Contract

In addition to the contractual obligations described above, the Corporation has a non-operated 25% equity participation interest (27.9% capital participation interest) in a joint-venture consortium which in 2012 was awarded an incremental production contract for the Libertador and Atacapi mature oil fields in Ecuador. The consortium plans to incur project expenditures estimated for a total of $397 million ($107.6 million net to the Corporation) over the 15 year term of the contract. As at March 31, 2016, the Corporation had incurred a net $83.4 million of capital expenditures in connection with its Ecuador IPC commitment. It is anticipated that cash flows from the Ecuador IPC is sufficient to sustain envisioned future capital development.

OUTLOOK

The Corporation has budgeted two remaining gas exploration wells (Nispero-1 and Nelson-6) for the remainder of 2016, in addition to the Oboe-1 well drilled in January 2016 which tested at a combined rate of 66 MMscfpd. The successful Oboe-1 well, and the two additional gas exploration wells, are targeting a combined 100 billion cubic feet of recoverable resource potential on an unrisked basis. It is anticipated that the Nispero-1 well will be drilled early in the third quarter of 2016, followed by the Nelson-6 well in the fourth quarter of 2016. The objective for the low risk Nelson-6 well will be to production test, for the first time, the shallow Porquero sandstone reservoir which sits above the productive Cienaga de Oro sandstone reservoirs within the Nelson field. All four Nelson wells drilled to date have encountered gas charged Porquero sandstone reservoir, and have displayed good gas shows while drilling and up to 60 feet of interpreted gas pay on open-hole logs. The objective of the gas exploration program in 2016 is to prove up sufficient new reserves to sign a new 100 MMscfpd take or pay gas sales contracts, which will commence in 2018 after the construction of a new pipeline.

Additional capital spending is budgeted for five light oil well work-overs on Canacol's LLA23 concession, as a follow up to the successful workover program initiated in mid-2015. Should world oil prices recover to a stable level above $50/bbl, the Corporation may choose to drill one or all of the four high graded, drill ready exploration prospects mapped on 3D seismic on its LLA-23 concession. All four prospects are high graded on the basis of their very close proximity to the flow line affording rapid and inexpensive tie-in in the event of discovery. Approximately $ 2.9 million is budgeted for the Corporations joint venture in Ecuador. The majority of the remaining budgeted capital expenditures relate to facilities and equipment to support and bolster Canacol's recent dramatically expanded gas production. The $58 million capital budget does not include payments related to the Corporation's capital lease of the newly commissioned Jobo gas processing facility. Total budgeted 2016 capital expenditures are well within the Corporation's anticipated 2016 adjusted funds from operations and opening January 1, 2016 working capital of $46.3 million.

Canacol estimates that average net before royalty oil and gas production for 2016 will range between 16,000 and 17,000 boepd. Realized contractual gas sales will average approximately 75 MMscfpd (13,160 boepd) including approximately 90 MMscfpd from April 21, 2016 forward at an anticipated average realized price of $5.60/Mcf ($31.92/boe), with an average netback of approximately $4.56/Mcf ($26.00/boe), generating approximately $153 million of gross revenues. Additionally, Canacol anticipates Colombian oil production to average approximately 2,300 bopd and Ecuador oil production of approximately 1,300 bopd in calendar 2016, both without the drilling of any additional oil wells. Total corporate hydrocarbon sales are anticipated to average between 18,500 and 19,000 boepd from May 1, 2016 until year end.

Total corporate EBITDAX is anticipated to be approximately $135 million for calendar 2016, which represents a Consolidated Leverage Ratio of less than 2.0, despite realized contractual gas sales for the period of January 1, 2016 to April 20, 2016 being less than half of current volumes. Should world oil prices achieve stable levels above $50/bbl, the Corporation will restart its light oil exploration and drilling programs, which will increase EDITDAX associated with oil sales.

SUMMARY OF QUARTERLY RESULTS

	2016	2015				2014		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Financial								
Total Petroleum and natural gas revenues, net of royalties	**22,700**	17,402	21,958	27,297	26,429	36,404	58,917	61,744
Adjusted petroleum and natural gas revenues, net of royalties, including revenues relate to the Ecuador IPC [(1)]	**29,000**	24,883	29,899	33,892	32,811	43,878	67,356	68,975
Cash (used in) provided by operating activities	**7,249**	4,974	14,302	(10,905)	(2,011)	31,743	45,618	8,715
Per share – basic	**0.05**	0.03	0.11	(0.09)	(0.02)	0.29	0.42	0.09
Per share – diluted	**0.05**	0.03	0.11	(0.09)	(0.02)	0.29	0.42	0.09
Adjusted funds from operations [(1)]	**13,451**	8,473	15,218	16,359	10,922	22,952	37,162	23,995
Per share – basic [(1)]	**0.08**	0.05	0.12	0.14	0.10	0.21	0.34	0.25
Per share – diluted [(1)]	**0.08**	0.05	0.12	0.14	0.10	0.21	0.34	0.24
Comprehensive income (loss)	**461**	(84,466)	(19,029)	(58,524)	(15,638)	(45,970)	14,110	(2,070)
Per share – basic	**-**	(0.54)	(0.15)	(0.50)	(0.14)	(0.43)	0.13	(0.02)
Per share – diluted	**-**	(0.54)	(0.15)	(0.50)	(0.14)	(0.43)	0.13	(0.02)
Capital expenditures, net	**15,548**	22,394	22,299	25,310	62,482	78,403	47,522	77,093
Adjusted capital expenditures, net, including capital expenditures related to the Ecuador IPC [(1)]	**15,949**	22,867	26,080	27,268	68,778	87,228	56,209	87,584
Operations (boepd)								
Petroleum and natural gas production, before royalties								
Petroleum [(2)]	**4,526**	5,523	6,983	6,007	7,448	8,586	9,922	9,271
Natural gas	**6,407**	3,541	3,472	3,954	3,502	3,236	3,334	2,941
Total [(2)]	**10,933**	9,064	10,455	9,961	10,950	11,822	13,256	12,212
Petroleum and natural gas sales, before royalties								
Petroleum [(2)]	**4,578**	5,468	7,272	6,192	7,636	8,187	9,997	9,386
Natural gas	**6,329**	3,542	3,455	4,064	3,462	3,216	3,311	2,937
Total [(2)]	**10,907**	9,010	10,727	10,256	11,098	11,403	13,308	12,323
Realized contractual sales, before royalties								
Natural gas	**6,642**	3,891	3,455	4,064	3,462	3,216	3,311	2,937
Colombia oil	**2,856**	3,390	5,116	4,433	5,932	6,220	7,724	7,502
Ecuador tariff oil [(2)]	**1,722**	2,078	2,156	1,759	1,704	1,967	2,273	1,884
Total [(2)]	**11,220**	9,359	10,727	10,256	11,098	11,403	13,308	12,323

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

RISKS AND UNCERTAINTIES

There have been no significant changes in the three months ended March 31, 2016 to the risks and uncertainties as identified in the MD&A for the six months ended December 31, 2015.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

CHANGES IN ACCOUNTING POLICIES

The Corporation is currently reviewing a number of new and revised IFRSs that have been issued but are not yet effective. Detailed discussions of new accounting policies that may affect the Corporation are provided in the unaudited interim condensed consolidated financial statements of the Corporation as at and for the three months ended March 31, 2016 and the audited consolidated financial statements as at and for the six ended December 31, 2015.

REGULATORY POLICIES

Disclosure Controls and Procedures

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

Internal Controls over Financial Reporting

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

During the three months ended March 31, 2016, there has been no change in the Corporation's ICFR that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR.

Limitations of Controls and Procedures

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