CANACOL ENERGY LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE AND SIX MONTHS ENDED JUNE 30, 2024

FINANCIAL & OPERATING HIGHLIGHTS

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

Financial	Three months ended June 30,			Six months ended June 30,		
	2024	2023	Change	**2024**	2023	Change
Total revenues, net of royalties and transportation expense(1)	**88,288**	74,605	18%	**165,979**	148,518	12%
Adjusted funds from operations(1)	**57,121**	33,686	70%	**99,347**	66,379	50%
Per share – basic ($)(1)	**1.67**	0.99	69%	**2.91**	1.95	49%
Per share – diluted ($)(1)	**1.67**	0.99	69%	**2.91**	1.95	49%
Net (loss) income and comprehensive (loss) income	**(21,298)**	39,990	n/a	**(17,644)**	56,864	n/a
Per share – basic ($)	**(0.62)**	1.17	n/a	**(0.52)**	1.67	n/a
Per share – diluted ($)	**(0.62)**	1.17	n/a	**(0.52)**	1.67	n/a
Cash flows provided by operating activities	**49,202**	(24,413)	n/a	**103,921**	6,556	1485%
Per share – basic ($)(1)	**1.44**	(0.72)	n/a	**3.05**	0.19	1505%
Per share – diluted ($)(1)	**1.44**	(0.72)	n/a	**3.05**	0.19	1505%
Adjusted EBITDAX(1)	**73,187**	60,654	21%	**134,228**	121,582	10%
Weighted average shares outstanding – basic	**34,111**	34,111	—%	**34,111**	34,111	—%
Weighted average shares outstanding – diluted	**34,111**	34,111	—%	**34,111**	34,111	—%
Net cash capital expenditures(1)	**33,853**	51,985	(35%)	**69,731**	99,108	(30%)
				June 30, 2024	December 31, 2023	Change
Cash and cash equivalents				**42,596**	39,425	8%
Working capital surplus (deficit)				**514**	(10,028)	n/a
Total debt				**714,286**	713,435	—%
Total assets				**1,197,466**	1,233,428	(3%)
Common shares, end of period (000's)				**34,111**	34,111	—%

Operating	Three months ended June 30,			Six months ended June 30,		
	2024	2023	Change	**2024**	2023	Change
Production						
Natural gas and LNG (Mcfpd)	**162,652**	187,687	(13%)	**158,348**	188,033	(16%)
Colombia oil (bopd)	**1,700**	527	223%	**1,552**	546	184%
Total (boepd)	**30,235**	33,455	(10%)	**29,332**	33,534	(13%)
Realized contractual sales						
Natural gas and LNG (Mcfpd)	**158,541**	184,752	(14%)	**154,481**	185,185	(17%)
Colombia oil (bopd)	**1,681**	523	221%	**1,535**	555	177%
Total (boepd)	**29,495**	32,936	(10%)	**28,637**	33,044	(13%)
Operating netbacks(1)						
Natural gas and LNG ($/Mcf)	**5.34**	3.94	36%	**5.12**	3.97	29%
Colombia oil ($/bbl)	**21.98**	18.57	18%	**21.14**	22.39	(6%)
Corporate ($/boe)	**29.95**	22.36	34%	**28.77**	22.61	27%

(1) Non-IFRS measures – see "Non-IFRS Measures" section within this MD&A.

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 2000, 215 - 9th Avenue SW, Calgary, Alberta, T2P 1K3, 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 August 6, 2024 and is the Corporation's explanation of its financial performance for the period covered by the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2024 ("the financial statements"), along with an analysis of the Corporation's financial position. Comments relate to and should be read in conjunction with the financial statements, and the audited consolidated financial statements and MD&A for the year ended December 31, 2023. The financial statements were prepared by management in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), and all amounts herein are expressed in United States dollars ("USD"), unless otherwise noted, and all tabular amounts are expressed in thousands of USD, 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.sedarplus.ca.

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, or 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 an El Niño phenomenon will create a higher than normal demand for natural gas sales, or that there will be no penalties on the termination of the Medellin gas sales contract. 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, LNG 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 and are subject to a high degree of uncertainty. 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 adjusted EBITDAX, which are measures not defined in IFRS Accounting Standards. Adjusted funds from operations represents cash flow provided by operating activities before the settlement of decommissioning obligations and changes in non-cash working capital, adjusted for non-recurring charges. Adjusted 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, pre-license costs 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 dividend 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 Accounting Standards 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 the 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 June 30,		Six months ended June 30,	
	2024	2023	**2024**	2023
Cash flows provided (used) by operating activities	**$ 49,202**	$ (24,413)	**$ 103,921**	$ 6,556
Changes in non-cash working capital	**7,733**	58,099	**(5,461)**	59,606
Settlement of decommissioning obligations	**186**	—	**887**	217
Adjusted funds from operations	**$ 57,121**	$ 33,686	**$ 99,347**	$ 66,379

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

	2023		2024		
	Q3	**Q4**	**Q1**	**Q2**	**Rolling**
Net income (loss) and comprehensive income (loss)	$ (524)	$ 29,897	$ 3,654	$ (21,298)	$ 11,729
(+) Interest expense	12,001	12,998	13,721	14,270	52,990
(+) Income tax expense (recovery)	(5,596)	(14,076)	17,718	53,789	51,835
(+) Depletion and depreciation	17,619	20,086	19,026	19,433	76,164
(+) Impairment of long lived assets	32,604	2,750	—	—	35,354
(+) Pre-license costs	270	327	189	185	971
(+) Unrealized foreign exchange loss (gain)	1,354	(2,316)	561	(550)	(951)
(+/-) Other non-cash or non-recurring items	4,375	3,478	6,172	7,358	21,383
Adjusted EBITDAX	**$ 62,103**	**$ 53,144**	**$ 61,041**	**$ 73,187**	**$ 249,475**

In addition to the above, management uses the operating netback measure. 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.

Operating netback as presented does not have any standardized meaning prescribed by IFRS Accounting Standards 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, boe is expressed using the Colombian conversion standard of 5.7 Mcf: 1 bbl required by the Ministry of Mines and Energy of Colombia. Natural gas and LNG volumes per day are expressed in thousand cubic feet per day ("Mcfpd") or million cubic feet per day ("MMcfpd") throughout this MD&A.

Three Months Ended June 30, 2024 Financial and Operating Highlights

- Adjusted funds from operations increased 70% to $57.1 million for the three months ended June 30, 2024, compared to $33.7 million for the same period in 2023, mainly due to an increase in EBITDAX combined with a decrease in current income tax expense.
- Adjusted EBITDAX increased 21% to $73.2 million for the three months ended June 30, 2024, compared to $60.7 million for the same period in 2023. The increase is mainly due to an increase of natural gas and liquefied natural gas ("LNG") operating netback, offset by a decrease in realized contractual natural gas and LNG sales volume.
- The Corporation's natural gas and LNG operating netback increased 36% to $5.34 per Mcf for the three months ended June 30, 2024, compared to $3.94 per Mcf for the same period in 2023. The increase is mainly due to an increase in average sales prices, net of transportation expenses, offset by an increase in operating expenses and royalties.
- Total revenues, net of royalties and transportation expenses for the three months ended June 30, 2024 increased 18% to $88.3 million, compared to $74.6 million for same period in 2023, mainly due to higher average natural gas sales price, net of transportation expenses of $6.84 per Mcf for the three months ended June 30, 2024 as compared to $5.13 per Mcf for the same period in 2023, offset by a decrease in realized natural gas and LNG sales volume.
- Realized contractual natural gas and LNG sales volume decreased 14% to 158.5 MMcfpd for the three months ended June 30, 2024, compared to 184.8 MMcfpd for the same period in 2023. The decrease is due to the decrease in the Corporation's production capacity which commenced during the third quarter of 2023 (see "Results of Operations" section).
- The Corporation realized a net loss of $21.3 million for the three months ended June 30, 2024, compared to a net income of $40.0 million for the same period in 2023. The decrease in net income for the three months ended June 30, 2024 is the result of recognizing a non-cash deferred income tax expense of $42.6 million for Q2 2024, as compared to a deferred income tax recovery of $38.9 million in 2023. The $42.6 million non-cash deferred income tax expense is driven by an 8% Colombian peso devaluation.
- Net cash capital expenditures for the three months ended June 30, 2024 was $33.9 million compared to $52.0 million for the same period in 2023. The decrease is mainly due to reduced spending on warehouse inventory and drilling costs.
- As at June 30, 2024, the Corporation had $42.6 million in cash and cash equivalents and $0.5 million in working capital surplus.

Results of Operations

For the three months ended June 30, 2024, the Corporation's production primarily consisted of natural gas from the Esperanza, VIM-5 and VIM-21 blocks located in the Lower Magdalena Valley basin in Colombia. The Corporation's production also included crude oil from its Rancho Hermoso block in Colombia ("Colombia oil"). The Corporation's LNG production was less than one percent of total natural gas and LNG production and, therefore, the results have been combined as "Natural gas and LNG".

During the three months ended June 30, 2024, the Corporation completed the acquisition of the Macao 3D seismic program.

On April 2, 2024, the Corporation spud the Chontaduro-1 exploration well located on its VIM-21 block. The Chontaduro-1 exploration well encountered 123 feet true vertical depth of net gas pay with average porosity of 21% within the primary Cienaga de Oro ("CDO") sandstone reservoir, and was tested at a rate up to 12 MMcfpd. The Chontaduro-1 exploration well was tied in and is currently producing into the Jobo gas processing facility.

On April 18, 2024, the Corporation spud the Chontaduro-2 appraisal well. The Chontaduro-2 well encountered 88 feet true vertical depth of net gas pay with average porosity of 23% within the primary CDO sandstone reservoir, and was tested at a rate up to 12 MMcfpd. The Chontaduro-2 well was tied in and is currently producing into the Jobo gas processing facility.

Average Daily Production and Realized Contractual Sales Volumes

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

	Three months ended June 30,			Six months ended June 30,		
	2024	2023	Change	**2024**	2023	Change
Natural Gas and LNG (Mcfpd)						
Natural gas and LNG production	**162,652**	187,687	(13%)	**158,348**	188,033	(16%)
Field consumption	**(4,111)**	(3,004)	37%	**(3,997)**	(2,939)	36%
Natural gas and LNG sales	**158,541**	184,683	(14%)	**154,351**	185,094	(17%)
Take-or-pay volumes (2)	**—**	69	(100%)	**130**	91	43%
Realized contractual natural gas and LNG sales	**158,541**	184,752	(14%)	**154,481**	185,185	(17%)
Colombia Oil (bopd)						
Crude oil production	**1,700**	527	223%	**1,552**	546	184%
Inventory movements and other	**(19)**	(4)	375%	**(17)**	9	(289%)
Colombia oil sales	**1,681**	523	221%	**1,535**	555	177%
Corporate (boepd)						
Natural gas and LNG production	**28,535**	32,928	(13%)	**27,780**	32,988	(16%)
Colombia oil production	**1,700**	527	223%	**1,552**	546	184%
Total production	**30,235**	33,455	(10%)	**29,332**	33,534	(13%)
Field consumption and inventory	**(740)**	(531)	39%	**(718)**	(506)	42%
Total corporate sales	**29,495**	32,924	(10%)	**28,614**	33,028	(13%)
Take-or-pay volumes (2)	**—**	12	(100%)	**23**	16	44%
Total realized contractual sales	**29,495**	32,936	(10%)	**28,637**	33,044	(13%)

The Corporation has three types of natural gas and LNG sales:

1) *Natural Gas and LNG sales* - represents natural gas and LNG 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 and LNG sales nominations by the Corporation's off-takers that do not get delivered, due to the off-taker's inability to accept such natural 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; and

3) *Undelivered natural gas and LNG nomination*s - represents the portion of undelivered natural gas and LNG 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 natural gas and LNG 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.

Realized contractual natural gas and LNG sales for the three and six months ended June 30, 2024 averaged 158.5 and 154.5 MMcfpd, respectively. Realized contractual sales is defined as natural gas and LNG produced and sold plus income received from nominated take-or-pay contracts without the actual delivery of natural gas or LNG and the expiry of the customers' rights to take the deliveries.

The 14% and 17% decrease in realized contractual natural gas and LNG sales for the three and six months ended June 30, 2024, respectively, compared to the same periods in 2023, respectively, is due to the production capacity restrictions which commenced in August 2023 as a result of issues at the Jobo gas treatment facility as well as certain of its producing wells. The Corporation's production capacity is gradually recovering as a result of a) the plant turnaround performed at Jobo during December of 2023 and b) recent development and exploration successes at the VIM-5 and VIM-21 blocks.

The 221% and 177% increase in Colombia oil sales for the three and six months ended June 30, 2024, respectively, compared to the same periods in 2023, respectively, is due to the reactivation of the RH-12 well during the six months ended June 30, 2024. The RH-12 well restarted production in late January 2024 and has been producing at approximately 1,200 bopd.

Revenues, Net of Royalties and Transportation Expenses

	Three months ended June 30,			Six months ended June 30,		
	2024	2023	Change	**2024**	2023	Change
Natural Gas and LNG						
Natural gas and LNG revenues	**$ 105,018**	$ 89,216	18%	**$ 200,838**	$ 177,154	13%
Transportation expenses	**(6,271)**	(3,059)	105%	**(11,964)**	(5,349)	124%
Revenues, net of transportation expenses	**98,747**	86,157	15%	**188,874**	171,805	10%
Royalties	**(15,773)**	(14,178)	11%	**(32,804)**	(28,757)	14%
Revenues, net of royalties and transportation	**$ 82,974**	$ 71,979	15%	**$ 156,070**	$ 143,048	9%
Colombia Oil						
Crude oil revenues	**$ 4,671**	$ 1,944	140%	**$ 8,566**	$ 4,136	107%
Transportation expenses	**(12)**	(14)	14%	**(30)**	(42)	(29%)
Revenues, net of transportation expenses	**4,659**	1,930	141%	**8,536**	4,094	109%
Royalties	**(126)**	(110)	15%	**(270)**	(240)	13%
Revenues, net of royalties and transportation	**$ 4,533**	$ 1,820	149%	**$ 8,266**	$ 3,854	114%
Corporate						
Natural gas and LNG revenues	**$ 105,018**	$ 89,216	18%	**$ 200,838**	$ 177,154	13%
Crude oil revenues	**4,671**	1,944	140%	**8,566**	4,136	107%
Total revenues	**109,689**	91,160	20%	**209,404**	181,290	16%
Royalties	**(15,899)**	(14,288)	11%	**(33,074)**	(28,997)	14%
Natural gas, LNG and crude oil production revenues, net of royalties	**93,790**	76,872	22%	**176,330**	152,293	16%
Power generation standby revenue	**781**	764	2%	**1,534**	1,513	1%
Take-or-pay natural gas income	**—**	42	(100%)	**109**	103	6%
Total revenues, net of royalties, as reported	**94,571**	77,678	22%	**177,973**	153,909	16%
Transportation expenses	**(6,283)**	(3,073)	104%	**(11,994)**	(5,391)	122%
Total revenues, net of royalties and transportation expenses	**$ 88,288**	$ 74,605	18%	**$ 165,979**	$ 148,518	12%

Natural Gas and LNG Sales and Power Generation Standby Revenue

Natural gas and LNG revenues, net of transportation expenses for the three and six months ended June 30, 2024 increased 15% and 10% to $98.7 million and $188.9 million, respectively, compared to $86.2 million and $171.8 million for the same periods in 2023, respectively, due to an increase in average sales price, net of transportation expenses, offset by lower sales volume.

Colombia oil revenues, net of transportation expenses for the three and six months ended June 30, 2024 increased 141% and 109%, respectively, compared to the same periods in 2023, respectively, mainly due to an increase in sales volume as a result of the reactivation of the RH-12 well.

During the three and six months ended June 30, 2024, the Corporation realized power generation standby revenue of $0.8 million and $1.5 million, respectively, for its commitment to supply natural gas to a Colombian power generation plant owned by Termoelectrica el Tesorito S.A.S. ESP ("Tesorito"). The power generation standby revenue is earned on a daily basis, regardless of whether natural gas is actually delivered.

As at June 30, 2024, the Corporation had deferred income of $16.5 million, which was related to undelivered natural gas and LNG sales nominations that were paid for or accrued in accounts receivable, for which the off-takers have a legal right to take delivery at a later date, at which point they will be recognized as revenue. Should the off-taker not accept delivery within the allotted period, the Corporation will recognize the corresponding nominations as take-or-pay income as explained on page 5 of this MD&A.

Natural Gas Transportation Expenses

The Corporation either sells its natural gas at its Jobo gas plant gate (whereby the off-taker incurs the transportation expenses, and as such Canacol does not recognize a transportation expense), or delivers its natural gas to the off-takers' locations (whereby Canacol pays and recognizes the transportation expenses directly). In the latter case, the Corporation's transportation expenses on such contracts are compensated by higher gross sales prices, resulting in average realized sales prices (net of transportation) being consistent with the Corporation's realized price in which the off-taker incurs the transportation expense. The blend of these two types of delivery options varies from contract to contract and from quarter to quarter, hence the Corporation refers to an average net realized sales price, which in either case, is net of any transportation costs, regardless of which party incurs the transportation expense. Natural gas transportation expenses increased 105% and 124% for the three and six months ended June 30, 2024, respectively, compared to the same periods in 2023, respectively, due to the increase in natural gas sales subject to transportation expenses, as described above.

Natural Gas Royalties

	Three months ended June 30,			Six months ended June 30,		
	2024	2023	Change	**2024**	2023	Change
Natural Gas						
Esperanza royalties	**$ 1,023**	$ 1,165	(12%)	**$ 1,819**	$ 2,179	(17%)
VIM-5 royalties	**11,644**	10,670	9%	**26,496**	22,661	17%
VIM-21 royalties	**3,106**	2,343	33%	**4,489**	3,917	15%
Royalty expense	**$ 15,773**	$ 14,178	11%	**$ 32,804**	$ 28,757	14%
Natural Gas Royalty Rates						
Esperanza	**8.6%**	9.2%	(7%)	**8.8%**	8.9%	(1%)
VIM-5	**22.0%**	22.1%	—%	**22.3%**	21.4%	4%
VIM-21	**9.4%**	9.6%	(2%)	**9.5%**	9.9%	(4%)
Natural gas royalty rate	**16.0%**	16.5%	(3%)	**17.4%**	16.7%	4%

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 600,000 boepd field production. The Corporation's Esperanza and VIM-5 natural gas production is subject to an additional overriding royalty of 2% to 4%. The Corporation's VIM-5 and VIM-21 natural gas production is subject to additional x-factor royalty rates of 13% and 3%, respectively.

The natural gas royalty rate decreased to 16.0% for the three months ended June 30, 2024, compared to 16.5% for the same period in 2023, mainly due to lower production at the Esperanza block. The natural gas royalty rate increased to 17.4% for the six months ended June 30, 2024, compared to 16.7% for the same period in 2023, mainly due to higher production at the VIM-5 block, which is subject to a higher royalty rate.

Average Benchmark and Realized Sales Prices, Net of Transportation

	Three months ended June 30,			Six months ended June 30,		
	2024	2023	Change	**2024**	2023	Change
Average Benchmark Prices						
Henry Hub ($/MMBtu)	**$ 2.81**	$ 2.48	13%	**$ 2.28**	$ 2.45	(7%)
Alberta Energy Company ("AECO") ($/MMBtu)	**$ 0.58**	$ 1.44	(60%)	**$ 0.94**	$ 1.75	(46%)
Brent ($/bbl)	**$ 83.00**	$ 74.98	11%	**$ 83.84**	$ 77.10	9%
Average Sales Prices, Net of Transportation						
Natural gas and LNG ($/Mcf)	**$ 6.84**	$ 5.13	33%	**$ 6.72**	$ 5.13	31%
Colombia oil ($/bbl)	**$ 30.46**	$ 40.55	(25%)	**$ 30.55**	$ 40.75	(25%)
Corporate average ($/boe)	**$ 38.53**	$ 29.40	31%	**$ 37.91**	$ 29.42	29%

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

Average natural gas and LNG sales prices, net of transportation increased 33% and 31% to $6.84 per Mcf and $6.72 per Mcf, respectively, for the three and six months ended June 30, 2024, compared to $5.13 per Mcf for both the same periods in 2023. The increase in average natural gas and LNG sales prices, net of transportation for the three and six months ended June 30, 2024 is due to a) a 19% increase in average sales price of firm long-term fixed-priced contracts to $6.04 per Mcf for the six months ended June 30, 2024, compared to $5.09 per Mcf for the same period in 2023, and b) the increase in interruptible prices as a result of the El Nino phenomenon.

The 25% decrease in average crude oil prices for both the three and six months ended June 30, 2024, compared to the same periods in 2023, is due to a higher portion of total oil production sold under tariff agreement.

Operating Expenses

	Three months ended June 30,			Six months ended June 30,		
	2024	2023	Change	**2024**	2023	Change
Natural gas and LNG	**$ 5,955**	$ 5,862	2%	**$ 12,169**	$ 10,098	21%
Colombia oil	**1,172**	936	25%	**2,358**	1,604	47%
Total operating expenses	**$ 7,127**	$ 6,798	5%	**$ 14,527**	$ 11,702	24%
Natural gas and LNG ($/Mcf)	**$ 0.41**	$ 0.35	17%	**$ 0.43**	$ 0.30	43%
Colombia oil ($/bbl)	**$ 7.66**	$ 19.67	(61%)	**$ 8.44**	$ 15.97	(47%)
Corporate ($/boe)	**$ 2.66**	$ 2.27	17%	**$ 2.79**	$ 1.96	42%

Natural gas and LNG operating expenses increased 2% and 21% to $6.0 million and $12.2 million for the three and six months ended June 30, 2024, respectively, compared to $5.9 million and $10.1 million for the same periods in 2023, respectively. The increase in natural gas and LNG operating expenses for the six months ended June 30, 2024 is due to the combination of a) increase in maintenance activities, b) increase in water treatment and sand handling costs, c) increase in equipment rental costs, and d) inflation.

Colombia oil operating expenses increased 25% and 47% for the three and six months ended June 30, 2024, respectively, compared to the same periods in 2023, respectively, mainly due to a) the use of short-term rental facilities during January and February of 2024 and b) inflation.

Operating Netbacks

	Three months ended June 30,			Six months ended June 30,		
$/Mcf	**2024**	2023	Change	**2024**	2023	Change
Natural Gas and LNG						
Revenue, net of transportation expense(1)	**$ 6.84**	$ 5.13	33%	**$ 6.72**	$ 5.13	31%
Royalties	**(1.09)**	(0.84)	30%	**(1.17)**	(0.86)	36%
Operating expenses(2)	**(0.41)**	(0.35)	17%	**(0.43)**	(0.30)	43%
Operating netback	**$ 5.34**	$ 3.94	36%	**$ 5.12**	$ 3.97	29%

	Three months ended June 30,			Six months ended June 30,		
$/bbl	**2024**	2023	Change	**2024**	2023	Change
Colombia oil						
Revenue, net of transportation expense(1)	**$ 30.46**	$ 40.55	(25%)	**$ 30.55**	$ 40.75	(25%)
Royalties	**(0.82)**	(2.31)	(65%)	**(0.97)**	(2.39)	(59%)
Operating expenses(2)	**(7.66)**	(19.67)	(61%)	**(8.44)**	(15.97)	(47%)
Operating netback	**$ 21.98**	$ 18.57	18%	**$ 21.14**	$ 22.39	(6%)

(1) Refer to the "Average Benchmark and Realized Sales Prices, Net of Transportation" of this MD&A for more information.
(2) Refer to the "Operating Expenses" section of this MD&A for more information.

$/boe	Three months ended June 30, 2024	2023	Change	Six months ended June 30, 2024	2023	Change
Corporate						
Revenue, net of transportation expense	**$ 38.53**	$ 29.40	31%	**$ 37.91**	$ 29.42	29%
Royalties	**(5.92)**	(4.77)	24%	**(6.35)**	(4.85)	31%
Operating expenses	**(2.66)**	(2.27)	17%	**(2.79)**	(1.96)	42%
Operating netback	**$ 29.95**	$ 22.36	34%	**$ 28.77**	$ 22.61	27%

General and Administrative Expenses

	Three months ended June 30, 2024	2023	Change	Six months ended June 30, 2024	2023	Change
Gross costs	**$ 9,747**	$ 10,732	(9%)	**$ 19,413**	$ 19,942	(3%)
Less: capitalized amounts	**(2,527)**	(2,590)	(2%)	**(4,062)**	(4,604)	(12%)
General and administrative expenses	**$ 7,220**	$ 8,142	(11%)	**$ 15,351**	$ 15,338	—%
$/boe	**$ 2.69**	$ 2.72	(1%)	**$ 2.95**	$ 2.57	15%

General and administrative ("G&A") gross costs decreased 9% and 3% for the three and six months ended June 30, 2024, respectively, compared to the same periods in 2023, respectively, mainly due to cost incurred in 2023 relating to Canacol's corporate restructuring, offset by inflation.

Net Finance Expense

	Three months ended June 30, 2024	2023	Change	Six months ended June 30, 2024	2023	Change
Net financing expense paid	**$ 14,060**	$ 11,407	23%	**$ 27,388**	$ 20,271	35%
Non-cash net financing expenses	**2,731**	2,884	(5%)	**5,459**	6,789	(20%)
Net finance expense	**$ 16,791**	$ 14,291	17%	**$ 32,847**	$ 27,060	21%

Net finance expense increased 17% and 21% for the three and six months ended June 30, 2024, respectively, compared to the same periods in 2023, respectively, mainly as a result of an increase in total debt and an increase in benchmark interest rates.

Stock-Based Compensation Expense

	Three months ended June 30, 2024	2023	Change	Six months ended June 30, 2024	2023	Change
Equity-settled unit expense	**$ 74**	$ —	n/a	**$ 450**	$ 14	>999%
Cash-settled unit expense	**100**	1,694	(94%)	**(224)**	3,271	n/a
Stock-based compensation	**$ 174**	$ 1,694	(90%)	**$ 226**	$ 3,285	(93%)

Equity-settled unit expense is related to stock options, the fair value of which are amortized and expensed over their respective vesting periods. Stock options are settled in shares when exercised. Equity-settled unit expense increased for both the three and six months ended June 30, 2024 compared to the same periods in 2023, due to new stock options granted to employees.

Cash-settled unit expense is related to restricted share units ("RSUs"), performance share units ("PSUs") and deferred share units ("DSUs"), the fair value of which a amortized and expensed over their respective vesting periods and revalued at each reporting date based on the Corporation's share price. RSUs, PSUs and DSUs are expected to be settled in cash. Cash-settled unit expense decreased 94% for the three months ended June 30, 2024 compared to the same period in 2023, due to a) decrease in Canacol's share price and b) less units granted during the three and six months ended June 30, 2024. Cash-settled unit expense was a recovery for the six months ended June 30, 2024, compared to an expense for the same period in 2023, due to decrease in Canacol's share price.

Depletion and Depreciation Expense

	Three months ended June 30,			Six months ended June 30,		
	2024	2023	Change	**2024**	2023	Change
Depletion and depreciation expense	**$ 19,433**	$ 19,249	1%	**$ 38,459**	$ 38,220	1%
$/boe	**$ 7.24**	$ 6.42	13%	**$ 7.38**	$ 6.39	16%

Depletion and depreciation expense per boe increased 13% and 16% for the three and six months ended June 30, 2024, respectively, compared to the same periods in 2023, respectively, as a result of higher depletion rate.

Income Tax Expense

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	**2024**	2023
Current income tax expense	**$ 11,189**	$ 24,376	**$ 28,372**	$ 50,668
Deferred income tax expense (recovery)	**42,600**	(38,876)	**43,135**	(56,299)
Income tax expense (recovery)	**$ 53,789**	$ (14,500)	**$ 71,507**	$ (5,631)

The Corporation's pre-tax income was subject to the Colombian statutory income tax rate of 35% for the three and six months ended June 30, 2024. In addition, taxable income generated from business relating to crude oil was subject to an additional 10% surtax.

The 44% decrease in current income tax expense for the six months ended June 30, 2024 compared to the same period in 2023 is due to the progression in the Corporation's corporate restructuring process, which started in Q4 of 2022, whereby the Corporation has transferred its Esperanza and VIM-21 assets from one wholly-owned subsidiary to another in an effort to better align the operational needs of the business and to create a more efficient and cost-effective organizational structure.

Despite recording a $28.4 million of current income tax expense for the first half of 2024, the Corporation expects 2024 annual current tax expense to total approximately $30 million.

For the six months ended June 30, 2024, the Corporation recorded a $43.1 million deferred income tax expense, mainly as a result of the devaluation of the Corporation's unused tax losses and capital pools which are denominated in COP.

Income Tax Cash Payments

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	**2024**	2023
Income taxes paid	**$ 13,282**	$ 79,864	**$ 33,256**	$ 98,119

Capital Expenditures

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	**2024**	2023
Land, seismic, EIAs and communities	**$ 3,033**	$ 1,070	**$ 6,047**	$ 4,866
Drilling, completion, testing and workovers	**10,795**	26,338	**39,008**	48,966
Facilities, equipment and infrastructures	**12,817**	9,041	**19,685**	14,393
Medellin pipeline	**—**	1,683	**(9)**	4,086
Warehouse inventory, corporate assets and other	**4,739**	11,277	**1,054**	22,616
Capitalized G&A	**2,527**	2,590	**4,062**	4,604
Proceeds on disposition	**(58)**	(14)	**(116)**	(423)
Net cash capital expenditures	**33,853**	51,985	**69,731**	99,108
Non-cash costs and adjustments:				
Right-of-Use leased assets	**29**	18	**3,029**	99
Disposition	**58**	14	**109**	394
Change in decommissioning obligations and other	**1,427**	(4,727)	**473**	3,965
Net capital expenditures	**$ 35,367**	$ 47,290	**$ 73,342**	$ 103,566
Net capital expenditures recorded as:				
Expenditures on exploration and evaluation assets	**$ 10,893**	$ 11,332	**$ 23,858**	$ 22,930
Expenditures on property, plant and equipment	**24,474**	35,958	**49,491**	80,667
Disposition	**—**	—	**(7)**	(31)
Net capital expenditures	**$ 35,367**	$ 47,290	**$ 73,342**	$ 103,566

Net capital expenditures for the three months ended June 30, 2024 are primarily related to:

- Chontaduro-1 exploration well drilling;
- Chontaduro-2 appraisal well drilling;
- Pomelo-1 development well post-drilling;
- Cardamomo-1 exploration well civil works;
- Compression facilities and workover related costs at the Esperanza and VIM-5 blocks;
- Macao 3D seismic acquisition at the VIM-5 block; and
- Land, communities and other costs at the VIM-5, VMM-47, VIM-21, VMM10-1, VMM-53 and VMM-45 blocks.

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, long-term debt, lease obligations and working capital, defined as current assets less current liabilities excluding the 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.

Senior Notes

On November 24, 2021, the Corporation completed a private offering of senior unsecured notes in the aggregate principal amount of $500 million ("Senior Notes"). The Senior Notes pay interest semi-annually at a fixed rate of 5.75% per annum, and mature in 2028 unless earlier redeemed or repurchased in accordance with their terms. The Senior Notes are fully and unconditionally guaranteed by certain subsidiaries of Canacol.

Revolving Credit Facility

On February 17, 2023, the Corporation entered into a $200 million senior unsecured revolving credit facility ("RCF") with a syndicate of banks. The RCF bears an annual interest rate of SOFR + 4.5%, has a four-year term, and the Corporation is able to repay/redraw the RCF at any time within the term without penalty. Any undrawn amounts are subject to a commitment fee equal to 30% of the 4.50% interest margin throughout the availability period. The RCF is not subject to typical periodic redeterminations. The amount drawn and outstanding as at June 30, 2024 was $200 million.

Financial Covenants

The Corporation's Senior Notes and its RCF include various covenants relating to maximum leverage, minimum interest coverage, indebtedness, operations, investments, assets sales, capital expenditures and other standard operating business covenants. The Corporation's financial covenants include: a) a maximum consolidated total debt, less cash and cash equivalents, to 12-month trailing adjusted EBITDAX ratio ("Consolidated Leverage Ratio") of 3.25:1.00 (incurrence) or 3.50:1:00 (maintenance) and b) a minimum 12-month trailing adjusted EBITDAX to interest expense, excluding non-cash expenses, ratio ("Consolidated Interest Coverage Ratio") of 2.50:1.00.

As at June 30, 2024, the Corporation was in compliance with the covenants.

	June 30, 2024	December 31, 2023
Senior Notes - principal (5.75%)	**$ 500,000**	$ 500,000
RCF (SOFR + 4.5%)(1)	**200,000**	200,000
Lease obligations	**14,286**	13,435
Total debt	**714,286**	713,435
Working capital deficit (surplus)	**(514)**	10,028
Net debt	**$ 713,772**	$ 723,463

(1) The SOFR rate for the six months ended June 30, 2024 was 5.36%.

The Consolidated Leverage Ratio is calculated as follows:

	June 30, 2024	December 31, 2023
Total debt	**$ 714,286**	$ 713,435
Less: cash and cash equivalents	**(42,596)**	(39,425)
Net debt for covenant purposes	**$ 671,690**	$ 674,010
Adjusted EBITDAX	**$ 249,475**	$ 236,829
Consolidated Leverage Ratio	**2.69**	2.85

The Consolidated Interest Coverage Ratio is calculated as follows:

	June 30, 2024	December 31, 2023
Adjusted EBITDAX	**$ 249,475**	$ 236,829
Interest expense, excluding non-cash expenses	**$ 52,990**	$ 46,852
Consolidated Interest Coverage Ratio	**4.71**	5.05

As at August 6, 2024, the Corporation had 34.1 million common shares, 1.2 million stock options, and 0.7 million RSU's, DSU's and PSU's outstanding.

Contractual Obligations

The following table provides a summary of the Corporation's cash requirements to meet its financial liabilities and contractual obligations existing as at June 30, 2024:

	Less than 1 year	1-3 years	Thereafter	Total
Long-term debt – principal	$ —	$ 200,000	$ 500,000	$ 700,000
Lease obligations – undiscounted	4,882	8,747	1,679	15,308
Trade and other payables	83,030	—	—	83,030
Taxes payable	34,356	—	—	34,356
Other long term obligations	—	7,336	—	7,336
Long-term incentive compensation liability	1,016	455	—	1,471
Exploration and production contracts	5,540	49,401	1,763	56,704
Compression station operating contracts	2,796	5,760	1,472	10,028
	$ 131,620	**$ 271,699**	**$ 504,914**	**$ 908,233**

Letters of Credit

As at June 30, 2024, the Corporation had letters of credit outstanding totaling $75.6 million (December 31, 2023 - $87.5 million) to guarantee work commitments on exploration blocks in Colombia and to guarantee other contractual commitments.

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 June 30, 2024 of $56.7 million and has issued $32.1 million of the total $75.6 million in financial guarantees related thereto.

Related Party Transactions

The Corporation held an investment in a public company, Arrow Exploration Corp. ("Arrow"), of which two of the board of directors of Arrow are also key members of the Corporation's management. On April 26, 2024, the Corporation sold all of its Arrow common shares at £ 0.185 per share for a total of $13.3 million USD, net of fees.

Sustainability

As indicated in the Corporation's 2023 ESG Integrated Report, Canacol is currently a leading sustainable natural gas producer in the Americas. In 2023, we achieved Scope 1 and 2 GHG emission intensities that were more than 45% lower on average than our gas focused peers and more than 75% lower on average than our oil focused peers in North and South America. Canacol's ambition is to continue to lead the oil and gas industry in Colombia in terms of supplying the increasing energy demands of Colombians while reducing carbon emissions, exploring avenues for renewable energy generation, fostering national energy self-sufficiency, and catalyzing the growth and development of Colombia's economy and its people. Canacol enthusiastically supports the global objectives to meet the Paris Agreement targets and remains committed to supporting Colombia's objective of achieving a 51% reduction in emissions by 2030. In line with this commitment, Canacol has set its decarbonization goals, whereby we aim to reduce Scope 1 and 2 emissions by 35% by 2035 and achieve carbon neutrality by 2050. The Corporation's objective on ESG is to improve the quality of life of millions of people through the exploration, production and supply of conventional natural gas in Colombia. Alongside this, Canacol is focused on generating value for its stakeholders in a sustainable, collaborative, co-responsible, respectful and transparent way. With the Corporation's transition to natural gas, it has an environmentally friendly value proposition that contributes to the reduction of CO2 emissions in Colombia and provides for a more efficient use of resources.

The Corporation continues to support its communities in essential social projects such as access to water and utilities, local economic projects, construction and improvement of public and community infrastructure, technical and university scholarships, amongst others.

The Corporation has strong corporate governance standards and procedures, which are aligned with best global practices, and uses control mechanisms that protect shareholder's interests, respect and promote human rights, guarantee ethical behavior, integrity and transparency, ensure regulatory compliance and minimize risk.

These accomplishments reflect Canacol's dedication to sustainability and our role as a leader in the industry. This is recognized by third-party ESG and sustainability rating agencies, where we maintained an 'A' qualification in MSCI for the second consecutive year and were added to the S&P Sustainability Yearbook for 2024.

The Corporation is committed to continuing to develop and maintain a robust ESG strategy and, as such, has implemented a plan with the following three pillars:

1. A cleaner energy future – deliver natural gas under the highest environmental and operational efficiency standards.
2. Empowering our people – make a positive impact on people and demonstrate Canacol's commitment to enhancing the well-being, prosperity, and health and safety of our employees, contractors, and the communities we serve.
3. A transparent and ethical business – adopt best practices, incorporate governance, encourage respect for human rights and ensure ethics and integrity in everything Canacol does.

Outlook

For 2024, the Corporation remains focused on the following objectives:

1) In line with maintaining and growing Canacol's reserves and production in its core gas assets in the Lower Magdalena Valley Basin, the Corporation is executing comprehensive development and exploration programs. The Corporation aims to optimize its production and increase reserves by drilling up to five development wells, installing new compression and processing facilities, and through workover operations on producing wells in the Corporation's key gas fields. To date in 2024, the Corporation has completed the drilling of two successful exploration wells, Pomelo-1 and Chondaturo-1, and three successful development wells, Clarinete-10, Chontaduro-2, and Chontaduro-3. Through these above mentioned activities, the Corporation has managed to stabilize its gas sales at an average rate of 159 MMcfpd during Q2 of 2024. The Corporation is planning to spud the high impact Cardomomo-1 exploration well during the second week of August 2024. These development and exploration activities are planned to support Canacol's robust EBITDA and allow the Corporation to capitalize on strong market dynamics in 2024.

2) Maintaining a low cost of capital, cash liquidity and balance sheet flexibility to invest for the long term. As of June 30, 2024, the Corporation had a cash balance of approximately $43 million.

3) To secure government approval of a fourth E&P contract in Bolivia that covers an existing gas field reactivation, to begin development operations with a view to adding reserves and production and commencing gas sales in 2025.

4) Continue with the Corporation's commitment to its environmental, social and governance strategy.

SUMMARY OF QUARTERLY RESULTS

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

	2024		2023				2022	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Financial								
Total revenues, net of royalties and transportation expense[(1)]	**88,288**	**77,691**	79,718	76,618	74,605	73,913	67,956	70,133
Adjusted funds from operations[(1)]	**57,121**	**42,226**	30,958	48,950	33,686	32,693	(16,977)	38,715
Per share – basic ($)[(1)]	**1.67**	**1.24**	0.91	1.44	0.99	0.96	(0.50)	1.15
Per share – diluted ($)[(1)]	**1.67**	**1.24**	0.91	1.44	0.99	0.96	(0.50)	1.15
Cash flows provided (used) by operating activities	**49,202**	**54,719**	22,571	66,212	(24,413)	30,969	50,034	61,994
Net income (loss) and comprehensive income (loss)	**(21,298)**	**3,654**	29,897	(524)	39,990	16,874	133,722	(4,463)
Per share – basic ($)	**(0.62)**	**0.11**	0.88	(0.02)	1.17	0.49	3.92	(0.15)
Per share – diluted ($)	**(0.62)**	**0.11**	0.88	(0.02)	1.17	0.49	3.92	(0.15)
Adjusted EBITDAX[(1)]	**73,187**	**61,041**	53,144	62,103	60,654	60,928	52,003	56,015
Weighted average shares outstanding – basic	**34,111**	**34,111**	34,111	34,111	34,111	34,111	34,113	34,157
Weighted average shares outstanding – diluted	**34,111**	**34,111**	34,111	34,111	34,111	34,111	34,113	34,157
Net cash capital expenditures[(1)]	**33,853**	**35,878**	72,246	43,830	51,985	47,123	50,382	45,742
Operations								
Production								
Natural gas and LNG (Mcfpd)	**162,652**	**154,043**	168,127	181,028	187,687	188,384	177,985	186,695
Colombia oil (bopd)	**1,700**	**1,405**	627	531	527	565	546	544
Total (boepd)	**30,235**	**28,430**	30,123	32,290	33,455	33,615	31,771	33,298
Realized contractual sales								
Natural gas and LNG (Mcfpd)	**158,541**	**150,421**	164,840	178,188	184,752	185,624	175,580	184,163
Colombia oil (bopd)	**1,681**	**1,389**	590	511	523	587	541	558
Total (boepd)	**29,495**	**27,779**	29,509	31,772	32,936	33,153	31,345	32,867
Operating netbacks[(1)]								
Natural gas and LNG ($/Mcf)	**5.34**	**4.90**	4.39	4.14	3.94	4.01	3.73	3.73
Colombia oil ($/bbl)	**21.98**	**20.15**	13.29	25.99	18.57	25.86	22.81	27.48
Corporate ($/boe)	**29.95**	**27.51**	24.82	23.62	22.36	22.88	21.27	21.31

(1) Non-IFRS measure – see “Non-IFRS Measures” section within this MD&A.

RISKS AND UNCERTAINTIES

There have been no significant changes in the three months ended June 30, 2024 to the risks and uncertainties as identified in the MD&A for the year ended December 31, 2023. A more comprehensive discussion of risks and uncertainties is contained in the Corporation's Annual Information Form for the year ended December 31, 2023 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 not implemented new accounting policies during the three months ended June 30, 2024. 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 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 Accounting Standards.

During the three months ended June 30, 2024, 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.