CANACOL ENERGY LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019

CANACOL ENERGY LTD.

FINANCIAL & OPERATING HIGHLIGHTS

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

Financial	Three months ended December 31, 2019	2018	Change	Year ended December 31, 2019	2018	Change
Total natural gas and crude oil revenues, net of royalties and transportation expense	**65,795**	50,727	30%	**219,522**	204,151	8%
Adjusted funds from operations[1]	**33,004**	28,679	15%	**124,914**	104,914	19%
Per share – basic ($)[1]	**0.18**	0.16	13%	**0.70**	0.59	19%
Per share – diluted ($)[1]	**0.18**	0.16	13%	**0.69**	0.59	17%
Net income (loss) and other comprehensive income (loss)	**25,432**	(16,272)	n/a	**34,247**	(21,835)	n/a
Per share – basic ($)	**0.14**	(0.09)	n/a	**0.19**	(0.12)	n/a
Per share – diluted ($)	**0.14**	(0.09)	n/a	**0.19**	(0.12)	n/a
Cash flow provided by operating activities	**37,181**	18,753	98%	**108,350**	94,011	15%
Per share – basic ($)	**0.21**	0.11	91%	**0.61**	0.53	15%
Per share – diluted ($)	**0.20**	0.10	100%	**0.60**	0.53	13%
EBITDAX[1]	**43,144**	31,686	36%	**167,515**	136,876	22%
Weighted average shares outstanding – basic	**179,238**	177,678	1%	**178,266**	177,184	1%
Weighted average shares outstanding – diluted	**181,412**	178,977	1%	**180,395**	178,681	1%
Capital expenditures, net of dispositions	**21,514**	37,701	(43%)	**100,487**	127,591	(21%)
As at December 31,				**2019**	2018	Change
Cash and cash equivalents				**41,239**	51,632	(20%)
Restricted cash				**4,524**	4,196	8%
Working capital surplus				**50,676**	60,782	(17%)
Total debt				**392,946**	388,222	1%
Total assets				**754,062**	705,003	7%
Common shares, end of period (000's)				**180,075**	177,462	1%

Operating	Three months ended December 31, 2019	2018	Change	Year ended December 31, 2019	2018	Change
Natural gas and crude oil production, before royalties[1]						
Natural gas (Mcfpd)	**180,986**	116,616	55%	**143,524**	112,102	28%
Colombia oil (bopd)[2]	**309**	488	(37%)	**351**	1,546	(77%)
Total (boepd)[3]	**32,061**	20,947	53%	**25,531**	21,213	20%
Realized contractual sales, before royalties[1]						
Natural gas (Mcfpd)	**180,753**	119,284	52%	**142,603**	113,261	26%
Colombia oil (bopd)[2]	**301**	592	(49%)	**356**	1,581	(77%)
Total (boepd)[3]	**32,012**	21,519	49%	**25,374**	21,451	18%
Operating netbacks[1]						
Natural gas ($/Mcf)	**3.58**	3.92	(9%)	**3.82**	3.80	1%
Colombia oil ($/bopd)[2]	**27.08**	27.89	(3%)	**25.92**	31.18	(17%)
Corporate ($/boe)[3]	**20.49**	22.51	(9%)	**21.80**	22.42	(3%)

(1) Non-IFRS measures – see "Non-IFRS Measures" section within MD&A.
(2) Decreased in the three months and year ended December 31, 2019 due to the sale of the Corporation's petroleum assets in 2018.
(3) Ecuador IPC results are excluded in the prior period for comparative purposes.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Canacol Energy Ltd. and its subsidiaries ("Canacol" or the "Corporation") are primarily engaged in natural gas exploration and development activities in Colombia. The Corporation's head office is located at 2650, 585 - 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, the Bolsa de Valores de Colombia under the symbol CNEC and the Bolsa Mexicana de Valores under the symbol CNEN.

Advisories

The following management's discussion and analysis ("MD&A") is dated March 17, 2020 and is the Corporation's explanation of its financial performance covered by the audited consolidated financial statements of the Corporation for the years ended December 31, 2019 and 2018 (the "financial statements"), along with an analysis of the Corporation's financial position. Comments should be read in conjunction with the financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), 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 facts 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 natural gas and petroleum production will result from such capital projects, that additional natural gas sales contracts will be secured, 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 natural gas and oil 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 natural gas and oil 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 – *Two of the benchmarks the Corporation uses to evaluate its performance are adjusted funds from operations and EBITDAX, which are measures not defined in the IFRS. Adjusted funds from operations represents cash flow provided by operating activities before the settlement of decommissioning obligations and changes in non-cash working capital. EBITDAX is calculated on a rolling 12-month basis and is defined as net income (loss) and comprehensive income (loss) adjusted for interest, income taxes, depreciation, depletion, amortization, exploration expenses and other similar* *non-recurring or non-cash charges. The Corporation considers these measures as key measures to demonstrate its ability to generate the cash flow necessary to fund future growth through capital investment, pay dividends and repay its debt. These measures should not be considered as an alternative to, or more meaningful than, cash provided by operating activities or net income (loss) and comprehensive income (loss) as determined in accordance with IFRS as an indicator of the Corporation's performance. The Corporation's determination of these measures 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 December 31,		Year ended December 31,	
	2019	2018	**2019**	2018
Cash flow provided by operating activities	**$ 37,181**	$ 18,753	**$ 108,350**	$ 94,011
Changes in non-cash working capital	**(4,177)**	8,268	**13,824**	8,653
Settlement of decommissioning obligations	**—**	1,658	**2,741**	2,250
Adjusted funds from operations	**$ 33,004**	$ 28,679	**$ 124,915**	$ 104,914

The following table reconciles the Corporation's net income (loss) and comprehensive income (loss) to EBITDAX:

	2019				
	Q1	**Q2**	**Q3**	**Q4**	**Rolling**
Net income (loss) and comprehensive income (loss)	$ 6,274	$ 1,878	$ 663	$ 25,432	$ 34,247
(+) Interest expense	7,737	7,631	7,620	7,800	30,788
(+) Income tax expense (recovery)	4,969	10,875	20,973	(6,330)	30,487
(+) Depletion and depreciation	12,689	11,737	13,015	16,842	54,283
(+) Exploration expenses	171	2,211	223	368	2,973
(+/-) Other non-cash expenses and non-recurring items	8,186	3,269	4,250	(968)	14,737
EBITDAX	**$ 40,026**	**$ 37,601**	**$ 46,744**	**$ 43,144**	**$ 167,515**

In addition to the above, management uses working capital and operating netback measures. Working capital is calculated as current assets less current liabilities, excluding current portion of long-term obligations, 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 revenue, net of transportation expense, less royalties, less operating expenses, calculated on a per unit basis of sales volumes. Operating netback is an important measure in evaluating operational performance as it demonstrates 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. Natural gas volumes per day are expressed in million standard cubic feet per day ("MMscfpd") throughout this MD&A.

Annual 2019 Reserves Highlights

- As announced on February 19, 2020, the Corporation's conventional natural gas proved developed producing reserves ("PDP") increased 31% since December 31, 2018, totaling 252 billion cubic feet ("Bcf") at December 31, 2019 (213% PDP reserves replacement ratio). The Corporation's conventional natural gas total proved plus probable reserves ("2P") increased 12% since December 31, 2018, totaling 624 Bcf at December 31, 2019 (224% 2P reserves replacement ratio). The Corporation's conventional natural gas proved reserves ("1P") increased 4% since December 31, 2018, totaling 394 Bcf at December 31, 2019 (127% 1P reserves replacement ratio);
- 1P and 2P finding and development cost were \$0.98/Mcf and \$0.67/Mcf for the three year period ending December 31, 2019, respectively;
- The Corporation's 2P recycle ratio was 4.4x and 5.7x for the one and three year period ending December 31, 2019, respectively. The one-year recycle ratio was calculated based on natural gas netback for the year ended December 31, 2019 of \$3.82/Mcf, and the three-year recycle ratio was calculated based on natural gas netback for the three year ended December 31, 2019 of \$3.83/Mcf;
- The Corporation's 1P recycle ratio was 2.7x and 3.9x for the one and three year period ending December 31, 2019, respectively. The one-year recycle ratio was calculated based on natural gas netback for the year ended December 31, 2019 of \$3.82/Mcf, and the three-year recycle ratio was calculated based on natural gas netback for the three year ended December 31, 2019 of \$3.83/Mcf.

Three Months Ended December 31, 2019 Financial and Operational Highlights

- Realized contractual natural gas sales increased 52% to 180.8 MMscfpd for the three months ended December 31, 2019, compared to 119.3 MMscfpd for the same period in 2018. Average natural gas production volumes increased 55% to 181 MMscfpd for the three months ended December 31, 2019, compared to 116.6 MMscfpd for the same period in 2018. The increases are primarily due to the completion of the Pipeline Expansion in late August 2019.
- Total natural gas revenue, net of royalties and transportation expenses for the three months ended December 31, 2019 increased 39% to \$64.2 million, compared to \$46.2 million for same period in 2018, mainly attributable to the increase of natural gas production.
- Adjusted funds from operations increased 15% to \$33 million for the three months ended December 31, 2019, compared to \$28.7 million for the same period in 2018. Adjusted funds from operations per basic share increased 13% to \$0.18 per basic share from \$0.16 per basic share.
- EBITDAX increased 36% to \$43.1 million for the three months ended December 31, 2019, compared to \$31.7 million for the same period in 2018.
- The Corporation realized a net income of \$25.4 million for the three months ended December 31, 2019, compared to a net loss of \$16.3 million for the same period in 2018.
- The Corporation's natural gas operating netback decreased 9% to \$3.58 per Mcf in the three months ended December 31, 2019, compared to \$3.92 per Mcf for the same period in 2018. The decrease is due to: i) to lower spot market gas sales prices, net transportation costs and ii) an increase in royalties per unit of \$0.12 per Mcf due to increased natural gas volumes being produced at the Corporation's VIM-5 block, which is subject to a higher royalty rate. The decrease is offset by a 34% reduction of operating expenses per Mcf to \$0.29 per Mcf for the three months ended December 31, 2019, compared to \$0.44 per Mcf for the same period in 2018.
- Net capital expenditures for the three months ended December 31, 2019 were \$21.5 million. Net capital expenditures included non-cash additions relating to decommissioning obligations of \$0.8 million and right-of-use leased assets of \$4.3 million.
- As at December 31, 2019, the Corporation had \$41.2 million in cash and cash equivalents, \$4.5 million in restricted cash and \$50.7 million in working capital surplus.

Results of Operations

For the three months ended December 31, 2019, the Corporation's production primarily consisted of natural gas from the Nelson, Palmer, Nispero and Cañahuate fields in the Esperanza block, the Clarinete, Pandereta, Oboe and Acordeon fields in the VIM-5 block and the Toronja field in the VIM-21 block, located in the Lower Magdalena Basin in Colombia. The Corporation's production also includes crude oil from its Rancho Hermoso property in Colombia ("Colombia oil").

During the three months ended December 31, 2019, the Corporation drilled the Arandala-1 exploration well on its VIM-21 block which has not yet been tested or completed. Upon completion of the Breva flowline, the well will be completed, tested and tied onto permanent production.

During the three months ended December 31, 2019, the Corporation commenced operation of its liquified natural gas ("LNG") processing facility with production capacity of 2.4 MMscfpd of natural gas which converts into 29,000 gallons of LNG. The LNG production will be sold to a third party at the plant gate for distribution via trucks to their clients in Antioquia and Santander as far as 800 kilometers from the Corporation's LNG plant.

Natural gas sales volume starting in December 2019 averaged approximately 214 MMscfpd as certain scheduled long-term take-or-pay sales contracts came into effect on December 1, 2019. Since Q3 2019, the Corporation has increased its natural gas processing and transportation capacity to approximately 330 MMscfpd attributed to the completion of the pipeline connecting the Corporation's natural gas processing facility to Cartagena, Colombia ("Pipeline Expansion") and the completion of the Jobo 3 natural gas processing facility expansion ("Jobo 3").

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

Average Daily Natural Gas and Crude Oil Production and Realized Contractual Sales Volumes

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

	Three months ended December 31,			Year ended December 31,		
	2019	2018	Change	**2019**	2018	Change
Natural Gas (Mcfpd)						
Natural gas production	**180,986**	116,616	55%	**143,524**	112,102	28%
Field consumption	**(706)**	(1,470)	(52%)	**(1,501)**	(1,129)	33%
Natural gas sales	**180,280**	115,146	57%	**142,023**	110,973	28%
Take-or-pay volumes	**473**	4,138	(89%)	**580**	2,288	(75%)
Realized contractual natural gas sales	**180,753**	119,284	52%	**142,603**	113,261	26%
Colombia Oil (bopd)						
Crude oil production	**309**	488	(37%)	**351**	1,546	(77%)
Inventory movements and other	**(8)**	104	(108%)	**5**	35	(86%)
Colombia oil sales	**301**	592	(49%)	**356**	1,581	(77%)
Corporate						
Natural gas production (boepd)	**31,752**	20,459	55%	**25,180**	19,667	28%
Colombia oil production (bopd)	**309**	488	(37%)	**351**	1,546	(77%)
Total production (boepd)	**32,061**	20,947	53%	**25,531**	21,213	20%
Field consumption and inventory (boepd)	**(132)**	(154)	(14%)	**(259)**	(163)	59%
Total corporate sales (boepd)	**31,929**	20,793	54%	**25,272**	21,050	20%
Take-or-pay volumes (boepd)	**83**	726	(89%)	**102**	401	(75%)
Total realized contractual sales (boepd)	**32,012**	21,519	49%	**25,374**	21,451	18%

The 55% and 28% increase in natural gas production volumes during the three months and year ended December 31, 2019, compared to the same periods in 2018, respectively, is primarily due to the completion of the Pipeline Expansion and Jobo 3 commencing operation in Q3 2019. Going forward, the Corporation's production is anticipated to be approximately 205 MMscfpd with the Pipeline Expansion now operating at its full capacity of 100 MMscfpd.

The decrease in Colombia oil production volumes during the three months and year ended December 31, 2019, compared to the same periods in 2018, is primarily due to the Corporation selling its interest in the majority of its petroleum assets during the year ended December 31, 2018.

Realized contractual natural gas sales for the three months and year ended December 31, 2019 averaged approximately 180.8 and 142.6 MMscfpd, respectively. Realized contractual sales is defined as natural gas produced and sold plus income received from nominated take-or-pay contracts without the actual delivery of natural gas.

Natural Gas and Crude Oil Net Revenues

	Three months ended December 31,			Year ended December 31,		
	2019	2018	Change	**2019**	2018	Change
Natural Gas						
Natural gas revenues	**$ 87,763**	$ 56,063	57%	**$ 268,848**	$ 213,306	26%
Transportation expenses	**(11,775)**	(3,621)	225%	**(22,224)**	(17,566)	27%
Revenues, net of transportation expense	**75,988**	52,442	45%	**246,624**	195,740	26%
Royalties	**(11,746)**	(6,273)	87%	**(34,219)**	(24,581)	39%
Revenues, net of royalties and transportation expenses	**$ 64,242**	$ 46,169	39%	**$ 212,405**	$ 171,159	24%
Colombia Oil						
Crude oil revenues	**$ 1,408**	$ 2,840	(50%)	**$ 6,733**	$ 33,894	(80%)
Transportation expenses	**(9)**	25	n/a	**(333)**	(696)	(52%)
Revenues, net of transportation expense	**1,399**	2,865	(51%)	**6,400**	33,198	(81%)
Royalties	**(106)**	(181)	(41%)	**(521)**	(3,200)	(84%)
Revenues, net of royalties and transportation expenses	**$ 1,293**	$ 2,684	(52%)	**$ 5,879**	$ 29,998	(80%)
Corporate						
Natural gas revenues	**$ 87,763**	$ 56,063	57%	**$ 268,848**	$ 213,306	26%
Crude oil revenues	**1,408**	2,840	(50%)	**6,733**	33,894	(80%)
Total revenues	**89,171**	58,903	51%	**275,581**	247,200	11%
Royalties	**(11,852)**	(6,454)	84%	**(34,740)**	(27,781)	25%
Natural gas and crude oil revenues, net of royalties, as reported	**77,319**	52,449	47%	**240,841**	219,419	10%
Take-or-pay natural gas income (2)	**260**	1,874	(86%)	**1,238**	2,994	(59%)
Total natural gas and crude oil revenues, after royalties, as reported	**77,579**	54,323	43%	**242,079**	222,413	9%
Transportation expenses	**(11,784)**	(3,596)	228%	**(22,557)**	(18,262)	24%
Total revenues, net of royalties and transportation expenses	**$ 65,795**	$ 50,727	30%	**$ 219,522**	$ 204,151	8%

Natural Gas Realized Contractual Sales

The Corporation has three types of natural gas realized sales:

1) *Natural Gas sales* - represents natural gas production less a typically small amount of gas volume that is consumed at the field level;

2) *Take-or-pay income* - represents the portion of natural gas sales nominations by the Corporation’s off-takers that do not get delivered, due to the off-taker’s inability to accept such gas and for which the off-takers have no recourse or legal right to delivery at a later date. As such, they are recorded as revenue in the period;

3) *Undelivered gas nominations* - represents the portion of undelivered natural gas sales nominations for which the off-takers have a legal right to take delivery at a later date, for a fixed period of time (“make-up rights”). These nominations are paid for at the time, alongside gas sales and take-or-pay income, and as such are included in deferred income for the period. The Corporation recognizes revenues associated with such make-up rights (“settlements”) at the earlier of: a) when the make-up volume is delivered, b) the make-up right expires, or c) when it is determined that the likelihood that the off-taker will utilize the make-up right is remote.

For the three months and year ended December 31, 2019, the Corporation realized $0.3 million and $1.2 million, respectively, of take-or-pay income (as described in (2) above), which is equivalent to 0.5 MMscfpd and 0.6 MMscfpd, respectively, of natural gas sales, without actual delivery of the natural gas.

As at December 31, 2019, the Corporation has received proceeds for natural gas and crude oil to be delivered at a later date (as described in (3) above). As at December 31, 2019, undelivered nominations resulted in a deferred income balance of $11.1 million which has been classified as a current liability as it is expected to be settled within the next twelve months.

Natural Gas Transportation expenses

Natural gas transportation expenses associated with the Corporation's fixed-priced natural gas sales contracts are generally passed through to Canacol's customers, with the exception of the Corporation's spot sales. Natural gas transportation expenses increased 225% and 27% during the three months and year ended December 31, 2019, compared to the same periods in 2018 due to the 57% and 28% increase in gas sales volumes, respectively. In addition, the increased gas sale volumes related to the Pipeline Expansion were under spot sales until the fixed-price contracts commenced on December 1, 2019, resulting in less transportation costs being passed through to customers. Going foward, the majority of the Corporation's natural gas sales are under fixed-priced contracts.

Natural Gas Royalties

The Corporation's natural gas royalties are generally at a rate of 6.4%, until net field production reaches 5,000 boepd, at which point the royalty rates increase on a sliding scale up to a 20% maximum rate at 125,000 boepd field production. The Corporation's natural gas production is subject to an additional overriding royalty of 2% - 4%. The Corporation's VIM-5 natural gas production is subject to an additional x-factor royalty of 13%. During the three months and year ended December 31, 2019, natural gas royalties increased 87% and 39%, compared to the same periods in 2018, mainly due to the 57% and 28% increased gas production volumes, respectively. In addition, the increase is due to increased production at the Corporation's VIM-5 block, which is subject to a higher royalty rate.

Average Benchmark and Realized Sales Prices, Net of Transportation

	Three months ended December 31,			Year ended December 31,		
	2019	2018	Change	**2019**	2018	Change
Guajira ($/Mcf)	**$ 4.33**	$ 4.26	2%	**$ 4.31**	$ 4.24	2%
Brent ($/bbl)	**$ 62.48**	$ 68.71	(9%)	**$ 63.71**	$ 71.31	(11%)
West Texas Intermediate ($/bbl)	**$ 57.79**	$ 60.16	(4%)	**$ 57.62**	$ 64.79	(11%)
Natural gas, net of transportation ($/Mcf)	**$ 4.58**	$ 4.95	(7%)	**$ 4.76**	$ 4.83	(1%)
Colombia oil, net of transportation ($/bbl)	**$ 50.52**	$ 52.60	(4%)	**$ 49.25**	$ 57.53	(14%)
Corporate average, net of transportation	**$ 26.34**	$ 28.91	(9%)	**$ 27.43**	$ 29.80	(8%)

The sales prices of the Corporation's natural gas sales contracts are largely fixed, with a portion of its portfolio sold on the spot market. The Corporation's transportation expenses associated with the spot sales are compensated by higher gross sales prices, resulting in realized sales prices, net of transportation that are consistent with the Corporation's fixed-priced contracts.

The average natural gas sales price, net of transportation for the year ended December 31, 2019 was $4.76/Mcf, in line with the Corporation's guidance of $4.75/Mcf for the 2019 year. The change in average realized natural gas sales prices, net of transportation during the three months and year ended December 31, 2019, compared to the same periods in 2018, is mainly due to price fluctuations and increased transportation costs related to spot sales.

The decrease in average realized crude oil sales prices during the three months and year ended December 31, 2019, compared to the same periods in 2018, is mainly due to decreased benchmark crude oil prices.

Operating Expenses

	Three months ended December 31,			Year ended December 31,		
	2019	2018	Change	**2019**	2018	Change
Natural gas	**$ 4,798**	$ 4,638	3%	**$ 14,628**	$ 16,895	(13%)
Colombia oil	**543**	1,165	(53%)	**2,510**	12,001	(79%)
Total operating expenses	**$ 5,341**	$ 5,803	(8%)	**$ 17,138**	$ 28,896	(41%)
Natural gas ($/Mcf)	**$ 0.29**	$ 0.44	(34%)	**$ 0.28**	$ 0.42	(33%)
Colombia oil ($/bbl)	**$ 19.61**	$ 21.39	(8%)	**$ 19.32**	$ 20.80	(7%)
Corporate ($/boe)	**$ 1.82**	$ 3.03	(40%)	**$ 1.86**	$ 3.76	(51%)

Natural gas operating expenses per Mcf decreased by 34% and 33% to $0.29/Mcf and $0.28/Mcf for the three months and year ended December 31, 2019, compared to $0.44/Mcf and $0.42/Mcf for the same periods in 2018, respectively. The decrease is mainly attributable to the increase in natural gas sales volumes as a result of the completion of Jobo 3 and the Pipeline Expansion as over 90% of the Corporation's operating expenses are fixed. The Corporation's purchase and operation of the Jobo 2 natural gas facility ("Jobo 2") also resulted in lower operating expenses due to operating efficiencies. The Corporation also capitalized certain operating costs during the three months and year ended December 31, 2019 as a result of the adoption of IFRS 16 as at January 1, 2019.

Total Colombia oil operating expenses decreased during the three months and year ended December 31, 2019, compared to the same periods in 2018, due to the Corporation selling its interest in the majority of its petroleum assets in late 2018.

Operating Netbacks

	Three months ended December 31,			Year ended December 31,		
$/Mcf	**2019**	2018	Change	**2019**	2018	Change
Natural Gas						
Revenue, net of transportation expense	**$ 4.58**	$ 4.95	(7%)	**$ 4.76**	$ 4.83	(1%)
Royalties	**(0.71)**	(0.59)	20%	**(0.66)**	(0.61)	8%
Operating expenses	**(0.29)**	(0.44)	(34%)	**(0.28)**	(0.42)	(33%)
Operating netback	**$ 3.58**	$ 3.92	(9%)	**$ 3.82**	$ 3.80	1%

	Three months ended December 31,			Year ended December 31,		
$/bbl	**2019**	2018	Change	**2019**	2018	Change
Colombia oil						
Revenue, net of transportation expense	**$ 50.52**	$ 52.60	(4%)	**$ 49.25**	$ 57.53	(14%)
Royalties	**(3.83)**	(3.32)	15%	**(4.01)**	(5.55)	(28%)
Operating expenses	**(19.61)**	(21.39)	(8%)	**(19.32)**	(20.80)	(7%)
Operating netback	**$ 27.08**	$ 27.89	(3%)	**$ 25.92**	$ 31.18	(17%)

	Three months ended December 31,			Year ended December 31,		
$/boe	**2019**	2018	Change	**2019**	2018	Change
Corporate						
Revenue, net of transportation expense	**$ 26.34**	$ 28.91	(9%)	**$ 27.43**	$ 29.80	(8%)
Royalties	**(4.03)**	(3.37)	20%	**(3.77)**	(3.62)	4%
Operating expenses	**(1.82)**	(3.03)	(40%)	**(1.86)**	(3.76)	(51%)
Operating netback	**$ 20.49**	$ 22.51	(9%)	**$ 21.80**	$ 22.42	(3%)

General and Administrative Expenses

	Three months ended December 31,			Year ended December 31,		
	2019	2018	Change	**2019**	2018	Change
Gross costs	**$ 14,449**	$ 10,817	34%	**$ 35,337**	$ 34,422	3%
Less: capitalized amounts	**(2,282)**	(2,132)	7%	**(6,364)**	(6,227)	2%
General and administrative expenses	**$ 12,167**	$ 8,685	40%	**$ 28,973**	$ 28,195	3%
$/boe	**$ 4.14**	$ 4.54	(9%)	**$ 3.14**	$ 3.67	(14%)

General and administrative expenses ("G&A") per boe decreased 9% and 14% during the three months and year ended December 31, 2019, compared to the same periods in 2018, respectively. The decrease is mainly due to the increase of natural gas production during three months and year ended December 31, 2019, respectively. Gross costs are expected to remain flat as the Corporation's production base grows into 2020 and onwards, which will result in the G&A per boe to further decrease going forward.

The increase in gross costs in the three months and year ended December 31, 2019, compared to the same periods in 2018, is mainly due to severance of $2.5 million paid in Q4 2019, offset by the Corporation capitalizing certain costs as a result of the adoption of a IFRS 16 as at January 1, 2019.

Net Finance Expense

	Three months ended December 31,			Year ended December 31,		
	2019	2018	Change	**2019**	2018	Change
Net financing expense paid	**$ 7,486**	$ 7,912	(5%)	**$ 29,505**	$ 30,982	(5%)
Non-cash financing costs	**835**	793	5%	**3,397**	3,557	(4%)
Net finance expense	**$ 8,321**	$ 8,705	(4%)	**$ 32,902**	$ 34,539	(5%)

Net financing expense paid decreased during the three months and year ended December 31, 2019, compared to the same periods in 2018, mainly as a result of: a) lower interest rates on the Corporation's long-term debt and b) the purchase of Jobo 2, previously held under a finance lease arrangement.

Stock-Based Compensation Expense and Restricted Share Units

	Three months ended December 31,			Year ended December 31,		
	2019	2018	Change	**2019**	2018	Change
Stock-based compensation expense	**$ 581**	$ 599	(3%)	**$ 3,398**	$ 4,934	(31%)
Restricted share unit expense	**746**	49	>1000%	**4,523**	3,542	28%
Stock-based compensation and restricted share unit expense	**$ 1,327**	$ 648	105%	**$ 7,921**	$ 8,476	(7%)

Stock-based compensation and restricted share units expense is a non-cash expense recognized based on the fair value of units granted recognized on a graded vesting basis over the grant term. The fair value of the stock options granted were estimated using the Black-Scholes option pricing model.

Depletion and Depreciation Expense

	Three months ended December 31,			Year ended December 31,		
	2019	2018	Change	**2019**	2018	Change
Depletion and depreciation expense	**$ 16,842**	$ 11,802	43%	**$ 54,283**	$ 44,246	23%
$/boe	**$ 5.73**	$ 6.17	(7%)	**$ 5.88**	$ 5.76	2%

Depletion and depreciation expense increased 43% and 23% during the three months and year ended December 31, 2019, compared to the same periods in 2018, respectively, primarily as a result of higher natural gas production, depletion of Jobo 3 and the depreciation of the right-of-use leased assets recognized in the period as a result of the adoption of a new accounting policy.

Income Tax Expense

	Three months ended December 31,		Year ended December 31,	
	2019	2018	**2019**	2018
Current income tax expense	**$ 9,302**	$ 2,240	**$ 32,058**	$ 23,587
Deferred income tax expense (recovery)	**(15,632)**	19,949	**(1,571)**	7,350
Income tax expense (recovery)	**$ (6,330)**	$ 22,189	**$ 30,487**	$ 30,937

The Corporation's pre-tax income was subject to the Colombian statutory income tax rate of 33% for the year ended December 31, 2019. The Colombian statuatory income tax rate will decrease to 32% on January 1, 2020, 31% on January 1, 2021, then to 30% on January 1, 2022. The Corporation consistently implements tax planning measures to reduce its overall effective tax rate.

Assets and Liabilities Held for Sale

During the year ended December 31, 2018, the Corporation completed the sale of its Ecuador IPC investment held for sale and received $22.1 million of the total $28.1 million cash proceeds and the $8.3 million outstanding term deposit, previously recorded as restricted cash. The remaining $6 million of the cash proceeds were collected during the year ended December 31, 2019. The proceeds received were equal to the carrying amount of the assets held for sale at the disposition date.

During the year ended December 31, 2018, the Corporation completed the sale of certain petroleum held for sale assets and corresponding liabilities, for an aggregate consideration of $40 million, adjusted for customary closing adjustments of $0.8 million, resulting in total adjusted consideration of $39.2 million. The adjusted consideration consisted of $14.2 million in cash payments, $20 million through the receipt of 22,598,870 of common shares of Arrow Exploration Ltd. ("Arrow's Shares") and a $5 million promissory note, bearing annual interest rate of 15%, to be paid by Arrow no later than April 2021. Additional other assets with carrying values of $1 million were also transferred to Arrow, resulting in an overall loss on assets and liabilities held for sale of $1.8 million recognized during the year ended December 31, 2018. Subsequently, the $20 million of 22,598,870 of Arrow's Shares were distributed to the Corporation's shareholders (the "Shareholders") as a return of share capital. The Shareholders received 0.127 of Arrow's Shares per each common share of Canacol owned by the shareholder.

During the year ended December 31, 2019, the Corporation classified costs and corresponding liabilities related to its Rancho Hermoso block as assets and liabilities held for sale due to its intention to sell its working interest within one year of December 31, 2019. As at December 31, 2019, the held for sale assets and liabilities were recognized at their carrying amounts of $8 million and $10.6 million, respectively, which are the lower of their carrying amounts and estimated fair value less cost to sell.

Capital Expenditures

	Three months ended December 31, 2019	2018	Year ended December 31, 2019	2018
Drilling and completions	$ 3,828	$ 7,027	$ 33,609	$ 37,138
Facilities, work overs and infrastructure	4,895	20,493	35,829	38,067
Midstream pipeline costs	—	—	—	3,887
Land, seismic, communities and other	5,462	5,904	26,562	7,577
Right-of-Use leased assets(1)	4,285	—	8,797	13,900
Capitalized G&A	2,282	2,132	6,364	6,227
Disposition	—	—	(14,506)	(3,000)
Non-cash costs and adjustments(1)	762	2,145	3,832	23,795
Net capital expenditures	$ 21,514	$ 37,701	$ 100,487	$ 127,591
Net capital expenditures recorded as:				
Expenditures on exploration and evaluation assets	$ 9,437	$ 5,129	$ 36,778	$ 42,534
Expenditures on property, plant and equipment	12,747	32,572	78,885	88,057
Disposition	(670)	—	(15,176)	(3,000)
Net capital expenditures	$ 21,514	$ 37,701	$ 100,487	$ 127,591

(1) Non-cash costs and adjustments include changes in right-of-use leased assets and estimates related to decommissioning obligations.

Net capital expenditures during the three months ended December 31, 2019 are primarily related to:

- Facility costs at VIM-5 and Esperanza blocks;
- Seismic costs at the VIM-5 block;
- Drilling of the Arandala -1 well;
- Pre-drilling costs of the Nelson-14 and Porro Norte wells;
- Post-drilling costs of the Clarinete-4 and Pandereta-5 wells; and
- LNG plant completion costs.

Liquidity and Capital Resources

Foreign Currency Risk

During the year ended December 31, 2019, the Corporation entered into a foreign exchange contract under the following terms:

Term	Principal	Type	Exchange Rate Range
August 2019 - July 2020	$2.5 million	COP to US Dollar foreign exchange collar	3,383:1 - 3,535:1

As a result of recent world events, the Corporation is currently benefiting from the recent depreciation of the Colombian peso ("COP") and the Canadian dollar ("CAD"). As of the date of this MD&A, the recent COP decline of approximately 22% against the United States dollar ("US dollar"), which effectively reduces COP denominated expenditures including capital expenditures, operating costs and G&A by approximately $15 million US dollars for the remainder of 2020, as compared to the Corporation's original budget estimates.

The Corporation has a foreign exchange collar on the COP which expires in July 2020 (on which Canacol has historically been 'in the money' on) which effectively reduces the above savings by approximately 15% for the remainder of 2020. Similarly, the recent 8% weakness in the CAD effectively reduces the Canadian based G&A.

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, long-term debt, settlement liability, lease obligations and working capital, defined as current assets less current liabilities excluding current portion of long-term obligations. In order to maintain or adjust the capital structure, from time to time the Corporation may issue or repurchase 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 long-term obligations 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 commodity 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.

The Corporation's bank debt includes various non-financial covenants relating to indebtedness, operations, investments, assets sales, capital expenditures and other standard operating business covenants. The bank debt is also subject to various financial covenants, including a maximum consolidated total debt, less cash and cash equivalents, to twelve months trailing EBITDAX ratio ("Consolidated Leverage Ratio") of 3.50:1.00 and a minimum twelve months trailing EBITDAX to interest expense, excluding non-cash expenses, ratio ("Consolidated Interest Coverage Ratio") of 2.50:1.00. As at December 31, 2019, the Corporation was in compliance with the covenants.

	December 31, 2019	December 31, 2018
Senior Notes - Principal (7.25%)	$ 320,000	$ 320,000
Bank debt - Principal (6.875%)	30,000	30,000
Settlement liability (8.74%)	15,848	16,749
Lease obligation (2019 - 6.875%; 2018 - 5.2%)	27,098	21,473
Total debt	392,946	388,222
Less: working capital surplus	(50,676)	(60,782)
Net debt	**$ 342,270**	**$ 327,440**

The Consolidated Leverage Ratio is calculated as follows:

	December 31, 2019
Total debt	$ 392,946
Less: cash and cash equivalents	(41,239)
Net debt for covenant purposes	351,707
EBITDAX	167,515
Consolidated Leverage Ratio	**2.10**

The Consolidated Interest Coverage Ratio is calculated as follows:

	December 31, 2019
EBITDAX	$ 167,515
Interest expense, excluding non-cash expenses	30,788
Consolidated Interest Coverage Ratio	**5.44**

As at March 17, 2020, the Corporation had 181.3 million common shares, 16.8 million stock options and 1.9 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 December 31, 2019:

	Less than 1 year	1-3 years	Thereafter	Total
Long-term debt – principal	$ 8,182	$ 21,818	$ 320,000	$ 350,000
Lease obligations – undiscounted	6,082	10,033	16,111	32,226
Trade and other payables	52,591	—	—	52,591
Taxes payable	6,043	—	—	6,043
Deferred income	11,134	—	—	11,134
Settlement liability	2,306	4,612	8,930	15,848
Other long term obligations	—	3,219	—	3,219
Restricted share units	2,235	15	—	2,250
Exploration and production contracts	17,008	29,176	4,781	50,965
Compression station operating contracts	2,558	5,270	14,125	21,953

Letters of Credit

At December 31, 2019, the Corporation had letters of credit outstanding totaling $76.2 million to guarantee work commitments on exploration blocks in Colombia and to guarantee other contractual commitments, of which, $11.3 million financial guarantees relate to certain petroleum assets previously sold.

Exploration and Production Contracts

The Corporation has entered into a number of exploration contracts in Colombia which require the Corporation to fulfill work program commitments and issue financial guarantees related thereto. In aggregate, the Corporation has outstanding exploration commitments at December 31, 2019 of $51 million and has issued $38.6 million in financial guarantees related thereto.

OUTLOOK

Canacol's production mix consists of 100% natural gas with no oil production. Approximately 80% of Canacol's gas production is sold under take-or-pay contracts denominated in US dollars and priced at the wellhead. Approximately 20% of Canacol's gas sales is sold under interruptible contracts denominated in US dollars and priced at the wellhead. As such, the Corporation is insulated from the current effects of low worldwide oil prices which has seen its oil weighted peers recently cut capital programs, production forecasts and return of capital to shareholders.

The Corporation therefore maintains its previously announced 2020 capital expenditure, production, and return of capital guidance. The 2020 capital budget remains at $114 million, which will be fully funded from existing cash held and 2020 cash flow. Forecasted realized contractual gas sales for 2020, including off-taker downtime, are anticipated to average approximately 205 MMscfpd, representing a 43% increase over the 2019 average natural gas realized contractual sales of 143 MMscfpd. The average natural gas sales price, net of transportation costs, where applicable, are expected to be approximately $4.80/Mcf. Actual contractual gas sales during the period January 1, 2020 to March 13, 2020 averaged 207 MMscfpd.

The Corporation is in the process of contracting a second drilling rig in order to achieve its drilling target of twelve wells, with the goal of replacing production by more than 200% and continuing to increase its reserves base. The Corporation anticipates adding the second drilling rig in May, 2020, which is expected to execute four of the twelve well drilling program through to year-end.

The Corporation's forecasted production, EBITDAX and cash flow from operations for 2020 is anticipated to be substantially higher than previous years, with EBITDAX forecasted to be approximately $265 million, up 58% from $167.5 million in 2019. During 2020, the Corporation plans to use excess cash to: 1) maintain our quarterly dividend payment, which has been set at C$0.052 per share, totaling approximately $7 million for the first quarter of 2020, payable on April 15, 2020, to shareholders of record at the close of business on March 31, 2020; 2) reduce debt by approximately $15 million and 3) continue to repurchase common shares of the Corporation under its Normal Course Issuer Bid. Also, notable is a significant forecast decrease in the Corporation's Net Debt to EBITDAX ratio, which stood at 2.1x at December 31, 2019 and is anticipated to be approximately 1.1x on December 31, 2020.

For 2020, the Corporation remains focused on: 1) its continuous drilling program of twelve exploration, appraisal and development wells, representing the Corporation's largest historical exploration drilling program; 2) the execution of a definitive construction agreement of a gas pipeline which will increase the Corporation's expected gas sales by an additional 100 MMscfpd in 2023 to a overall gas sales level exceeding 300 MMscfpd; 3) continuing our program of quarterly dividend payments and scheduled debt repayment; and 4) continue with our commitment of strengthening our Environmental, Social and Governance ("ESG") strategy and reporting to ensure successful results for our stakeholders.

During the first quarter of 2020, the Corporation completed the drilling of the Nelson-14 development well, which encountered 309 feet of net gas pay, and is currently drilling the Clarinete-5 development well. Upon the completion of the Clarinete-5 well, the Corporation will drill the Porro Norte-1 exploration well, its first exploration well of 2020, which is anticipated to spud in mid-April 2020.

Canacol takes its responsibility to its environment, communities, and governance seriously. During 2020, we will continue to strengthen our ESG strategy and reporting, ensuring successful results for our stakeholders. We execute our activities to the highest technical standards to ensure minimum impact on the environment, and maximum investment in the local communities. During 2020, we will continue to build the greenhouse gas effect ("GHG") inventory of our activities and deepen our commitment to the reduction of our carbon footprint, contributing to compliance with global objectives and commitments made by the Colombian government to counteract climate change. We are conscious of the importance of clean and abundant water for the future of the planet and our children, and we will continue to adopt and promote initiatives to ensure the protection and preservation of water sources in our areas of operation.

Finally, the Corporation has taken all of the appropriate measures to ensure the continuity of its operations and business in Colombia and Canada, including compliance with all local, provincial, and national mandatory decrees.

SUMMARY OF QUARTERLY RESULTS

	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Financial								
Total natural gas and crude oil revenues, net of royalties and transportation expense	**65,795**	56,634	47,689	49,404	50,727	53,398	52,397	47,629
Adjusted funds from operations(1)	**33,004**	36,420	25,583	29,907	28,679	25,810	28,252	21,581
Per share – basic ($)(1)	**0.18**	0.20	0.14	0.17	0.16	0.15	0.16	0.12
Per share – diluted ($)(1)	**0.18**	0.20	0.14	0.17	0.16	0.14	0.16	0.12
Net income (loss) and comprehensive income (loss)	**25,432**	663	1,878	6,274	(16,272)	12,138	(25,979)	8,278
Per share – basic ($)	**0.14**	—	0.01	0.03	(0.09)	0.07	(0.15)	0.05
Per share – diluted ($)	**0.14**	—	0.01	0.03	(0.09)	0.07	(0.15)	0.05
EBITDAX(1)	**43,144**	46,037	37,008	39,822	33,440	36,006	33,617	35,567
Weighted average shares outstanding – basic	**179,238**	178,273	177,381	177,547	177,678	177,453	177,018	176,572
Weighted average shares outstanding – diluted	**181,412**	180,873	178,979	179,637	178,977	178,985	178,742	178,759
Capital expenditures, net	**21,514**	30,806	13,442	34,725	37,701	18,585	31,111	40,194
Operations								
Natural gas and crude oil production, before royalties(1)								
Natural gas (Mcfpd)	**180,986**	147,630	121,496	123,291	116,616	114,923	111,446	105,262
Colombia oil (bopd)	**309**	322	342	433	488	1,816	1,967	1,924
Total (boepd)(2)	**32,061**	26,222	21,657	22,063	20,947	21,978	21,519	20,391
Realized contractual sales, before royalties(1)								
Natural gas (Mcfpd)	**180,753**	146,439	120,515	122,025	119,284	115,316	111,933	106,334
Colombia oil (bopd)	**301**	329	356	440	592	1,945	1,903	1,896
Total (boepd)(2)	**32,012**	26,020	21,499	21,848	21,519	22,176	21,540	20,551
Operating netbacks ($/boe)(1)								
Natural gas ($/Mcf)	**3.58**	3.86	3.88	4.03	3.92	3.80	3.79	3.71
Colombia oil ($/bbl)	**27.08**	24.34	29.20	23.64	27.89	26.27	35.30	33.21
Corporate ($/boe)(2)	**20.49**	22.06	22.27	23.00	22.51	22.04	22.90	22.24

(1) Non-IFRS measure – see "Non-IFRS Measures" section above.
(2) The Corporation has excluded results relating to the Ecuador IPC in the prior periods for comparative purposes.

SUMMARY OF ANNUAL INFORMATION

	Year ended December 31,		
	2019	2018	2017
Financial			
Total natural gas and crude oil revenues, net of royalties and transportation expense	**219,522**	204,151	153,665
Net income (loss) and comprehensive income (loss)	**34,247**	(21,835)	(148,029)
Per share – basic ($)	**0.19**	(0.12)	(0.85)
Per share – diluted ($)	**0.19**	(0.12)	(0.85)
Adjusted funds from operations(1)	**124,915**	104,914	64,896
Per share – basic ($)(1)	**0.70**	0.59	0.37
Per share – diluted ($)(1)	**0.69**	0.59	0.37
EBITDAX(1)	**167,515**	136,876	130,192
Cash	**41,239**	51,632	39,071
Total assets	**754,062**	705,003	696,443
Total debt	**392,946**	388,222	335,038
Capital expenditures, net	**100,487**	127,591	121,202

	Year ended December 31,		
	2019	2018	2017
Operating			
Natural gas and crude oil production, before royalties(1)			
Natural gas (Mcfpd)	**143,524**	112,102	78,461
Colombia oil (bopd)	**351**	1,546	1,909
Total (boepd)(2)	**25,531**	21,213	15,674
Realized contractual sales, before royalties(1)			
Natural gas (Mcfpd)	**142,603**	113,261	80,513
Colombia oil (bopd)	**356**	1,581	1,915
Total (boepd)(2)	**25,374**	21,451	16,040
Operating netbacks ($/boe)(1)			
Natural gas ($/Mcf)	**3.82**	3.80	3.89
Colombia oil ($/bbl)	**25.92**	31.18	19.05
Corporate ($/boe)(2)	**21.80**	22.42	21.77

(1) Non-IFRS measures – see "Non-IFRS Measures" section within MD&A.
(2) The Corporation has excluded results relating to the Ecuador IPC in the prior periods for comparative purposes.

RISKS AND UNCERTAINTIES

The Corporation is subject to several risk factors including, but not limited to: the volatility of natural gas spot prices; foreign exchange and currency risks; general risks related to foreign operations such as political, economic, regulatory and other uncertainties as they relate to both foreign investment policies and energy policies; governments exercising from time to time significant influence on the economy to control inflation; developing environmental regulations in foreign jurisdictions; discovery of natural gas and oil reserves; concentration of sales transactions with a few major customers; substantial capital expenditures for the acquisition, exploration, development and production of natural gas and crude oil reserves in the long-term for which additional financings may be required to implement the Corporation's business plan.

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a Public Health Emergency of International Concern, and on March 11, 2020, characterized COVID-19 as a pandemic. A local, regional, national or international outbreak of a contagious disease, such as COVID-19 or other similar illnesses, could result in: a significant decline in economic activity in the operational region of Colombia, currency fluctuations, a decrease in individuals willing to travel, imposed mobility restrictions or other quarantine measures through government regulations, and business interruptions due to outbreaks or required quarantines in one or more of the Corporation's facilities. While the effects of this outbreak are anticipated to be temporary, the duration and magnitude of potential business disruptions is currently unknown and may have a material adverse effect on the financial condition and financial results of the Corporation.

The periodic volatility of financial and capital markets may severely limit access to capital; however, the Corporation has successfully been able to attract capital in the past and has sufficient anticipated cash flow from operations to support its current operations, capital program and dividend program.

The Corporation is exposed to foreign exchange and currency risk as a result of fluctuations in exchange rates through its cash deposits and investments denominated in the COP and the CAD. Most of the Corporation's revenues and funds from financing activities are expected to be received in reference to US dollar denominated prices while a portion of its operating, capital, and general and administrative costs are denominated in COP and CAD. During the year ended December 31, 2019, the Corporation entered into a COP to USD foreign exchange collar to mitigate its foreign exchange risk. The foreign exchange collar expires in July 2020.

The Corporation is not exposed to interest rate risk as all debt instruments are subject to fixed interest rates.

Fluctuations in natural gas spot prices will not only impact revenues of the Corporation but may also impact the Corporation's ability to raise capital, if required, which is not currently anticipated. The Corporation's exposure to the volatility of natural gas spot prices is limited due to a significant portion of the Corporation's natural gas sales being under fixed priced contracts.

The Corporation's policy is to enter into agreements with customers that are well established and well-financed entities such that the level of risk associated with one or more of its customers facing financial difficulties are mitigated while balancing factors of economic dependence with profit maximization. To date, the Corporation has not experienced any material credit loss in the collection of trade accounts receivable.

The Corporation attempts to mitigate its business and operational risk exposures by maintaining comprehensive insurance coverage on its assets and operations, by employing or contracting competent technicians and professionals, by instituting and maintaining operational health, safety and environmental standards and procedures and by maintaining a prudent approach to exploration and development activities. The Corporation also addresses and regularly reports on the impact of risks to its shareholders and writing down the carrying values of assets that may not be recoverable.

A more comprehensive discussion of risks and uncertainties is contained in the Corporation's Annual Information Form for the year ended December 31, 2019 as filed on SEDAR and hereby incorporated by reference.

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 has implemented new accounting policies during the year ended December 31, 2019. Detailed discussions of new accounting policies and impact are provided in the financial statements.

REGULATORY POLICIES

Disclosure Controls and Procedures

Disclosure Controls and Procedures ("DC&P") are designed to provide reasonable assurance that all material information is gathered and reported on a timely basis to senior management so that appropriate decisions can be made regarding public disclosure and that information required to be disclosed by the issuer under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. 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, DC&P and have assessed the design and operating effectiveness of the Corporation's DC&P as at December 31, 2019. Based on this assessment, it was concluded that the design and operation of the Corporation's DC&P are effective as at December 31, 2019.

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. The Corporation's CEO and CFO, with support of management have assessed the design and operating effectiveness of the Corporation's ICFR as at December 31, 2019 based on criteria described in "Internal Control - Integrated Framework" issued in 2013 by the Committee of Sponsoring Organization of the Treadway Commission. Based on this assessment, it was concluded that the design and operation of the Corporation's ICFR are effective as at December 31, 2019. During the three months ended December 31, 2019, 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.