

FORM 51-102F3
MATERIAL CHANGE REPORT

1. Name and Address of Company

Canacol Energy Ltd. ("Canacol" or the "Corporation")
Suite 4500, 525 - 8th Avenue SW
Calgary, Alberta
T2P 1G1

2. Date of Material Change

November 29, 2011.

3. News Release

A press release was disseminated on November 30, 2011 via Marketwire.

4. Summary of Material Change

Canacol announced the closing of its acquisition of the private company, Carrao Energy Ltd. ("Carrao") (the "Transaction").

5. Full Description of Material Change

5.1 Full Description of Material Change

Canacol announced the closing of the Transaction.

Pursuant to the Transaction, Canacol acquired approximately 96% of the issued and outstanding securities of Carrao. Canacol will acquire the remaining Carrao Shares pursuant to the compulsory acquisition provisions of the *Business Corporations Act* (British Columbia). Carrao shareholders received 0.86 of a common share of the Corporation ("Common Shares") for each common share of Carrao ("Carrao Shares") held. Canacol issued an aggregate of 98,110,213 Common Shares to former holders of Carrao Shares and will issue the remaining 4,902,000 Canacol Shares at a future date in accordance with the compulsory acquisition provisions. Holders of certain options to purchase Carrao Shares ("Carrao Options") elected to convert the Carrao options into options to purchase 5,795,110 Common Shares, subject to the adjusted exercise price of \$0.52. The remaining option holders accepted the in-the-money amount payable in Canacol Shares to extinguish such Carrao options. Warrants exercisable into Carrao Shares ("Carrao Warrants") were exchanged for warrants exercisable into Common Shares, with an adjusted exercise price of \$0.52 per Common Share. The Corporation issued an aggregate of 3,286,920 Canacol Warrants to former holders of Carrao Warrants. The remaining Carrao Warrants were exchanged for the in-the-money amount payable in Canacol Shares to extinguish such Carrao Warrants.

At closing, Carrao had a positive working capital position of approximately USD\$13.9 million which did not trigger any adjustment to the purchase consideration.

Following completion of the Transaction (including the compulsory acquisition), Canacol will have 618,087,981 Common Shares issued and outstanding.

In connection with the Transaction and subject to TSX approval, Canacol is also pleased to announce the appointments of Mr. Anthony Zaidi as Vice President, Business Development and General Counsel of the Corporation, Mr. Diego Carvajal as Vice President, New Ventures of the Corporation and Mr. Dominic Dacosta as a member of the board of directors of the Corporation.

The Transaction remains subject to ordinary TSX conditional filings post closing.

Updated Investor Presentation

The combined Corporation following the Transaction has 23 blocks, representing 2.8 million net acres located in three primary basins in Colombia (Llanos, Caguan-Putumayo, Middle Magdalena). For further information, Canacol has prepared an updated investor presentation which may be found at the Corporation's website (<http://www.canacolenergy.com>).

Further particulars of the transaction are contained in the Canacol press releases of November 9, 2011 and November 16, 2011.

This report contains certain forward-looking statements within the meaning of applicable securities law. Forward-looking statements are frequently characterized by words such as “plan”, “expect”, “project”, “intend”, “believe”, “anticipate”, “estimate” and other similar words, or statements that certain events or conditions “may” or “will” occur, including without limitation statements relating to estimated production rates from the Corporation's properties and intended work programs, and timing for completion of the transaction and anticipated benefits results from the transaction described in this report. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. The Corporation cannot assure that actual results will be consistent with these forward looking statements. They are made as of the date hereof and are subject to change and the Corporation assumes no obligation to revise or update them to reflect new circumstances, except as required by law. Prospective investors should not place undue reliance on forward looking statements. These factors include the inherent risks involved in the exploration for and development of crude oil and natural gas properties, the uncertainties involved in interpreting drilling results and other geological and geophysical data, fluctuating energy prices, the possibility of cost overruns or unanticipated costs or delays and other uncertainties associated with the oil and gas industry. Other risk factors could include risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities, and other factors, many of which are beyond the control of the Corporation.

Forward-looking information is based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated by Canacol and described in the forward-looking information. The material risk factors affecting Canacol and its business are contained in Canacol's Annual Information Form, which is available under Canacol's issuer profile on Sedar (www.sedar.com).

The forward-looking information contained in this report is made as of the date hereof and Canacol undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless required by applicable securities laws. The forward-looking information contained in this report is expressly qualified by this cautionary statement.

5.2 Disclosure for Restructuring Transactions

Not applicable.

6. **Reliance on Section 7.1(2) of National Instrument 51-102**

Not Applicable.

7. **Omitted Information**

Not Applicable.

8. **Executive Officer**

The name of the Executive Officer of the Corporation who is knowledgeable about the material change and who can be contacted by the Commission is:

Charle Gamba
President and Chief Executive Officer
Telephone: (403) 561-1648

9. **Date of Report**

December 5, 2011