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# Governance Guidelines for the Board of Directors

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

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

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

## 1. Independence

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

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

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

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

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

In addition, the Corporation engages an outside consultant to perform an assessment of the Board, its Committees and individual Board members every 12 months.

## 2. Nomination of Directors

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

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

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

## 3. Election and Resignation of Directors

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

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

## 4. Leadership in Corporate Strategy

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

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

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

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

## 5. Ethical Standards

The Board shall adopt a Code of Ethics and Business Conduct applicable to Directors, officers and employees of the Corporation and shall establish the appropriate "tone at the top". To the extent feasible, the Board shall satisfy itself as to the integrity of the CEO and other members of senior management

and that the CEO and other members of senior management create a culture of integrity throughout the organization. Any waivers from the Code that are granted for the benefit of the Corporation's directors or executive officers should be granted by the Board only.

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

## 6. Management of Risk

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

## 7. Approach to Corporate Governance

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

## 8. Oversight of Management

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

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

## 9. Succession Planning

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

## 10. Expectations of Board Members

### a. Commitment and Attendance

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

### b. Participation in Meetings

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

### c. Financial Knowledge

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

### d. Other Directorships

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

### e. Contact with Management

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

### f. Confidentiality

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

## 11. Monitoring of Financial Performance and Other Financial Reporting Matters

- a. The Board, through the Audit Committee, shall be responsible for approving the Corporation's financial statements, Management's Discussion & Analysis, Annual Information Form and earnings press releases prior to their public disclosure
- b. The Board shall approve the annual budget and periodically shall receive an analysis of actual results versus approved budgets.
- c. The Board is responsible for reviewing and approving material transactions outside the ordinary course of business and those matters which the Board is required to approve under the

Corporation's governing statute, including the payment of dividends, issuance, purchase and redemptions of securities, acquisitions and dispositions of material capital assets and material capital expenditures as outlined in the Corporation's General Authority Guidelines.

## **12. Shareholder Communications and Disclosure**

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

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

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

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

## **13. Integrity of Corporate Control and Management Information Systems**

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

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

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

## **14. Legal Requirements**

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

## **15. Environmental and Safety Matters**

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

## **16. Board Delegation to Committees**

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

## 17. Authority

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

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

## 18. Limitation

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