

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

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|--|---|--|----------------------|
| 1 Issuer's name CANACOL ENERGY LTD. | | 2 Issuer's employer identification number (EIN) 98-1458096 | |
| 3 Name of contact for additional information TRACY L. WHITMORE | 4 Telephone No. of contact 403-237-9925 | 5 Email address of contact twhitmore@canacolenergy.com | |
| 6 Number and street (or P.O. box if mail is not delivered to street address) of contact 2000, 215 - 9 AVE SW | | 7 City, town, or post office, state, and ZIP code of contact CALGARY, ALBERTA, T2P 1K3, CANADA | |
| 8 Date of action JULY 15, 2022 | | 9 Classification and description COMMON STOCK | |
| 10 CUSIP number 134808 | 11 Serial number(s) | 12 Ticker symbol CNE | 13 Account number(s) |

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ **ON JUNE 20, 2022 CANACOL ENERGY LTD. ("CANACOL") DECLARED A DIVIDEND OF CAD\$0.052 PER SHARE PAYABLE ON JULY 15, 2022 TO SHAREHOLDERS OF RECORD AT THE CLOSE OF BUSINESS ON JUNE 30, 2022.**

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ **CANACOL HAS REASONABLY DETERMINED THAT IS IS NOT LIKELY TO HAVE POSITIVE ACCUMULATED EARNINGS AND PROFITS ("E&P") OR CURRENT E&P FOR THE YEAR ENDED DECEMBER 31, 2022. ACCORDINGLY, THE DISTRIBUTION IS LIKELY TO BE TREATED AS A SECTION 301(c)(2) RETURN OF BASIS FOR U.S. FEDERAL INCOME TAX PURPOSES.**

GENERALLY, THE PORTION OF A DISTRIBUTION ON COMMON STOCK THAT IS TREATED AS A RETURN OF BASIS REDUCES THE TAX BASIS IN THE SHARES OF THE COMMON STOCK UP TO A SHAREHOLDER'S ADJUSTED BASIS IN THE COMMON STOCK WITH ANY EXCESS TREATED AS CAPITAL GAINS PURSUANT TO SECTION 301(c)(3). SHAREHOLDERS SHOULD CONSULT WITH THEIR TAX ADVISERS REGARDING THEIR PARTICULAR CIRCUMSTANCES.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ **GENERALLY, E&P UNDER SECTION 312 ARE DETERMINED AFTER THE CLOSE OF THE YEAR. AS PRACTICABLE, ADJUSTMENTS AFTER THE CLOSE OF THE YEAR MAY CHANGE THE AMOUNT OF E&P AVAILABLE FOR DISTRIBUTION FOR THE YEAR.**

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ► SECTIONS 301(c)(2), 301(c)(3), 312, 316, 317

Lined area for listing applicable Internal Revenue Code sections and subsections.

18 Can any resulting loss be recognized? ► THIS DISTRIBUTION WOULD NOT CREATE A LOSS.

Lined area for providing information regarding loss recognition.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ► THE ADJUSTMENT TO BASIS WOULD BE TAKEN INTO ACCOUNT IN THE TAX YEAR OF THE SHAREHOLDER DURING WHICH THE DISTRIBUTION WAS RECEIVED. (E.G. 2022 CALENDAR YEAR TAXPAYERS)

Lined area for providing other information necessary to implement the adjustment.

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature ►  Date ► July 15, 2022

Print your name ► TRACY L. WHITMORE Title ► VP TAX & CORPORATE AFFAIRS

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| Paid Preparer Use Only | Print/Type preparer's name | Preparer's signature | Date | Check <input type="checkbox"/> if self-employed | PTIN |
| | Firm's name ► | | | | Firm's EIN ► |
| | Firm's address ► | | | | Phone no. |