

CANACOL ENERGY LTD.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE MONTHS ENDED MARCH 31, 2018**



FINANCIAL & OPERATING HIGHLIGHTS

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

Financial	Three months ended March 31,		
	2018	2017	Change
Total petroleum and natural gas revenues, net of royalties	51,756	41,583	24%
Adjusted petroleum and natural gas revenues, net of royalties ⁽²⁾	53,712	46,975	14%
Cash flow provided by operating activities	19,868	17,539	13%
Per share – basic (\$) ⁽¹⁾	0.11	0.10	10%
Per share – diluted (\$) ⁽¹⁾	0.11	0.10	10%
Adjusted funds from operations ⁽¹⁾⁽²⁾	23,537	20,947	12%
Per share – basic (\$) ⁽¹⁾	0.13	0.12	8%
Per share – diluted (\$) ⁽¹⁾	0.13	0.12	8%
Net income (loss) and comprehensive income (loss)	8,278	(7,942)	n/a
Per share – basic (\$) ⁽¹⁾	0.05	(0.05)	n/a
Per share – diluted (\$) ⁽¹⁾	0.05	(0.05)	n/a
Capital expenditures, net, including acquisitions	40,194	24,000	67%
Adjusted capital expenditures, net, including acquisitions ⁽¹⁾⁽²⁾	42,571	24,818	72%
	Mar 31,	Dec 31,	Change
	2018	2017	
Cash	61,022	39,071	56%
Restricted cash	13,343	27,919	(52%)
Working capital surplus	94,472	110,401	(14%)
Current and long-term bank debt	295,564	294,590	—
Total assets	717,697	696,443	3%
Common shares, end of period (000's)	176,800	176,109	—
Operating	Three months ended March 31,		
	2018	2017	Change
Petroleum and natural gas production, before royalties (boepd)			
Petroleum ⁽³⁾	2,488	3,505	(29%)
Natural gas	18,467	13,487	37%
Total ⁽²⁾	20,955	16,992	23%
Petroleum and natural gas sales, before royalties (boepd)			
Petroleum ⁽³⁾	2,460	3,517	(30%)
Natural gas	18,335	13,409	37%
Total ⁽²⁾	20,795	16,926	23%
Realized contractual sales, before royalties (boepd)			
Natural gas	18,655	14,526	28%
Colombia oil	1,896	2,014	(6%)
Ecuador tariff oil ⁽²⁾	564	1,503	(62%)
Total ⁽²⁾	21,115	18,043	17%
Operating netbacks (\$/boe) ⁽¹⁾			
Total natural gas	21.12	24.11	(12%)
Total colombia oil	33.21	17.16	94%
Ecuador (tariff oil) ⁽²⁾	38.54	38.54	—
Total ⁽²⁾	22.68	24.56	(8%)

(1) Non-IFRS measures – 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. The Corporation's head office is located at 2650, 58th 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 May 11, 2018 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, 2018 and 2017 ("the financial statements"), and the audited consolidated financial statements and MD&A for the year ended December 31, 2017. 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, 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, or that the planned divestiture of the Corporation's Colombian oil assets will be successful. 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 – The Ecuador IPC was accounted for using the equity method of accounting applied under IFRS 11, as such, the proportionate share of revenues and expenditures were excluded 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 cash flow from operations and 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 includes the Corporation’s basic and dilutive weighted-average shares outstanding:

	Three months ended March 31,	
	2018	2017
Weighted-average common shares outstanding, basic	176,572	174,378
Effect of stock options	2,187	2,182
Weighted-average common shares outstanding, diluted	178,759	176,560

The following table reconciles the Corporation’s cash provided by operating activities to adjusted funds from operations:

	Three months ended March 31,	
	2018	2017
Cash flow provided by operating activities	\$ 19,868	\$ 17,539
Changes in non-cash working capital	1,713	(1,629)
Ecuador IPC revenue, net of current income taxes	1,956	5,037
Adjusted funds from operations	\$ 23,537	\$ 20,947

In addition to the above, management uses working capital and operating netback measures. Working capital is calculated as current assets less current liabilities, 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, 2018, the Corporation's production primarily consisted of natural gas from the Nelson, Palmer, Trombon and Nispero fields in the Esperanza block, the Clarinete and Oboe 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 the Leono, Labrador and Tigro fields in the LLA-23 block in the Llanos Basin in Colombia, and, to a lesser extent, tariff oil from the Ecuador IPC and crude oil from the Rancho Hermoso, VMM-2, Santa Isabel and Capella properties in Colombia.

During the three months ended March 31, 2018, the Corporation drilled and tested the Pandereta-3 appraisal well on its VIM-5 block, and reached a total depth of 9,534 feet measured depth ("ft md") in 13 days. It is located approximately one kilometer ("km") to the northeast of the bottom hole location of the Pandereta-1 appraisal well. The upper part of the Ciénaga de Oro ("CDO") reservoir was perforated between 8,370 to 8,447 ft md and flowed at a final stable rate of 43 MMscfpd. Based upon this result, an absolute open flow rate of 168 MMscfpd was calculated for the upper part of the CDO reservoir. The lower and middle part of the CDO reservoir were perforated between 8,942 – 8,965 and 8,860 – 8,905 ft md and flowed at a final stable rate of 15 MMscfpd and 21 MMscfpd, respectively. The Corporation is currently planning to tie the Pandereta discovery into its operated gas processing facility located at Jobo by the third quarter of 2018. On March 12, 2018, the Corporation drilled Chirimia-1 also on its VIM-5 block and reached a total depth of 9,310 ft md in 13 days. The Chirimia-1 appraisal well is adjacent to the Clarinete-1 exploration well, and was drilled to test a northern fault compartment within the Clarinete gas field. The bottomhole location is 1.8 km from Clarinete-1. The well encountered 90 ft md of net gas pay with average porosity of 24% within the primary deeper CDO sandstone reservoir target. The well has been cased and three separate intervals have been perforated prior to tying the well into the Jobo gas processing facility via the existing flowline connecting all of the Clarinete producing wells to the Jobo gas processing facility.

The Gaiteros-1 appraisal well is located approximately two kms to the north of the Pandereta gas discovery. The Gaiteros-1 well was targeting sandstones of the CDO in a large three-way fault closed structure. The well was spud on January 15, 2018, and reached a total depth of 9,357 ft md on January 29, 2018, and encountered 397 ft true vertical depth of net porous sandstone reservoir within the primary CDO target with average porosity of 20% but no commercial gas pay. The well has been plugged and abandoned.

In August 2017, the Corporation entered into an agreement with a group of private investors for the construction, operation and ownership of the 82 km Sabanas gas flowline (the "Sabanas Flowline") from its Jobo gas plant to the connection point with the Promigas S.A. gas pipeline at Bremen, Colombia. The Sabanas Flowline was completed in December 2017 and upon completion of the second gas compression station in February 2018, the Sabanas Flowline reached its full transportation capacity of 40 MMscfpd. The Corporation has a 25.6% working interest in the Sabanas Flowline.

The Corporation, through a consortium, participated in an incremental production contract for the Libertador and Atacapi fields in Ecuador whereby the Corporation was entitled to a tariff price of \$38.54/bbl for each incremental barrel of oil produced over a pre-determined production base curve. On February 15, 2018, the Corporation sold its interest in the Ecuador IPC investment for proceeds of \$36.4 million. The incremental production volumes are reported as production in this MD&A up to the disposition date. As further described above, as required under IFRS 11, the Ecuador IPC was 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.

For the three months ended March 31, 2018, the Corporation's crude oil production from its LLA-23, Rancho Hermoso, VMM-2, Santa Isabel and Capella properties were aggregated into a single group ("Colombia oil") for analysis purposes in this MD&A. As of the date of this MD&A, all wells at the Moloacan field in Mexico have been shut-in and the Corporation is currently in the process of relinquishing the field. The Corporation has classified certain petroleum blocks as held for sale as at March 31, 2018, due to its intention to sell the assets, which is expected to be completed in 2018.

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,		
	2018	2017	Change
Production (boepd)			
Esperanza (gas)	12,080	9,884	22%
VIM-5 (gas)	5,897	3,603	64%
VIM-21 (gas)	490	—	n/a
Colombia oil	1,924	2,002	(4%)
Ecuador (tariff oil)	564	1,503	(62%)
Total production	20,955	16,992	23%
Inventory movements and other	(160)	(66)	142%
Total sales	20,795	16,926	23%
Sales (boepd)			
Esperanza (gas)	11,984	9,813	22%
VIM-5 (gas)	5,861	3,596	63%
VIM-21 (gas)	490	—	n/a
Colombia oil	1,896	2,014	(6%)
Ecuador (tariff oil)	564	1,503	(62%)
Total sales	20,795	16,926	23%
Realized Contractual Sales (boepd)			
Esperanza (gas)	11,984	9,813	22%
VIM-5 (gas)	5,861	3,596	63%
VIM-21 (gas)	490	—	n/a
Take-or-pay volumes	320	1,117	(71%)
Total natural gas	18,655	14,526	28%
Colombia oil	1,896	2,014	(6%)
Ecuador tariff oil	564	1,503	(62%)
Total realized contractual sales	21,115	18,043	17%

The increase in natural gas production volumes in the three months ended March 31, 2018, compared to the same period in 2017, is primarily due to an increase in gas production in Esperanza, VIM-5 and VIM-21, as a result of the additional sales related to the construction and operation of the Corporation's partially owned Sabanas pipeline. Canacol's ownership of its infrastructure continues to allow the Corporation to control production levels at its fields from wellhead to the sales delivery point and enables the Corporation to quickly respond to changing conditions and thereby maximize profitability.

The overall decrease in crude oil production volumes during the three months ended March 31, 2018, compared to the same period in 2017, is primarily due to the Corporation selling its interest in the Ecuador IPC investment on February 15, 2018.

Petroleum and Natural Gas Revenues

	Three months ended March 31,		
	2018	2017	Change
Esperanza	\$ 32,462	\$ 26,500	22%
VIM-5	14,582	9,041	61%
VIM-21	1,281	—	n/a
Colombia oil	9,836	8,062	22%
Petroleum and natural gas revenues, before royalties	58,161	43,603	33%
Royalties	(6,774)	(4,999)	36%
Petroleum and natural gas revenues, after royalties	51,387	38,604	33%
Take-or-pay natural gas	369	2,979	(88%)
Total petroleum and natural gas revenues, after royalties, as reported	51,756	41,583	24%
Ecuador tariff and other revenues ⁽¹⁾	1,956	5,392	(64%)
Adjusted petroleum and natural gas revenues, after royalties ⁽¹⁾	\$ 53,712	\$ 46,975	14%

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

The Corporation has three types of natural gas 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, typically 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.

During the three months ended March 31, 2018, the Corporation has realized \$0.4 million of take-or-pay income (as described in (2) above), which is equivalent to 320 boepd of gas sales, without actual delivery of the natural gas.

As at March 31, 2018, the Corporation has received proceeds for crude oil and natural gas to be delivered at a later date (as described in (3) above). As at March 31, 2018, undelivered nominations resulted in a deferred income balance of \$7.8 million (\$7.4 million related to gas; \$0.4 million related to crude oil) and has been classified as a current liability as it is expected to be settled within the next twelve months.

Average Benchmark and Realized Sale Prices

	Three months ended March 31,		
	2018	2017	Change
Brent (\$/bbl)	\$ 66.72	53.88	24%
West Texas Intermediate (\$/bbl)	\$ 62.74	52.73	19%
Natural gas (\$/boe)	\$ 29.29	\$ 29.45	(1%)
Crude oil (\$/bbl)	\$ 57.64	\$ 44.48	30%
Ecuador tariff (\$/bbl) ⁽¹⁾	\$ 38.54	\$ 38.54	—
Esperanza (\$/boe)	\$ 30.10	\$ 30.01	—
VIM-5 (\$/boe)	27.64	27.94	(1%)
VIM-21 (\$/boe)	29.05	—	n/a
Colombia oil (\$/bbl)	57.64	44.48	30%
Ecuador (\$/bbl)	38.54	38.54	—
Average realized sale price (\$/boe)⁽¹⁾	\$ 32.12	\$ 32.04	—

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

The increase in average realized crude oil sale prices in the three months ended March 31, 2018, compared to the same period in 2017, is mainly due to increased benchmark crude oil prices.

Royalties

	Three months ended March 31,	
	2018	2017
Esperanza	\$ 2,883	\$ 2,330
VIM-5	2,820	1,854
VIM-21	96	—
Colombia oil	975	815
Total royalties	\$ 6,774	\$ 4,999

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 the royalty rates 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% on net revenue (effectively 2.76%). Crude oil royalties in Labrador and Rancho Hermoso are taken in kind. Overall crude oil royalties are calculated from revenue net of transportation expenses. 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% to 4%.

Production and Transportation Expenses

Total production and transportation expenses were as follows:

	Three months ended March 31,		
	2018	2017	Change
Production expenses	\$ 6,763	\$ 5,707	19%
Transportation expenses	4,127	683	504%
Total production and transportation expenses	\$ 10,890	\$ 6,390	70%
\$/boe	\$ 5.82	\$ 4.20	39%

An analysis of production expenses is provided below:

	Three months ended March 31,		
	2018	2017	Change
Esperanza	\$ 2,507	\$ 1,443	74%
VIM-5	1,128	811	39%
VIM-21	167	—	n/a
Colombia oil	2,961	3,453	(14%)
Total production expenses	\$ 6,763	\$ 5,707	19%
\$/boe			
Esperanza	\$ 2.32	\$ 1.63	42%
VIM-5	\$ 2.14	\$ 2.51	(15%)
VIM-21	\$ 3.79	\$ —	n/a
Total natural gas	\$ 2.30	\$ 1.87	23%
Colombia oil	\$ 17.35	\$ 19.05	(9%)
Total	\$ 3.61	\$ 3.75	(4%)

Total natural gas production expenses per boe increased by 23% to \$2.30/boe (\$0.40/Mcf) for the three months ended March 31, 2018, compared to \$1.87/boe (\$0.33/Mcf) for the same period in 2017. The increase is mainly attributable to expenses associated with additional fixed operating expenses at the new fields, such as Nispero, Trombon and Toronja.

Production expenses per barrel for Colombia oil properties have decreased by 9% for the three months ended March 31, 2018, compared to the same period in 2017, primarily due to overall lower fixed costs.

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,		
	2018	2017	Change
Esperanza	\$ 2,790	\$ —	n/a
VIM-5	956	—	n/a
VIM-21	147	—	n/a
Colombia oil	234	683	(66%)
Total transportation expenses	\$ 4,127	\$ 683	504%
\$/boe			
Esperanza	\$ 2.59	\$ —	n/a
VIM-5	\$ 1.81	\$ —	n/a
VIM-21	\$ 3.33	\$ —	n/a
Total natural gas	\$ 2.36	\$ —	n/a
Colombia oil	\$ 1.37	\$ 3.77	(64%)
Total	\$ 2.21	\$ 0.45	391%

The Corporation incurred natural gas transportation costs during the three months ended March 31, 2018 due to the following: a) certain gas sales contracts have an integrated sales price whereby the Corporation is responsible for delivering the natural gas to the off-takers at Cartagena, and b) the increase of natural gas production delivered through the Sabanas Flowline, which is subject to a tariff net of the Corporation's 25.6% working interest.

Transportation expenses at Colombia oil properties decreased 66% in the three months ended March 31, 2018, compared to the same period in 2017, due to more sales at the well head where the purchasers assume the transportation costs, thereby reducing transportation expenses while also decreasing the average realized sales prices as a result.

Operating Netbacks

\$/boe	Three months ended March 31,		
	2018	2017	Change
Corporate			
Petroleum and natural gas revenues	\$ 32.12	\$ 32.04	—
Royalties	(3.62)	(3.28)	10%
Production expense	(3.61)	(3.75)	(4%)
Transportation expense	(2.21)	(0.45)	391%
Operating netback⁽¹⁾	\$ 22.68	\$ 24.56	(8%)

(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

\$/boe	Three months ended March 31,		
	2018	2017	Change
Esperanza			
Natural gas revenues	\$ 30.10	\$ 30.01	—
Royalties	(2.67)	(2.64)	1%
Production expense	(2.32)	(1.63)	42%
Transportation expense	(2.59)	—	n/a
Operating netback	\$ 22.52	\$ 25.74	(13%)
VIM-5			
Natural gas revenues	\$ 27.64	\$ 27.94	(1%)
Royalties	(5.35)	(5.73)	(7%)
Production expense	(2.14)	(2.51)	(15%)
Transportation expense	(1.81)	—	n/a
Operating netback	\$ 18.34	\$ 19.70	(7%)
VIM-21			
Natural gas revenues	\$ 29.05	\$ —	n/a
Royalties	(2.18)	—	n/a
Production expense	(3.79)	—	n/a
Transportation expense	(3.33)	—	n/a
Operating netback	\$ 19.75	\$ —	n/a
Total Natural Gas			
Natural gas revenues	\$ 29.29	\$ 29.45	(1%)
Royalties	(3.51)	(3.47)	1%
Production expense	(2.30)	(1.87)	23%
Transportation expense	(2.36)	—	n/a
Operating netback	\$ 21.12	\$ 24.11	(12%)

Crude Oil

\$/boe	Three months ended March 31,		
	2018	2017	Change
Colombia oil			
Crude oil revenues	\$ 57.64	\$ 44.48	30%
Royalties	(5.71)	(4.50)	27%
Production expense	(17.35)	(19.05)	(9%)
Transportation expense	(1.37)	(3.77)	(64%)
Operating netback	\$ 33.21	\$ 17.16	94%
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,		
	2018	2017	Change
Gross costs	\$ 7,550	\$ 7,453	1%
Less: capitalized amounts	(1,437)	(933)	54%
General and administrative expenses	\$ 6,113	\$ 6,520	(6%)
\$/boe	\$ 3.27	\$ 4.28	(24%)

Gross general and administrative expenses (“G&A”) increased slightly by 1% in the three months ended March 31, 2018, compared to same period in 2017, due to increased support costs for the Corporation’s 23% increase in production compared to the same period in 2017.

Net Finance Income and Expense

	Three months ended March 31,		
	2018	2017	Change
Net financing expense paid	\$ 7,657	\$ 5,515	39%
Non-cash financing costs	1,393	5,262	(74%)
Net finance expense	\$ 9,050	\$ 10,777	(16%)

Net financing expense paid have increased 39% for the three months ended March 31, 2018, compared to the same period in 2017, primarily due to increased LIBOR rate and interest expense from the finance lease obligations relating to the two compression stations connecting to the Sabanas Flowline.

Non-cash financing costs have decreased 74% for the three months ended March 31, 2018, compared to the same period in 2017, due to the unamortized transaction costs of \$4.4 million being fully expensed as a result of the settlement of its credit facility and senior notes in the prior period.

Hedging Contract

As at March 31, 2018, the Corporation had a hedging contract under the following terms:

Term	Principal	Type	Interest Rate Range
Aug 2017 - Jun 2019	\$305 million	LIBOR collar	1.4% - 2.5%

(Gain) loss on hedging contract recognized in the net income (loss) and comprehensive gain (loss) is summarized below:

	Three months ended March 31,		
	2018	2017	Change
Hedging contract - unrealized	\$ (212)	\$ —	n/a

Subsequent to March 31, 2018, upon the completion of the private offering of the Notes and the repayment of the existing debt, the LIBOR collar has been liquidated.

Stock Based Compensation Expense and Restricted Share Units

	Three months ended March 31,		
	2018	2017	Change
Stock-based compensation expense	\$ 2,220	\$ 3,310	(33%)
Restricted share unit expense	2,253	3,846	(41%)
Stock-based compensation and restricted share unit expense	\$ 4,473	\$ 7,156	(37%)

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

Depletion and Depreciation Expense

	2018	Year ended March 31,	
		2017	Change
Depletion and depreciation expense	\$ 10,131	\$ 9,797	3%
\$/boe	\$ 5.41	\$ 6.43	(16%)

Depletion and depreciation expense increased 3% in the three months ended March 31, 2018, compared to the same period in 2017, primarily as a result of a higher depletable base, offset by the exclusion of depletion expense relating to oil assets which are classified as held for sale as at March 31, 2018.

Income Tax Expense

	Three months ended March 31,	
	2018	2017
Current income tax expense	\$ 7,194	\$ 9,355
Deferred income tax expense (recovery)	(9,089)	(5,578)
Income tax expense (recovery)	\$ (1,895)	\$ 3,777

The Corporation's pre-tax income was subject to the Colombian statutory income tax rate of 37% for the three months ended March 31, 2018. The Colombian statutory income tax rate will decrease to 33% on January 1, 2019.

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

	Three months ended March 31,		
	2018	2017	Change
Cash flow provided by operating activities	\$ 19,868	\$ 17,539	13%
Per share – basic	\$ 0.11	\$ 0.10	10%
Per share – diluted	\$ 0.11	\$ 0.10	10%
Adjusted funds from operations ⁽¹⁾	\$ 23,537	\$ 20,947	12%
Per share – basic	\$ 0.13	\$ 0.12	8%
Per share – diluted	\$ 0.13	\$ 0.12	8%
Net income (loss) and comprehensive income (loss)	\$ 8,278	\$ (7,942)	n/a
Per share – basic	\$ 0.05	\$ (0.05)	n/a
Per share – diluted	\$ 0.05	\$ (0.05)	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,	
	2018	2017
Drilling and completions	\$ 13,108	\$ 10,885
Facilities, work overs and infrastructure	3,364	878
Sabanas Flowline costs	2,210	—
Land, seismic, communities and other	7,395	10,428
Non-cash costs and adjustments ⁽²⁾	14,117	1,809
Net capital expenditures	40,194	24,000
Ecuador	2,377	818
Adjusted net capital expenditures⁽¹⁾	\$ 42,571	\$ 24,818
Net capital expenditures recorded as:		
Expenditures on exploration and evaluation assets	\$ 15,131	\$ 15,104
Expenditures on property, plant and equipment	25,063	8,896
Net capital expenditures	\$ 40,194	\$ 24,000

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

(2) Other non-cash costs incurred in 2018 include capitalized costs related to decommissioning liabilities and a finance lease obligation relating to the second compression station connecting to the Sabanas Flowline.

Capital expenditures in the three months ended March 31, 2018 primarily relate to:

- Drilling costs at VIM-5 (Pandereta-3, Chirimia-1 and Gaitero-1);
- Pre-drilling costs at VIM-21 (Breva-1);
- Pre-drilling costs at Esperanza (Borojo-1);
- Facility costs at Esperanza and VIM-5;
- Community costs primarily relating to VIM-5;
- Second leased compression station (\$13.9 million);
- Sabanas Flowline costs; and
- Other capitalized costs (capitalized G&A of \$1.4 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, finance leases and working capital, defined as current assets less current liabilities, excluding the current portion of bank debt. 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, finance lease 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 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, 2018, the Corporation has sold its remaining shares of InterOil for proceeds of \$1.9 million, resulting in an overall realized cash gain of \$3.8 million on the Corporation’s original \$3.2 million investment. The Corporation also 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 from the sale of its equity interest in the Ecuador IPC. The remaining \$6 million of remaining cash proceeds have been classified as a long-term receivable as it will be received in June 2019.

Subsequent to March 31, 2018, the Corporation completed a private offering of senior unsecured notes in the aggregate principal amount of \$320 million (the “Notes”) and has used the net proceeds to fully repay the outstanding amounts borrowed under its existing credit facility in the amount of \$305 million plus accrued interest.

By replacing the current credit facility of \$305 million, the Corporation benefits from: (i) replacing the current term loan that bears an interest rate of fluctuating three month Libor +5.5% (which currently totals approximately 8%, as the three month Libor has been increasing materially during the last 14 months), to a fixed coupon of 7.25%, which provides both a reduction and certainty of debt expenses in an extremely volatile interest rate environment; (ii) deferring the quarterly \$23.5 million amortization of the existing credit facility beginning in March 2019, for a bullet maturity in May 2025; (iii) an administratively less burdensome note indenture that will not require collateral or quarterly certification of maintenance covenants (only incurrence-based covenants); (iv) no cash required to be held in a debt service reserve account as is required under the current credit facility (these amounts are scheduled to total approximately \$25 million later in 2018 under the existing credit facility); and (v) achieving certain other operational and financial flexibilities, including the ability for the Corporation to pay a dividend.

	March 31, 2018	
Bank debt – principal	\$	305,000
Finance lease obligations		48,065
Working capital surplus		(94,472)
Net debt	\$	258,593

The 2017 Senior Secured Term Loan included various non-financial covenants and financial covenants, including a maximum consolidated leverage ratio (“Consolidated Leverage Ratio”) of 3.00:1.00, a minimum consolidated interest coverage ratio (“Consolidated Interest Coverage Ratio”) of 3.50:1.00, a minimum consolidated current assets to consolidated current liabilities ratio (“Consolidated Current Assets to Consolidated Current Liabilities Ratio”) of 1.00:1.00, a minimum PV10 ratio of 1.30:1.00 and a minimum debt service coverage ratio of 1.50:1.00.

The Consolidated Leverage Ratio is calculated on a quarterly basis as consolidated total debt (“Consolidated Total Debt”) divided by consolidated EBITDAX for covenant purposes (“Covenant EBITDAX”). Consolidated Total Debt includes the principal amount of all indebtedness, which currently includes bank debt, finance lease obligation and capital expenditure financing; additionally, restricted cash maintained in the debt service reserve account related to the 2017 Senior Secured Term Loan is deductible against Consolidated Total Debt. Covenant EBITDAX is calculated on a rolling 12-month basis and is defined as consolidated net income (loss) adjusted for interest, income taxes, depreciation, depletion, amortization, exploration expenses, equity income (loss) and other similar non-recurring or non-cash charges. Covenant EBITDAX is further adjusted for the Corporation’s share of revenues from the Ecuador IPC, to the extent that they are collected in cash since the investment is accounted for using the equity method in the Corporation’s financial statements and impacts the consolidated funds from operations.

The Consolidated Interest Coverage Ratio is calculated on a quarterly basis as Covenant EBITDAX divided by consolidated interest expense (“Consolidated Interest Expense”). Covenant 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 excludes non-cash interest charges.

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 the current portion of bank debt and any non-cash current assets and non-cash current liabilities.

The PV10 ratio is calculated semi-annually as the present value of after-tax future net revenues of the Corporation’s proved reserves discounted at 10% calculated from the Corporation’s reserves reports divided by the outstanding principal balance of the 2017 Senior Secured Term Loan.

The debt service coverage ratio is calculated on a quarterly basis as the ratio of: a) the aggregate amount of cash received in the Corporation’s collection accounts during the quarter to b) the upcoming debt service amount.

Consolidated Total Debt and Consolidated EBITDAX are calculated as follows:

Consolidated Total Debt	March 31, 2018
Bank debt – principal	\$ 305,000
Finance lease obligations	48,065
Capital expenditure financing	9,500
Debt service reserve account balance	(15,320)
Consolidated Total Debt	\$ 347,245

Consolidated EBITDAX	2017			2018	
	Q2	Q3	Q4	Q1	Rolling
Consolidated net income (loss)	11,770	(1,514)	(150,343)	8,278	(131,809)
(+) Interest expense	6,221	6,743	4,948	7,945	25,857
(+/-) Income taxes (recovery)	11,279	(1,659)	19,050	(1,895)	26,775
(+) Wealth taxes	24	(16)	—	—	8
(+) Depletion and depreciation	5,539	10,380	10,060	10,131	36,110
(+) Pre-license and exploration expenses	23	1,069	26,017	595	27,704
(-) Equity (loss) profit	(493)	(268)	(1,475)	—	(2,236)
(+/-) Other non-cash expenses (income) and non-recurring items	(11,016)	12,869	117,407	8,557	127,817
(+) Contribution of Ecuador IPC	5,724	5,308	4,193	1,956	17,181
Consolidated EBITDAX	29,071	32,912	29,857	35,567	127,407
(+/-) Ecuador IPC receivable adjustment	13,751	(5,308)	1,057	(1,956)	7,544
Covenant EBITDAX	42,822	27,604	30,914	33,611	134,951

Consolidated Leverage Ratio	March 31, 2018
Consolidated Total Debt	\$ 347,245
Covenant EBITDAX	134,951
Consolidated Leverage Ratio	2.57

The Consolidated Interest Coverage Ratio is calculated as follows:

Consolidated Interest Coverage Ratio	March 31, 2018
Consolidated Interest Expense	\$ 25,857
Covenant EBITDAX	134,951
Consolidated Interest Coverage Ratio	5.22

The Corporation was in compliance with its covenants as at March 31, 2018. Going forward, the Corporation will no longer be required to monitor these covenants due to the issuance of the Notes to replace its current credit facility subsequent to March 31, 2018.

Letters of Credit

At March 31, 2018, the Corporation had letters of credit outstanding totaling \$89 million to guarantee work commitments on exploration blocks in Colombia and to guarantee other contractual commitments, of which \$21.1 million relates to assets held for sale.

At May 11, 2018, the Corporation had 177 million common shares, 16.4 million stock options and 0.7 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, 2018:

	Less than 1 year	1-3 years	Thereafter	Total
Bank debt – principal	\$ 23,462	\$ 187,692	\$ 93,846	\$ 305,000
Finance lease obligations - undiscounted ⁽¹⁾	10,517	21,288	26,043	57,848
Trade and other payables	50,608	—	—	50,608
Crude oil payable in kind	777	—	—	777
Taxes payable	13,051	—	—	13,051
Deferred income	7,764	—	—	7,764
Other long term obligations	—	2,069	—	2,069
Restricted share units	2,149	32	—	2,181
Exploration and production contracts	21,511	49,805	22,016	93,332
Jobo facility operating contract	2,879	5,757	1,919	10,555
Compression station operating contracts	2,470	5,090	18,744	26,304
Office leases	1,388	1,502	365	3,255

(1) The finance lease obligations comprise of Jobo natural gas processing facility (28.6 million) and the Sabanas compression stations (29.2 million).

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 March 31, 2018 of \$93.3 million and has issued \$39.6 million in financial guarantees related thereto. In the event that the Corporation sells certain petroleum E&E and D&P assets, \$25.6 million of the total \$93.3 million of the exploration commitments and \$21.1 million of the \$39.6 million financial guarantees relating to these assets will no longer be held by the Corporation.

Pipeline Ship-Or-Pay Contracts

The Corporation owns a 0.5% interest in Oleoducto Bicentenario de Colombia (“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 and Cenit Transporte y Logística de Hidrocarburos S.A. for 550 barrels of oil per day at a variable regulated tariff. The tariffs as at March 31, 2018 are \$7.56 / barrel and \$2.97 / barrel, respectively. The ship-or-pay contracts will expire in November 2025 and 2028, respectively.

OUTLOOK

Management's objectives for 2018 remain to: 1) sell an average of 114 to 129 MMscfpd of gas and 1,700 bopd ("barrels of oil per day"), 2) execute the necessary investments in drilling, facilities, and flowlines to ensure that the productive capacity of the Corporation is greater than 230 MMscfpd by December 1, 2018, 3) execute a four well exploration and appraisal drilling program to build reserves and 4) divest the Corporation's non-core Colombian conventional oil assets to focus on the exploration and commercialization of our significant Colombian gas reserves and resource base.

Highlights of the capital spending program aimed at ensuring that the Corporation achieves 230 MMscfpd of gas production capability by December 2018 include: 1) the drilling of four exploration and appraisal wells and three development wells, 2) expansion of the Corporation's gas gathering and processing facilities at Jobo, and 3) various workovers of its existing gas wells. The Corporation also expects to acquire new 3D seismic data on its VIM-5 contract to continue building its gas exploration drilling portfolio. Approximately 97% of the originally announced \$80 million budget for 2018 is dedicated to spending on the Corporation's gas assets, with the remainder on its oil assets, and will be fully funded from existing cash and cash flows.

Subsequent to March 31, 2018, the Corporation completed a private offering of senior unsecured notes in the aggregate principal amount of \$320 million and has used the net proceeds to fully repay the outstanding amounts borrowed under its existing credit facility in the amount of \$305 million plus accrued interest.

By replacing the credit facility of \$305 million, the Corporation benefits from: (i) replacing the current term loan that bears an interest rate of fluctuating three month Libor +5.5% (which currently totals approximately 8%, as the three month Libor has been increasing materially during the last 14 months), to a fixed coupon of 7.25%, which provides both a reduction and certainty of debt expenses in an extremely volatile interest rate environment; (ii) deferring the quarterly \$23.5 million amortization of the existing credit facility beginning in March 2019, for a bullet maturity in May 2025; (iii) an administratively less burdensome note indenture that will not require collateral or quarterly certification of maintenance covenants (only incurrence-based covenants); (iv) no cash required to be held in a debt service reserve account as is required under the current credit facility (these amounts are scheduled to total approximately \$25 million later in 2018 under the existing credit facility); and (v) achieving certain other operational and financial flexibilities, including the ability for the Corporation to pay a dividend.

With respect to the drilling program, the Corporation successfully drilled and completed the Pandereta-3 and Chirimia-1 appraisal wells as gas producers, with the Gaiteros-1 exploration well resulting in a dry hole. The remainder of the drilling program includes three exploration wells and one development well. The first of the three remaining exploration wells, Breva-1, was spud in late April 2018 and is currently being cased and completed as a Porquero gas discovery. The remaining exploration wells include the Borojo-1 well, which will spud in early June 2018, followed immediately by the Canahuata-East well. The final development well in the 2018 drilling program is Canahuata-West, which will be drilled following the Canahuata-East well.

As previously announced, forecast realized contractual gas and oil sales, which include contractual gas downtime for 2018, are anticipated to average between 21,700 and 24,300 boepd, which include 114 and 129 MMscfpd of gas, respectively, and approximately 1,700 bopd of annualized oil production. Upon a successful sale of the Colombian oil assets, this annualized oil production forecast would be revised accordingly. The base range for gas production assumes that the Promigas S.A. expansion, which will add 100 MMscfpd of transportation capacity between the Corporation's gas processing facilities located at Jobo and the markets of Cartagena and Barranquilla, is delayed and does not materialize as of December 1, 2018. The upper range for gas production assumes that the Promigas S.A. expansion is completed on December 1, 2018, as currently planned, and that the Corporation sells additional natural gas in the interruptible market throughout 2018.

Based on the Corporation's current portfolio of 2018 gas contracts, the average sales price, net of transportation costs where applicable, is approximately \$4.75/Mcf.

The Corporation has awarded a contract to build and install a new gas processing module at its Jobo gas facility to process an additional 100 MMscfpd of gas, which will raise the gas treating capability of the Jobo facility to 300 MMscfpd by December 2018. The Corporation will purchase and operate the new gas processing module with funds sourced from existing cash and cash flows including the release of funds from the prior credit facility's debt service reserve account, which is no longer required under the new senior unsecured notes.

SUMMARY OF QUARTERLY RESULTS

	2018	2017				2016		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Financial								
Total Petroleum and natural gas revenues, net of royalties	51,756	42,092	37,950	37,283	41,583	41,967	44,392	38,926
Adjusted petroleum and natural gas revenues, net of royalties ⁽¹⁾	53,712	46,285	43,258	43,007	46,975	47,943	50,851	45,390
Cash flow provided by operating activities	19,868	25,001	11,783	11,130	17,539	30,289	22,275	13,764
Per share – basic (\$)	0.11	0.14	0.07	0.06	0.10	0.17	0.13	0.09
Per share – diluted (\$)	0.11	0.14	0.07	0.06	0.10	0.17	0.13	0.08
Adjusted funds from operations ⁽¹⁾	23,537	20,857	18,871	24,236	20,947	41,979	30,719	26,870
Per share – basic (\$) ⁽¹⁾	0.13	0.12	0.11	0.14	0.12	0.24	0.18	0.17
Per share – diluted (\$) ⁽¹⁾	0.13	0.12	0.11	0.14	0.12	0.24	0.18	0.16
Net income (loss) and comprehensive income (loss)	8,278	(150,343)	(1,514)	11,770	(7,942)	20,331	(8,399)	11,245
Per share – basic (\$)	0.05	(0.85)	(0.01)	0.07	(0.05)	0.12	(0.05)	0.07
Per share – diluted (\$)	0.05	(0.85)	(0.01)	0.07	(0.05)	0.12	(0.05)	0.07
Capital expenditures, net	40,194	41,652	24,978	30,572	24,000	58,638	28,698	5,046
Adjusted capital expenditures, net ⁽¹⁾	42,571	44,373	25,568	30,648	24,818	59,691	29,208	5,376
Operations (boepd)								
Petroleum and natural gas production, before royalties								
Petroleum ⁽²⁾	2,488	3,008	3,263	3,487	3,505	3,616	3,892	4,018
Natural gas	18,467	14,569	13,324	13,675	13,487	14,112	14,740	12,405
Total ⁽²⁾	20,955	17,577	16,587	17,162	16,992	17,728	18,632	16,423
Petroleum and natural gas sales, before royalties								
Petroleum ⁽²⁾	2,460	3,003	3,268	3,500	3,517	3,657	3,801	4,045
Natural gas	18,335	14,379	13,239	13,563	13,409	13,986	14,621	12,331
Total ⁽²⁾	20,795	17,382	16,507	17,063	16,926	17,643	18,422	16,376
Realized contractual sales, before royalties								
Natural gas	18,655	14,950	13,338	13,695	14,526	14,653	15,107	12,972
Colombia oil	1,896	1,820	1,895	1,933	2,014	2,026	2,090	2,294
Ecuador tariff oil ⁽²⁾	564	1,183	1,373	1,567	1,503	1,631	1,711	1,751
Total ⁽²⁾	21,115	17,953	16,606	17,195	18,043	18,310	18,908	17,017

(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, 2018 to the risks and uncertainties as identified in the MD&A for the year ended December 31, 2017.

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 three months ended March 31, 2018. Detailed discussions of new accounting policies 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 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, 2018, 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.