



ANNUAL INFORMATION FORM

FOR THE YEAR ENDED

DECEMBER 31, 2015

MARCH 17, 2016

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ABBREVIATIONS, CONVENTIONS AND OTHER INFORMATION

In this Annual Information Form, the abbreviations set forth below have the following meanings:

Oil and Natural Gas Liquids		Natural Gas	
bbls	barrels	Mcf	one thousand cubic feet
Mbbls	one thousand barrels	MMcf	one million cubic feet
MMbbls	one million barrels	bcf	one billion cubic feet
NGLs	natural gas liquids	Mcf/d	one thousand cubic feet per day
bbls/d	barrels of oil or natural gas liquids per day	MMcf/d	one million cubic feet per day
Mbbls/d	one thousand barrels per day		
Other			
BOE or boe	barrel of oil equivalent, using the conversion factor of 6 Mcf:1 bbl		
Mboe	one thousand barrels of oil equivalent		
MMboe	one million barrels of oil equivalent		
bfpd	barrels of fluid per day		
boe/d	barrels of oil equivalent per day		
bopd	barrels of oil per day		
WTI	West Texas Intermediate		

"BOEs" may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (6 Mcf:1 bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Certain other terms used herein but not defined herein are defined in NI 51-101 (as defined herein) and/or CSA 51-324 (as defined herein) and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101 and/or CSA 51-324.

This Annual Information Form contains certain oil and gas metrics, including operating netbacks, which do not have standardized meanings or standard methods of calculation under NI 51-101 and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Operating netback per barrel is calculated as sales revenue (excluding commodity risk management gains/losses), less royalties, production expense and transportation expense, divided by total equivalent sales volume excluding purchased oil volumes. Such metrics have been included herein to provide readers with additional measures to evaluate the Company's performance; however, such measures are not reliable indicators of the future performance of the Company and future performance may not compare to the performance in previous periods and therefore such metrics should not be unduly relied upon.

Any references in this Annual Information Form to initial and/or final test rates or production rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will commence production and decline thereafter. These test results are not necessarily indicative of long-term performance or ultimate recovery. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for the Company.

Words importing the singular number only include the plural, and vice versa, and words importing any gender include all genders.

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units):

<u>To Convert From</u>	<u>To</u>	<u>Multiply By</u>
cubic feet	cubic metres ("m3")	0.028
cubic metres	cubic feet	35.301
bbls	m3	0.159
m3	bbls	6.290
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.4047
hectares	acres	2.4710

Unless otherwise indicated, references in this Annual Information Form to "dollars" and "\$" are to United States dollars ("**U.S. dollars**").

In all cases where percentage (%) figures are provided, such percentages have generally been rounded to the nearest whole number.

Unless otherwise specified, information in this Annual Information Form is as at the end of the Company's most recently completed financial year, being December 31, 2015.

CURRENCY AND EXCHANGE RATES

The following table sets forth, for each of the periods indicated, the high and low rates of exchange of Canadian dollars into U.S. dollars, the average of the exchange rates during each such period and the end-of-period rate. Such rates are shown as, or are derived from, the reciprocals of the noon buying rates in New York City for cable transfers payable in Canadian dollars, as available on the Bank of Canada website. On March 16, 2016, the noon buying rate for one U.S. dollar in Canadian dollars as certified by the Bank of Canada was \$1.3362.

	<u>Year Ended December 31</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Highest rate during the period	1.4003	1.1643	1.0697
Lowest rate during the period	1.1679	1.0614	0.9839
Average noon spot rate for the period	1.2787	1.1045	1.0299
Rate at the end of the period	1.3840	1.1601	1.0636

Note:

- (1) The average of the daily noon buying rates during the period.

NON-GAAP TERMS

Operating netback per barrel may from time to time be used by the Company, but does not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. Operating netback per barrel equals sales revenue (excluding commodity risk management gains/losses), less royalties, production expense and transportation expense, divided by total equivalent sales volume excluding purchased oil volumes. Management uses these non-GAAP measures for its own performance measurement and to provide shareholders and investors with additional measurements of the Company's efficiency and its ability to fund a portion of its future capital expenditures. Shareholders and investors are cautioned that these measures should not be construed as alternatives to net income, comprehensive income and cash provided by operating activities or other measures of financial performance as determined in accordance with GAAP.

CERTAIN DEFINITIONS

In this Annual Information Form, the following words and phrases have the following meanings, unless the context otherwise requires:

Selected Defined Terms

"**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

"**Acquired Assets**" means a 50% working interest in all of the petroleum rights, facilities and other tangibles and miscellaneous interests of the Vendor and its Subsidiaries relating to certain crude oil properties and related assets located on Block LLA-16, Block LLA-20, Block LLA-29 and Block LLA-30 in the Llanos Basin in Colombia;

"**Acquisition Agreement**" means the purchase agreement in respect of the Remora Acquisition among Parex Colombia, the Vendor and Subco dated April 20, 2011, pursuant to which the Company, through Parex Colombia, agreed to purchase the Acquired Assets, through the acquisition of all of the shares of Subco, as described in more detail under *Description of the Business and Operations – Parex Resources (Colombia) Ltd.*;

"**ANH**" means the Agencia Nacional de Hidrocarburos;

"**Arrangement**" has the meaning ascribed thereto under *Description of the Business and Operations*.

"**C&T Cos**" means Parex Barbados and Parex Colombia and, thereby, indirectly Parex Trinidad;

"**C&T Cos Shares**" means the common shares in each of the C&T Cos;

"**Common Shares**" means the common shares in the capital of the Company;

"**Company**" or "**Parex**" means Parex Resources Inc., a corporation incorporated under the ABCA, or Parex Resources Inc. and its direct and indirect Subsidiaries on a consolidated basis, where the context requires;

"**Debentures**" means the Cdn\$85,000,000 aggregate principal amount of 5.25% convertible unsecured subordinated debentures of the Company, fully redeemed and/or converted as described in more detail under *General Development of the Business – Redemption of Debentures*;

"**Ecopetrol**" means Ecopetrol S.A.;

"**EDC**" means Export Development Canada;

"**GAAP**" means generally accepted accounting principles for publicly accountable enterprises in Canada which is currently in accordance with IFRS;

"**IFRS**" means International Financial Report Standards as issued by the International Accounting Standards Board;

"**Material Subsidiary**" means: (i) a direct or indirect subsidiary of Parex which has total assets that exceed 10% of the consolidated assets of Parex; (ii) a direct or indirect subsidiary of Parex which has revenues that exceed 10% of the consolidated revenues of Parex; and (iii) when the direct or indirect subsidiaries that satisfy (i) and (ii) are aggregated together, such direct or indirect subsidiaries have total assets that exceed 20% of the consolidated assets of Parex and revenues that exceed 10% of the consolidated revenues of Parex;

"**NI 51-102**" means National Instrument 51-102 – *Continuous Disclosure Obligations*;

"**Parex Barbados**" means Parex Resources (Barbados) Ltd., a corporation organized under the laws of Barbados;

"**Parex Bermuda**" means Parex Resources (Bermuda) Ltd., a corporation organized under the laws of Bermuda;

"**Parex Colombia**" means Parex Resources (Colombia) Ltd., a corporation organized under the laws of Barbados;

"**Parex Colombia Shares**" means the common shares in the capital of Parex Colombia;

"**Parex Trinidad**" means Parex Resources (Trinidad) Ltd., a corporation organized under the laws of Trinidad & Tobago;

"**Parex Warrants**" means Common Share purchase warrants of Parex, each whole warrant entitling the holder thereof to purchase one Common Share at a price of Cdn\$3.00 from November 6, 2009 to December 6, 2009;

"**PARI Common Shares**" means the Class A shares in the capital of PARI;

"**PARI**" means Petro Andina Resources Inc.;

"**Pluspetrol**" means Pluspetrol Resources Corporation N.V., a corporation existing under the laws of the Netherlands and any successor corporation;

"**Ramshorn**" means Ramshorn International Limited, a corporation organized under the laws of Bermuda;

"**Ramshorn Acquisition**" means the acquisition by Parex Bermuda of all of the class A shares of Ramshorn, as described in more detail under *Description of the Business and Operations – Parex Resources (Bermuda) Ltd.*;

"**Remora Acquisition**" means the indirect acquisition by the Company of the Acquired Assets pursuant to the Acquisition Agreement through the acquisition of all of the shares of Subco, which owns all of the Acquired Assets, as described in more detail under *Description of the Business and Operations – Parex Resources (Colombia) Ltd.*;

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval;

"**Subco**" means Parex Energy Colombia Ltd. (formerly Remora Energy Colombia Ltd.);

"**Subsidiaries**" has the meaning attributed thereto under the ABCA;

"**TSX**" means the Toronto Stock Exchange;

"**Vendor**" means, collectively, Remora Energy International L.P. and its Subsidiaries;

"**Verano**" or "**Verano Energy**" means Verano Energy Limited, a corporation organized under the laws of Alberta;

"**Verano Arrangement**" means the acquisition by Parex of all of the Verano Shares pursuant to a plan of arrangement carried out by Verano under the ABCA, as described in more detail under *General Development of the Business – Corporate Transactions*;

"**Verano Barbados**" means Verano Energy (Barbados) Limited, a corporation organized under the laws of Barbados;

"**Verano Options**" means options to purchase Verano Shares; and

"**Verano Shares**" means the common shares in the capital of Verano.

Selected Oil and Gas Terms

"**abandonment and reclamation costs**" means all costs associated with the process of restoring a property that has been disturbed by oil and gas activities to a standard imposed by applicable government or regulatory authorities;

"**API**" means the American Petroleum Institute;

"**API gravity**" means the American Petroleum Institute gravity, which is a measure of how heavy or light a petroleum liquid is compared to water. If a petroleum liquid's API gravity is greater than 10, it is lighter and floats on water; if less than 10, it is heavier than water and sinks. API gravity is thus a measure of the relative density of a petroleum liquid and the density of water, but it is used to compare the relative densities of petroleum liquids;

"**COGE Handbook**" means the "Canadian Oil and Gas Evaluation Handbook" maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter), as amended from time to time;

"**conventional natural gas**" means natural gas that has been generated elsewhere and has migrated as a result of hydrodynamic forces and is trapped in discrete accumulations by seals that may be formed by localized structural, depositional or erosional geological features;

"**crude oil**" or "**oil**" means a mixture consisting mainly of pentanes and heavier hydrocarbons that exists in the liquid phase in reservoirs and remains liquid at atmospheric pressure and temperature. Crude oil may contain small amounts of sulphur and other non-hydrocarbons but does not include liquids obtained from the processing of natural gas;

"**CSA 51-324**" means Staff Notice 51-324 – *Revised Glossary To NI 51-101 Standards of Disclosure For Oil And Gas Activities* of the Canadian Securities Administrators;

"**developed non-producing reserves**" are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown;

"**developed producing reserves**" are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty;

"**developed reserves**" are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing;

"**development costs**" means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

- (a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines and power lines, to the extent necessary in developing the reserves;
- (b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and wellhead assembly;
- (c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and
- (d) provide improved recovery systems;

"exploration costs" means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to as "prospecting costs") and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

- (a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies (collectively sometimes referred to as "geological and geophysical costs");
- (b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence, and the maintenance of land and lease records;
- (c) dry hole contributions and bottom hole contributions;
- (d) costs of drilling and equipping exploratory wells; and
- (e) costs of drilling exploratory type stratigraphic test wells;

"forecast prices and costs" means future prices and costs that are:

- (a) generally accepted as being a reasonable outlook of the future; or
- (b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the Company is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in subparagraph (a);

"future net revenue" means a forecast of revenue, estimated using forecast prices and costs, arising from the anticipated development and production of resources, net of the associated royalties, operating costs, development costs, and abandonment and reclamation costs;

"GLJ" means GLJ Petroleum Consultants Ltd., independent petroleum engineers of Calgary, Alberta;

"GLJ Report" means the report of GLJ dated February 5, 2016 evaluating the oil and natural gas reserves of the Company as at December 31, 2015;

"gross" means:

- (a) in relation to a reporting issuer's interest in production or reserves, its "company gross reserves", which are the reporting issuer's working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the reporting issuer;
- (b) in relation to wells, the total number of wells in which a reporting issuer has an interest; and
- (c) in relation to properties, the total area of properties in which a reporting issuer has an interest;

"heavy crude oil" or **"heavy oil"** means crude oil with a relative density greater than 10 degrees API gravity and less than or equal to 22.3 degrees API gravity;

"hydrocarbon" means a compound consisting of hydrogen and carbon, which, when naturally occurring, may also contain other elements such as sulphur;

"**ICE Brent**" means Intercontinental Exchange Brent;

"**light crude oil**" or "**light oil**" means crude oil with a relative density greater than 31.1 degrees API gravity;

"**medium crude oil**" or "**medium oil**" means crude oil with a relative density greater than 22.3 degrees API gravity and less than or equal to 31.1 degrees API gravity;

"**natural gas**" means a naturally occurring mixture of hydrocarbon gases and other gases;

"**natural gas liquids**" means those hydrocarbon components that can be recovered from natural gas as a liquid including, but not limited to, ethane, propane, butanes, pentanes plus, and condensates;

"**net**" means:

- (a) in relation to a reporting issuer's interest in production or reserves, the reporting issuer's working interest (operating or non-operating) share after deduction of royalty obligations, plus the reporting issuer's royalty interests in production or reserves;
- (b) in relation to a reporting issuer's interest in wells, the number of wells obtained by aggregating the reporting issuer's working interest in each of its gross wells; and
- (c) in relation to a reporting issuer's interest in a property, the total area in which the reporting issuer has an interest multiplied by the working interest owned by the reporting issuer;

"**NI 51-101**" means National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*;

"**possible reserves**" are those additional reserves that are less certain to be recovered than probable resources. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves;

"**probable reserves**" are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves;

"**property**" includes: (a) fee ownership or a lease, concession, agreement, permit, licence or other interest representing the right to extract oil or gas subject to such terms as may be imposed by the conveyance of that interest; (b) royalty interests, production payments payable in oil or gas, and other non-operating interests in properties operated by others; and (c) an agreement with a foreign government or authority under which a reporting issuer participates in the operation of properties or otherwise serves as "producer" of the underlying reserves (in contrast to being an independent purchaser, broker, dealer or importer). A property does not include supply agreements, or contracts that represent a right to purchase, rather than extract, oil or gas;

"**proved reserves**" are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves;

"**reserves**" are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on: (i) analysis of drilling, geological, geophysical and engineering data; (ii) the use of established technology; and (iii) specified economic conditions, which are generally accepted as being reasonable and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates; and

"**undeveloped reserves**" are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

FORWARD LOOKING STATEMENTS

Certain information regarding Parex set forth in this document, including management of the Company's ("**Management**") assessment of the Company's future plans and operations, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. The use of any of the words "plan", "expect", "forecast", "project", "intend", "believe", "anticipate", "estimate" or other similar words, or statements that certain events or conditions "may" or "will" occur are intended to identify forward-looking statements. Such statements represent Parex' internal projections, estimates or beliefs concerning, among other things, future growth, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, plans for and results of drilling activity, environmental matters, business prospects and opportunities. These statements are only predictions and actual events or results may differ materially. Although Management believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, operational, competitive, political and social uncertainties and contingencies. Many factors could cause Parex' actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, Parex.

In particular, forward-looking statements included in this Annual Information Form include, but are not limited to, statements with respect to:

- the size of, and future net revenues from, oil and natural gas reserves;
- the performance characteristics of the Company's oil and natural gas properties;
- supply and demand for oil and natural gas;
- drilling plans, including completion and testing, and the anticipated timing thereof;
- treatment under governmental regulatory regimes and tax laws;
- receipt of regulatory approvals;
- financial and business prospects and financial outlook;
- results of operations;
- production, future costs, reserves and production estimates;
- activities to be undertaken in various areas including the fulfillment of exploration commitments;
- timing of drilling, completion and tie in of wells;
- tax horizon and future tax rates enacted in the Company's areas of operation;
- access to facilities and infrastructure;
- timing of development of undeveloped reserves;
- planned capital expenditures, the timing thereof and the method of funding;
- financial condition, access to capital and overall strategy;
- development and drilling plans for the Company's assets;
- the quantity of the Company's reserves;
- the Company's oil and natural gas production levels;
- the Company's expectations regarding its ability to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; and
- the Company's expectations and plans with respect to the Lawsuit (as defined herein).

Statements relating to "reserves" or "resources" are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described can be profitably produced in the future. The recovery and reserve estimates of Parex' reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. As a consequence, actual results may differ materially from those anticipated in the forward looking statements.

These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to, the impact of general economic conditions in Canada, Colombia, Bermuda and Barbados; volatility in market prices for oil, NGL's and natural gas; the impact of significant declines in market prices for oil, NGL's and natural gas; industry conditions including changes in laws and regulations including adoption of new environmental laws and

regulations, and changes in how they are interpreted and enforced, in Canada, Colombia, Bermuda and Barbados; competition; lack of availability of qualified personnel; the results of exploration and development drilling and related activities; risks related to the ability of partners to fund capital work programs and other matters requiring partner approval; imprecision in reserve and resource estimates; the production and growth potential of Parex' assets; obtaining required approvals of regulatory authorities, in Canada and Colombia; risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities; fluctuations in foreign exchange or interest rates; environmental risks; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and natural gas industry; ability to access sufficient capital from internal and external sources; risk that the Company will not be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; risks related to the Lawsuit; the risks discussed herein under *Risk Factors*; and other factors, many of which are beyond the control of the Company. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect Parex' operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

Although the forward-looking statements contained in this Annual Information Form are based upon assumptions which Management believes to be reasonable, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this Annual Information Form, Parex has made assumptions regarding, but not limited to: current commodity prices and royalty regimes; availability of skilled labour; timing and amount of capital expenditures; uninterrupted access to infrastructure; future exchange rates; the price of oil, NGLs and natural gas; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; effects of regulation by governmental agencies; recoverability of reserves; royalty rates; future operating costs; receipt of regulatory approvals; that the Company will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Company's conduct and results of operations will be consistent with its expectations; that the Company will have the ability to develop the Company's oil and natural gas properties in the manner currently contemplated; that current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; that the estimates of the Company's reserves volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects; that the Company will be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; and other matters.

Forward-looking statements and other information contained herein concerning the oil and natural gas industry in the countries in which the Company operates and the Company's general expectations concerning this industry are based on estimates prepared by Management using data from publicly available industry sources as well as from resource reports, market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any material misstatements regarding any industry data presented herein, the oil and natural gas industry involves numerous risks and uncertainties and is subject to change based on various factors.

Management has included the above summary of assumptions and risks related to forward-looking statements and other information provided in this Annual Information Form in order to provide shareholders and investors with a more complete perspective on Parex' current and future operations and such information may not be appropriate for other purposes. Parex' 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 Parex will derive therefrom.

These forward-looking statements are made as of the date of this Annual Information Form and Parex disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

CORPORATE STRUCTURE

General

Parex was incorporated under the ABCA on August 17, 2009 as "1485196 Alberta Ltd." On September 29, 2009, Parex filed articles of amendment to remove its private company restrictions and change its name to "Parex Resources Inc.". On January 1, 2016, Parex amalgamated with its wholly owned subsidiary, Verano Energy Limited, to form Parex Resources Inc.

The Company's registered office is located at 2400, 525 - 8th Avenue S.W., Calgary, Alberta T2P 1G1 and its head office is located at 2700, 585 - 8th Avenue S.W., Calgary, Alberta T2P 1G1.

The Company is a reporting issuer in each of the Provinces of Canada and the Common Shares trade on the TSX under the symbol "PXT".

Intercorporate Relationships

As at the date hereof, the Company has eleven direct or indirect wholly-owned subsidiaries (each a "**Subsidiary**" and collectively, the "**Subsidiaries**"). Unless the context otherwise requires, references herein to "Parex" or the "Company" mean Parex Resources Inc., or Parex Resources Inc. and its direct and indirect Subsidiaries on a consolidated basis, where the context requires.

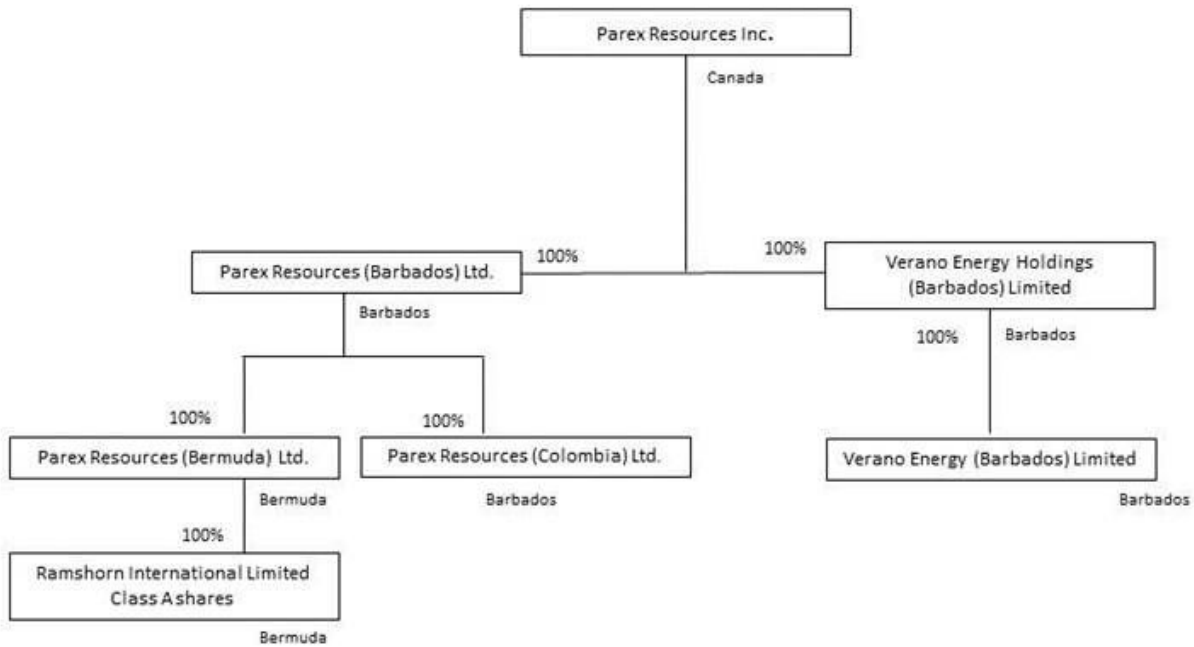
The following chart sets forth, as of the date hereof, the name of each Material Subsidiary, the jurisdiction of incorporation and laws of incorporation, the registered holder of the voting shares of each Material Subsidiary, the percentage of voting shares held and the business conducted by each Material Subsidiary:

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation and Laws of Incorporation</u>	<u>Registered Holder of Voting Securities and Percentage Held</u>	<u>Business Conducted</u>
Parex Resources (Barbados) Ltd.	Barbados (<i>Companies Act of Barbados</i> and licensed under the <i>International Business Companies Act</i>)	Parex (100%)	Holding company.
Parex Resources (Colombia) Ltd.	Barbados (<i>Companies Act of Barbados</i>)	Parex Barbados (100%)	A portion of the Company's activities in Colombia are conducted through a Colombian branch of this entity.
Parex Resources (Bermuda) Ltd.	Bermuda (<i>Companies Act 1981</i>)	Parex Barbados (100%)	Holding company.
Ramshorn International Limited	Bermuda (<i>Companies Act 1981</i>)	Parex Bermuda (100%) Class A Shares	Holding company.
Verano Energy Holdings (Barbados) Limited	Barbados (<i>Companies Act of Barbados</i>)	Parex (100%)	Holding company.
Verano Energy (Barbados) Limited	Barbados (<i>Companies Act of Barbados</i>)	Verano Energy Holdings (Barbados) Limited (100%)	A portion of the Company's activities in Colombia are conducted through a Colombian branch of this entity.

Parex provides certain administrative, management and technical support services to certain of its Subsidiaries pursuant to administrative, management, technical support service, and other agreements. The Company currently has administrative, management and technical support service agreements with Parex Colombia and Verano Barbados, in order to provide these Subsidiaries with support services from Canada.

Corporate Structure

The following chart illustrates the organizational structure of the Company and its Material Subsidiaries as of the date hereof:



Note:

- (1) Parex Barbados is the sole holder of all of the issued and outstanding Parex Colombia Shares and Parex holds all of the non-voting preferred shares of Parex Colombia.

The Company's organizational structure facilitates its business as a multijurisdictional company whose operations are located outside of Canada. Parex has three subsidiaries active in Colombia whose activities are each conducted through a Colombian branch. Conducting business by way of a Colombian branch is desirable as it minimizes the corporate organizational burden in Colombia. The Company currently has three Colombian branches as it has completed four corporate acquisitions since inception. In time the Company expects to amalgamate, merge or dissolve these branches doing business in Colombia into one entity.

The majority of the Company's subsidiaries (which by definition excludes the Company's Colombian branches) are domiciled in countries where the legal system is based on the British common law system. Colombia and Panama's legal systems are based upon civil code. Barbados and Bermuda also have a banking system and advisory services (legal and accounting) that are comparable to North America. Barbados has a tax treaty with Canada. Bermuda has a disclosure agreement with Canada. Colombia has a free trade agreement with Canada.

To help manage the risks of a multi-jurisdictional organizational structure, the Company employs knowledgeable people and engages advisors in each country in which the Company operates to review and comment on the organizational structure as appropriate.

GENERAL DEVELOPMENT OF THE BUSINESS

The following is a description of the events that have influenced the general development of the business of Parex and its subsidiaries during the years ended December 31, 2013, 2014 and 2015. For a more detailed description of the business and operations of Parex and its Material Subsidiaries, see *Description of the Business and Operations* in this Annual Information Form.

Corporate Transactions

On June 25, 2014, pursuant to a plan of arrangement under the ABCA, Parex completed the acquisition of all the issued and outstanding Verano Shares, a private junior oil and gas company primarily engaged (through its foreign Subsidiaries) in the acquisition, exploration, development and production of oil and gas properties in Colombia. Pursuant to the Verano Arrangement, holders of Verano Shares received for each Verano Share held: (i) Cdn\$0.42 in cash; and (ii) 0.0763 of a Common Share. Parex issued approximately 14.7 million Common Shares and paid an aggregate of approximately Cdn\$81 million in cash to acquire all of the issued and outstanding Verano Shares, including the Verano Shares issued upon surrender of Verano Options. In addition, Parex assumed Verano's approximately Cdn\$43 million working capital surplus, including no bank debt, in connection with the Verano Arrangement.

Parex' Activities in Colombia

During the years ended December 31, 2013, 2014 and 2015, Parex, through its subsidiary, Parex Colombia, has entered into farm-in agreements and completed various acquisitions of working interests in blocks located in Colombia. See *Description of the Business and Operations – Parex Resources (Colombia) Ltd.* in this Annual Information Form.

Parex' Activities in Trinidad & Tobago

On November 6, 2009, in connection with the Arrangement, Parex acquired PARI's assets located in Trinidad & Tobago and related obligations through the acquisition of all of the issued and outstanding C&T Cos Shares, including PARI's interest in a joint venture agreement relating to participation in the production sharing contracts with the Republic of Trinidad & Tobago for the central range deep blocks (the "**Central Range Deep Blocks**") and central range shallow horizon blocks (the "**Central Range Shallow Blocks**" and collectively with the Central Range Deep Blocks, the "**Central Range Blocks**"). On September 18, 2013, Parex Trinidad, as operator of the onshore Central Range Shallow Blocks and Central Range Deep Blocks notified the Trinidad & Tobago Ministry of Energy and Energy Affairs that it would relinquish both Central Range Blocks, effective immediately. Parex Trinidad had satisfied the contractual relinquishment obligations as per the requirements of the Central Range Block production sharing contracts.

On August 19, 2013, Parex Trinidad entered into a farm-out agreement for the Moruga Block Exploration and Production License located in South Central Trinidad (the "**Moruga Block**"). Under the terms of the farm-out agreement, the farmee earned a 20% participating interest in the Moruga Block and the Production License located in South Central Trinidad after providing Parex Trinidad with a \$2 million payment, and, if all the Moruga Block farm-out agreement terms were fulfilled by the farmee, Parex Trinidad would transfer operatorship to the farmee and reduce its participating interest from 83.8% to 32.8%.

As of February 19, 2015, Parex Barbados, the sole shareholder of Parex Trinidad, completed a transaction with West Indian Energy Group Limited pursuant to which West Indian Energy Group Limited purchased all of the shares of Parex Trinidad for a total consideration of \$1.5 million. Upon completion of the transaction, Parex Trinidad ceased to be a subsidiary of Parex and Parex ceased to conduct operations in Trinidad. Parex Trinidad had no oil or natural gas production or any recorded oil and natural gas reserves at the time of its sale.

Equity Offering

On May 5, 2015, Parex completed a bought deal financing with a syndicate of underwriters, pursuant to which it issued an aggregate of 14,950,000 Common Shares for gross proceeds of Cdn\$136,792,500. The net proceeds from the financing were initially used to pay down bank indebtedness, increase net working capital and subsequently to fund capital expenditures and future growth opportunities.

Redemption of Debentures

On September 25, 2014, all of the aggregate principal amount of the Debentures were redeemed by Parex for cash consideration, being the aggregate principal amount of the Debentures (Cdn\$1,000 for each Debenture) plus all accrued and unpaid interest thereon to but excluding September 25, 2014 (less any tax required to be deducted). The Debentures were delisted from the TSX on September 25, 2014.

See also *Description of the Business and Operations*.

Operational Activities

For a description of the Company's exploration, development and production activities in 2013, 2014 and 2015, see *Description of the Business and Operations* and *Principal Properties* in this Annual Information Form. Further, a brief summary for each of the three years is provided below:

Year ended December 31, 2013

- achieved annual average oil production in 2013 of 15,854 bbls/d, an increase of 40% over average 2012 production volumes of 11,407 bbls/d;
- realized Brent referenced sales price of \$104.20/bbl and an operating netback of \$62.70/bbl;
- generated cash flow from operations in 2013 of \$269.9 million (\$2.49 per share basic). Cash flow increased from the prior year due to production growth from exploration and appraisal success;
- participated in drilling 37 gross wells in Colombia resulting in 25 oil wells, 4 disposal wells, 3 untested and 5 dry and abandoned, for a success rate of 83%; and
- increased land holdings in Colombia by 469,944 net acres to 1,417,023 net acres.

Year ended December 31, 2014

- achieved annual average oil production in 2014 of 22,526 bbls/d, an increase of 42% over average 2013 production volumes of 15,854 bbls/d;
- realized Brent referenced sales price of \$87.60/bbl and an operating netback of \$47.81/bbl;
- generated cash flow from operations in 2014 of \$293.9 million (\$2.44 per share basic). Cash flow increased from the prior year due to production growth from exploration and appraisal success;
- participated in drilling 38 gross wells in Colombia resulting in 25 oil wells, 6 disposal wells, 1 untested and 6 dry and abandoned, for a success rate of 81%; and
- increased land holdings in Colombia by 759,076 net acres to 2,176,098 net acres.

Year ended December 31, 2015

- achieved annual average oil production in 2015 of 27,434 bbls/d, an increase of 22% over average 2014 production volumes of 22,526 bbls/d;
- realized Brent referenced average sales price of \$46.59/bbl and an operating netback of \$21.70/bbl;
- generated cash flow from operations in 2015 of \$130.3 million (\$0.90 per share basic);
- participated in drilling 12 gross wells in Colombia resulting in 7 gross oil wells, 2 gross disposal wells, and 3 gross dry and abandoned, for a success rate of 70%; and
- land holdings in Colombia were reduced to 1,624,862 net acres from 2,176,098 net acres due to relinquishment of lands deemed non-prospective in the normal course of business.

Significant Acquisitions

Parex did not complete any significant acquisitions during its most recently completed financial year for which disclosure is required under Part 8 of NI 51-102. See *General Development of the Business – Corporate Transactions*.

DESCRIPTION OF THE BUSINESS AND OPERATIONS

The Company, through its Subsidiaries, is engaged in oil and natural gas exploration, development and production in South America.

Parex was originally incorporated on August 17, 2009 for the purpose of completing a statutory arrangement (the "**Arrangement**") completed on November 6, 2009 pursuant to Section 193 of the ABCA involving PARI, Pluspetrol and certain other parties, Pluspetrol, through a series of transactions, acquired all of the outstanding PARI Common Shares for cash and holders of PARI Common Shares received one Common Share of Parex and one-tenth of a Parex Warrant, which entitled the holder thereof to purchase one Common Share for a period of 30 days from the effective date of the Arrangement. Pursuant to the Arrangement, Parex acquired PARI's assets located in Colombia and Trinidad & Tobago and related obligations through the acquisition of all of the issued and outstanding C&T Cos Shares. The C&T Cos were indirect wholly owned subsidiaries of PARI formed for the purpose of engaging in the business of acquiring properties and exploring for, developing and producing crude oil and natural gas in Colombia and Trinidad & Tobago.

The following is a summary of the business and operations of Parex and each of its Material Subsidiaries in Colombia. See also *General Development of the Business – Parex' Activities in Colombia*, *General Development of the Business – Parex' Activities in Trinidad & Tobago* and *Principal Properties* in this Annual Information Form.

Parex Resources (Barbados) Ltd.

Parex Barbados was incorporated on January 24, 2008 under the *Companies Act* of Barbados. Parex Barbados does not own any operating oil and gas assets but was incorporated for the purpose of incorporating a subsidiary under the laws of Trinidad & Tobago, being Parex Trinidad, and subsequently, to hold 100% of the voting shares of Parex Trinidad. Parex Barbados currently holds 100% of the voting shares of Parex Colombia and Parex Bermuda and no longer holds any shares of Parex Trinidad. Parex Barbados also facilitates future capitalization of its subsidiaries.

Parex Resources (Colombia) Ltd.

Parex Colombia was incorporated on January 8, 2009 under the *Companies Act* of Barbados for the purpose of carrying on oil exploration and development activity in Colombia. Parex Colombia's activities in Colombia are primarily performed through a branch known as Parex Resources Colombia Ltd. Sucursal ("**PACLS**"). A certificate of existence and legal representation was issued by the Cámara de Comercio de Bogota on February 26, 2009 whereby Parex Colombia was able to commence oil exploration and development activities in Colombia.

PARI participated in the Colombia Mini Bid Round 2008. Bids were made jointly with Columbus Energy Sucursal Colombia ("**CESC**") under the terms of a Joint Bid and Study agreement. On December 4, 2008 PARI and CESC were jointly the successful bidders for four exploration blocks in the Llanos Basin – Block LLA-16 ("**Block LLA-16**"), Block LLA-20 ("**Block LLA-20**"), Block LLA-29 ("**Block LLA-29**") and Block LLA-30 ("**Block LLA-30**") and collectively with Block LLA-16, Block LLA-20 and Block LLA-29, the "**2008 Blocks**").

On January 30, 2009, PARI and CESC signed joint venture agreements ("**Acuerdo Union Temporal**") for each of the 2008 Blocks with each partner having a 50% interest. Subsequently, on March 11, 2009, PARI and CESC amended the Acuerdo Union Temporal for each of the 2008 Blocks to reflect Parex Colombia as the operating entity in Colombia instead of PARI.

On April 20, 2009, exploration and production contracts ("**E&P Contracts**") for the 2008 Blocks were finalized between the ANH, Parex Colombia and CESC. Pursuant to the E&P Contracts, on July 14, 2009, Parex Colombia

and CESC each provided guarantees to ANH in the form of letters of credit in respect of a portion of the work commitments for Block LLA-16 and Block LLA-20. Guarantees to the ANH for Block LLA-29 and Block LLA-30 were provided on November 5, 2009.

On June 29, 2011, Parex Colombia, completed the acquisition of the Acquired Assets through the purchase of all of the shares of an indirect wholly-owned subsidiary of the Vendor, Parex Energy Colombia Ltd. (formerly, Remora Energy Colombia Ltd.), for consideration of \$255 million, subject to closing adjustments. Prior to the Remora Acquisition, Parex Colombia held the remaining 50% working interest in the Acquired Assets and as a result, Parex Colombia holds a 100% interest in the 2008 Blocks and assumed the letters of credit to the ANH in respect of the additional 50% of the work commitments for the 2008 Blocks.

On July 21, 2010, Parex Colombia was advised by the ANH that it was the successful bidder for a 100% interest in Block LLA-57 in the Llanos Basin. On February 11, 2011, Parex Colombia, through PACLS, finalized the E&P Contract for Block LLA-57. Block LLA-57 covers 104,532 gross acres and is located north and adjacent to Block LLA-20. The Company provided a guarantee to the ANH for Block LLA-57.

On June 22, 2011, PACLS signed a farm-in agreement with Petroamerica Oil Corp. ("**Petroamerica**") for the Los Ocarros Block (the "**Los Ocarros Block**") pursuant to which PACLS is required to fund 100% of the drilling costs associated with the Las Maracas-2 sidetrack well located on the Los Ocarros Block to a maximum of \$7 million. PACLS fulfilled the farm-in commitment and thereby earned a 50% interest in the Las Maracas discovery located on the Los Ocarros Block and a 25% interest in the balance of the Los Ocarros Block. The Los Ocarros Block is located directly southwest of Block LLA-16. The Los Ocarros Block farm-in was subject to regulatory approval, which was received in December 2012. See *Principal Properties*.

On September 23, 2011, PACLS signed a farm-in agreement with Petroamerica in respect of the El Eden Block, which is located south-west of Block LLA-16 and the Los Ocarros Block in the Llanos Basin. The farm-in, which excluded the Chiriguaro oil discovery area, was subject to approval by the ANH which was received in December 2012. Under the terms of the farm-in, PACLS paid \$3.5 million for reimbursement of prior 3-D seismic costs and funded the first 65% of an exploratory commitment well, La Casona-1, which was drilled in September 2012 and thereby earned a 35% working interest in the El Eden Block. PACLS will be the operator of the exploratory commitment well. In January 2012 PACLS entered into an agreement to purchase an additional 25% interest in the El Eden Block from Talisman, subject to regulatory approval, which was received. After fulfilling the terms of the farm-in agreement and closing the purchase of the additional 25% working interest, PACLS has a 60% working interest in the El Eden Block and a 50% working interest in the non-producing Chiriguaro oil discovery located in the El Eden Block.

On March 16, 2012, Parex Colombia entered into a farm-in agreement with Cepsa Colombia S.A. ("**Cepsa**") for the Cabretero block of Colombia (the "**Cabretero Block**") requiring PACLS to pay 100% of the drilling costs associated with the Kitaro-1 exploration well to earn a 50% interest in the Cabretero Block. PACLS fulfilled the farm-in commitment in July 2012 and received ANH recognition of the farm-in and as operator of the Cabretero Block in December 2012. On May 31, 2013, Parex Colombia completed the purchase of its partner's 50% working interest in the Cabretero Block for \$12.5 million before adjustments.

On June 22, 2013, Parex Colombia signed a purchase agreement to acquire an 80% working interest and operatorship in the LLA-26 block in the Llanos Basin of Colombia (the "**Block LLA-26**") for total consideration of \$1 million. Further, Parex Colombia signed a farm-in agreement in respect of the remaining 20% working interest in Block LLA-26. Pursuant to the terms of the farm-in agreement, Parex Colombia pays 100% of the working interests costs for the drilling of one exploration well to a depth of approximately 12,000 feet. Both the purchase and the farm-in received regulatory approval.

On July 9, 2013, Parex Colombia signed a farm-in agreement for the VMM-11 block in the Llanos Basin of Colombia (the "**VMM-11 Block**"). Pursuant to the terms of the farm-in agreement, Parex Colombia will pay 100% of one exploration well and 20 km² of 3D seismic to earn 60% working interest and operatorship, subject to regulatory approval. The VMM-11 Block is approximately 117,000 gross acres and subject to an initial base royalty of 9%.

On July 26, 2013, Parex Colombia completed the purchase of its partner's 50% working interest in the Morpho block of Colombia (the "**Morpho Block**") in return for a 4% net profit interest royalty and has received regulatory approval. The Morpho Block is located in the Middle Magdalena Basin of Colombia near the VMM-11 Block.

On August 1, 2013, Parex Colombia signed an assignment agreement for a 100% working interest and operatorship of the Cebucan block in the Llanos Basin of Colombia (the "**Cebucan Block**"). Pursuant to the terms of the assignment agreement, at the assignment of such working interest by ANH, Parex Colombia paid \$4.5 million on January 15, 2015. The current exploration phase requires drilling one exploration well.

On October 24, 2013, Parex Colombia signed a farm-in agreement for the LLA-24 block in the Llanos Basin of Colombia (the "**Block LLA-24**"). Pursuant to the terms of the farm-in agreement, Parex Colombia receives a 70% working interest, operatorship and has a commitment to pay 100% of the drilling of one exploration well to a depth of approximately 8,000 feet.

On March 21, 2014, Parex Colombia signed a farm-in agreement with Perenco Colombia Limited ("**Perenco**") in respect of the Cerrero block (the "**Cerrero Block**") which is located directly west of the Corcel Block and the LLA-34 block in the Llanos Basin of Colombia (the "**Block LLA-34**"). Pursuant to the terms of the farm-in agreement, Parex Colombia will pay 75% of the cost of one exploration well to earn a 40% working interest in the Cerrero Block and operatorship of such block, which is currently subject to regulatory approval from ANH.

On April 7, 2014, Parex Colombia purchased AB Exploracion y Produccion Colombia B.V. (formerly Sorgenia E&P Colombia B.V.) for cash consideration of approximately \$5 million. The acquisition consolidated the Company's working interest to 100% in Block LLA-26 and removes prior farm-in carries for Block LLA-24 and the Block LLA-26. Parex Colombia also acquired a 25% working interest in the Cerrero Block and a 10% working interest in the Balay development area.

On May 5, 2014, Parex Colombia signed a farm-in agreement with Ecopetrol, subject to the execution of the *Covenio Contract* with ANH, for the joint development of the Capachos block in the northern foothills of the Llanos Basin (the "**Capachos Block**"). The *Covenio Contract* with ANH was awarded to Ecopetrol on June 30, 2015, fulfilling a key condition of the farm-in agreement. Pursuant to the terms of the farm-in agreement, Parex Colombia will pay 100% of the cost of two wells in the Capachos Block to re-activate the field and earn a 50% working interest and operatorship of the block, subject to regulatory approval from the ANH. Parex Colombia has provided a performance bond to Ecopetrol for the full amount of the commitment of \$32 million.

On July 18, 2014, Parex Colombia signed a farm-in agreement for the exploration area of Block LLA-10 in the Northern Llanos basin of Colombia ("**Block LLA-10**"). Pursuant to the terms of the farm-in agreement, Parex Colombia will pay 89% of the dry-hole cost of one exploration well to earn 44.5% working interest and operatorship. Block LLA-10 is approximately 189,500 gross acres and is subject to an initial base royalty of 11%. On October 21, 2014, Parex Colombia signed an assignment agreement with Petromont Colombia S.A. Sucursal Colombia to acquire 5.5% working interest of Block LLA-10 for a total consideration of \$850,000, giving Parex Colombia an aggregate 50% working interest in Block LLA-10, subject to the terms of the farm-in agreement noted above.

On July 23, 2014, Parex Colombia successfully participated in the 2014 Colombia Bid Round and was awarded a 100% working interest in Block VMM-9 in the Middle Magdalena Basin of Colombia ("**Block VMM-9**") and Block VIM-1 in the Interior Magdalena Basin of Colombia ("**Block VIM-1**").

On September 18, 2014, Parex Colombia signed an exploration and production agreement with the ANH for Block VMM-9. Block VMM-9 is approximately 152,314 gross acres and is subject to an initial base royalty of 9%. The first phase of the agreement has a term of 36 months and a current commitment of approximately \$89 million.

On September 18, 2014, Parex Colombia signed an exploration and production agreement with the ANH for Block VIM-1. Block VIM-1 is approximately 223,651 gross acres and is subject to an initial base royalty of 25% for conventional deposits. The first phase of the agreement has a term of 36 months and a current commitment of approximately \$23 million.

On August 13, 2015, Parex Colombia signed an assignment agreement with Perenco Colombia Limited wherein Parex Colombia acquired, subject to ANH approval, an additional 40% working interest in the Cerrero Block giving Parex Colombia a total of 100% working interest in the Cerrero Block.

On September 29, 2015, Parex Colombia signed a participation agreement with Ecopetrol whereby Parex Colombia will farm-in to operate and earn a 50% working interest in the in the Aguas Blancas light oil field located in the Middle Magdalena Basin of Colombia (the "**Aguas Blancas Field**"), subject to ANH approval. The agreement requires investment by Parex Colombia during the initial earning phase of three years of approximately \$61.2 million by undertaking delineation drilling and waterflood pilot programs at Parex Colombia's sole cost to earn a 50% working interest in the Aguas Blancas Field. Subsequently, at Parex Colombia's option, all future capital investment will provide Ecopetrol a 10% carry in such capital investment by way of Parex Colombia being required to spend 60% and Ecopetrol 40%, with revenues and operating costs being based on the parties' respective 50% working interest. The initial earning phase has a term of 3 years commencing after the transfers of the existing applicable operating and environmental permits have occurred, which is expected to be in place within one year from the date the agreement was signed. Parex Colombia has provided a performance bond to Ecopetrol for the full amount of its initial phase earning commitment of \$61.2 million. Including the initial earning phase, the farm-in agreement has a term of 25 years and the agreement has a royalty regime that is consistent with the applicable ANH contracts. This agreement is currently in Phase 0.

See *Principal Properties*.

Parex Resources (Bermuda) Ltd.

Parex Bermuda was incorporated on April 9, 2012 under the *Companies Act* of Bermuda.

On April 12, 2012, Parex Bermuda entered into a purchase and sale agreement with a Bermuda based company, Nabors Global Holdings II (the "**Seller**") and completed the acquisition of the class A shares of the Seller's wholly owned subsidiary, Ramshorn, the operations of which included interests in five exploration blocks located in Llanos Basin and two blocks located in Middle Magdalena Basin in Colombia for a total of approximately 567,000 gross acres (276,000 net acres). The consideration paid for the shares of Ramshorn was approximately \$71.8 million in cash, including customary closing adjustments, which was funded from cash on hand. Parex also assumed \$17.7 million of letters of credit related to Ramshorn's interests post closing. See *Legal Proceedings and Regulatory Actions* in this Annual Information Form.

Parex Bermuda owns all of the class A shares of Ramshorn as acquired by Parex Bermuda pursuant to the Ramshorn Acquisition and does not directly own any operating oil or natural gas assets. Parex Bermuda also facilitates the capitalization and growth of the Company's other subsidiaries.

See *Principal Properties* and *Legal Proceedings and Regulatory Actions*.

Ramshorn International Limited

Ramshorn was incorporated on November 3, 2003 under the *Companies Act* of Bermuda for the purpose of carrying on oil exploration and development activity in Colombia. On April 12, 2012 Parex Bermuda acquired the class A shares of Ramshorn pursuant to the Ramshorn Acquisition. In addition to class A shares, Ramshorn has issued and outstanding class B shares, all of which are owned by a third party entity, Shona Energy International Limited, which class B shares were issued in connection with a joint venture for certain oil and gas interests in Peru in which Ramshorn has no economic interest. Ramshorn and Parex Bermuda, on the one hand, and Shona Energy International Limited, on the other, have indemnified each other so that the Ramshorn class A shares derive no economic benefits or liabilities associated with the class B shares and the Peru joint venture and the class B shares derive no economic benefits or liabilities of the Colombia operations. Until July 1, 2015, the primary assets of Ramshorn consisted of working interests in exploration contracts for Llanos Basin Blocks, LLA-32 and LLA-34. As at July 1, 2015, those assets were transferred to Parex Colombia and on December 31, 2015 the Ramshorn Colombian branch was dissolved. See *Description of the Business and Operations – Parex Resources (Bermuda) Ltd.*, *Principal Properties* and *Legal Proceedings and Regulatory Actions*.

Verano Energy Limited and its Subsidiaries

Verano was formed by the amalgamation of P1 Energy Corp. and APO Energy Inc. on December 20, 2010 under the provisions of the *Business Corporations Act* (Ontario) to form "P1 Energy Corp.". On May 26, 2011, Verano was continued out of Ontario and into Alberta under the ABCA. On September 5, 2013, Verano changed its name from P1 Energy Corp. to Verano Energy Limited. Verano was formed for the purpose of carrying out (through its foreign subsidiaries) the acquisition, exploration, development and production of oil and gas properties in Colombia. All of the Verano Shares were acquired by Parex pursuant to the Verano Arrangement. See *General Development of the Business – Corporate Transactions*.

At the time of completion of the Verano Arrangement, Verano's direct and indirect foreign subsidiaries consisted of: (i) P1 Energy Holdings Inc., Verano Energy Holdings (Barbados) Limited, P1 Energy Sigma Corp. and Verano Energy (Barbados) Ltd., each of which were formed pursuant to the *Companies Act* of Barbados; (ii) Verano Energy Corp., which was formed pursuant to the Laws of Panama; and (iii) Verano Energy S.A.S., which was formed pursuant to the *Companies Act* of Colombia (collectively, the "**Verano Entities**"). The Verano Entities had been engaged in the acquisition, exploration, development and production of oil and gas properties in Colombia. As a result of the amalgamation of Parex and Verano on January 1, 2016, the Verano Entities are now direct and indirect subsidiaries of Parex and the only Verano Entities that continue to actively engage in business are Verano Energy and its operating branch in Colombia.

The primary assets of Verano Energy and its operating branch in Colombia currently consist of working interests in exploration contracts Llanos Basin Blocks LLA-17, LLA-32 and LLA-34. See *Principal Properties*.

See *Principal Properties*.

Parex Energy Colombia Ltd.

Subco was incorporated on May 7, 2007 under the *Companies Act* of Bermuda for the purpose of carrying on oil exploration and development activity in Colombia. On June 29, 2011, Parex Colombia acquired the Acquired Assets, which included the 50% interest of CESC in the 2008 Blocks through the acquisition of Subco pursuant to the Remora Acquisition. On September 21, 2011, Subco was continued out of the jurisdiction of Bermuda and into the jurisdiction of Barbados and renamed Parex Energy Colombia Ltd. The interests of Subco are operated by PACLS. Effective June 28, 2013, Subco was amalgamated with Parex Colombia.

See *Description of the Business and Operations – Parex Resources (Colombia) Ltd.* and *Principal Properties*.

Competitive Conditions

There is considerable competition in the worldwide oil and natural gas industry, including in Colombia and Canada where the Company's assets, activities, and employees are located. Operators more established than the Company, with access to broader technical skills, larger amounts of capital and other resources, are active in the industry in all three countries in which the Company has operations. This represents a significant risk for the Company, which must rely on modest resources as compared to some of its competitors. See *Risk Factors*.

Risks of Foreign Operations

All of the Company's oil and natural gas operations occur outside of Canada and therefore are subject to political and regulatory risk in those other jurisdictions. In addition, the Company has implemented an Anti-Bribery and Anti-Corruption Policy. See *Risk Factors*.

Bankruptcy and Similar Procedures

There have been no bankruptcy, receivership or similar proceedings against the Company or any of its Subsidiaries, or any voluntary bankruptcy, receivership or similar proceeding by the Company or any of its Subsidiaries, within the three most recently completed financial years or during or proposed for the current financial year.

Reorganizations

Other than as disclosed below, there have been no material reorganizations of the Company or any of its Subsidiaries within the three most recently completed financial years or during or proposed for the current financial year. See *Corporate Structure – Intercorporate Relationships*.

The Colombian branch of Ramshorn International Limited was dissolved and liquidated, effective December 31, 2015. Under such dissolution, the assets of such branch held by Ramshorn International Limited were transferred to Parex Colombia.

Employees

The following table details the Company's employees as of December 31, 2015, 2014 and 2013:

	Number of Employees		
	2015	2014	2013
Calgary	40	41	39
Colombia	239	232	154
Trinidad	-	5	13
Total	279	278	206

Environmental Protection

The Company operates under the jurisdiction of a number of regulatory bodies and agencies in each of the jurisdictions in which it operates that set forth numerous prohibitions and requirements with respect to planning and approval processes related to land use, sustainable resource management, waste management, responsibility for the release of presumed hazardous materials, protection of wildlife, and the environment and the health and safety of workers. Legislation provides for restrictions and prohibitions on the transport of dangerous goods and the release or emission of various substances, including substances used and produced in association with certain oil and gas industry operations. The legislation addresses various permits, including for drilling, well completion, installation of surface equipment, air monitoring, surface and ground water monitoring in connection with these activities, waste management and access to remote or environmentally sensitive areas.

Historically, environmental protection requirements have not had a significant financial or operational effect on Parex' capital expenditures, earnings or competitive position. Subject to any changes in current environmental protection legislation, or in the way the legislation is interpreted in the jurisdictions in which it operates, Parex does not presently anticipate environmental protection requirements will have a significant effect on such matters in 2016. The Company is exposed to potential environmental liability in connection with its business of oil and natural gas exploration and production. See *Risk Factors*.

Trends in Environmental Regulation

The Company is of the opinion that it is reasonably likely that in its areas of operation the trend towards stricter standards in environmental legislation and regulation will continue. The Company anticipates increased capital and operating expenditures as a result of increasingly stringent laws relating to the protection of the environment. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities, or otherwise adversely affect the Company's financial condition, capital expenditures, results of operations, competitive position or prospects. See *Risk Factors*.

Social or Environmental Policies

Environment, Health and Safety Policies and Procedures

The Company's main environmental strategies include the preparation of comprehensive environmental impact assessments and assembling project-specific environmental management plans. Parex encourages local community

engagement in environmental planning in order to create a positive relationship between the oil business and existing local industries. The Company's practice is to do all that it reasonably can to ensure that it remains in material compliance with environmental protection legislation. Parex is committed to meeting its responsibilities to protect the environment wherever it operates and will take such steps as required to ensure compliance with environmental legislation. Monitoring and reporting programs for environment, health and safety ("EH&S") performance in day-to-day operations, as well as inspections and assessments, are designed to provide assurance that environmental and regulatory standards are met. The Company maintains an active comprehensive integrity monitoring and management program for its facilities, storage tanks and pipelines. The Company's practice is to not dispose of produced water above ground, for all Blocks. Contingency plans are in place for a timely response to an environmental event and abandonment, remediation and reclamation programs are in place and utilized to restore the environment. The Company also performs a detailed due diligence review as part of its acquisition process to determine whether the assets to be acquired are in regulatory and environmental compliance and assess any liabilities with respect thereto. Parex expects to incur abandonment and site reclamation costs as existing oil and gas properties are abandoned and reclaimed. In 2015, expenditures for normal compliance with environmental regulations, as well as expenditures beyond normal compliance, were as set out in the Company's audited annual financial statements for the year ended December 31, 2015, which have been filed on SEDAR and are considered not to be material.

Management is responsible for reviewing the Company's internal control and its EH&S strategies and policies, including the Company's emergency response plan. Management reports to the Board of Directors through the Operations and Reserves Committee of the Board of Directors on a quarterly basis with respect to EH&S matters, including: (i) compliance with all applicable laws, regulations and policies with respect to EH&S; (ii) on emerging trends, issues and regulations that are relevant to the Company; (iii) the findings of any significant report by regulatory agencies, external health, safety and environmental consultants or auditors concerning performance in EH&S; (iv) any necessary corrective measures taken to address issues and risks with regards to the Company's performance in the areas of EH&S that have been identified by Management, external auditors or by regulatory agencies; (v) the results of any review with management, outside accountants, external consultants and legal advisors of the implications of major corporate undertakings such as the acquisition or expansion of facilities or ongoing drilling and testing operations, or decommissioning of facilities; and (vi) all incidents and near misses with respect to the Company's operations, including corrective actions taken as a result thereof.

Community Relations

The Company has developed a series of policies and practices that complement its basic responsibilities as a development tool for the local communities in the jurisdictions in which it operates. Parex' corporate social responsibility strategy is based on the following main principles:

- creating local employment opportunities, both within the oil industry and within existing local industries;
- providing education and training programs to strengthen community and local authority relationships, while identifying new markets for local goods and services, and reducing dependence on industry support; and
- engaging communities in studies and processes related to environmental management by combining the Company's expertise with local knowledge.

The Company's efforts have been generally well received by the local communities and have contributed to maintaining a positive relationship in the areas in which the Company operates. However, the Company may from time to time experience production curtailments as a result of community unrest, which could materially negatively affect its operations and financial results. See *Risk Factors*.

PRINCIPAL PROPERTIES

As at December 31, 2015, the Company's principal land holdings and exploration blocks were as follows:

	<u>Working Interest</u>	<u>Gross Acres⁽¹⁾</u>	<u>Net Acres⁽²⁾</u>	<u>Parex 2015 Annual Production (bopd)⁽⁴⁾</u>
Colombia Llanos Basin				
<i>Operated Properties</i>				
Block LLA-16	100%	11,736	11,736	722
Block LLA-20 ⁽⁵⁾	100%	2,891	2,891	-
Block LLA-24	100%	147,100	147,100	-
Block LLA-26	100%	184,061	184,061	1,274
Block LLA-29	100%	69,915	69,915	-
Block LLA-30	100%	117,322	117,322	704
Block LLA-57	100%	52,285	52,285	-
Los Ocarros Block	50%	31,066	15,533	1,692
Block LLA-17	63%	-	-	-
El Eden Block	60%	6,397	3,838	149
Cabrestero Block	100%	29,562	29,562	2,285
Block LLA-40	50%	83,465	41,732	1,535
Cebucan Block	100%	109,185	109,185	-
Cerrero Block ⁽³⁾	100%	83,903	83,903	21
Capachos Block ⁽³⁾	50%	64,073	32,037	-
Block LLA-32	70%	57,040	39,928	4,456
Block LLA-10	50%	189,544	94,772	-
<i>Non-Operated Properties</i>				
Block LLA-34	55%	68,382	37,610	14,596
Balay	10%	4,500	450	-
Colombia Magdalena				
<i>Operated Properties</i>				
VMM-11 Block	100%	116,826	116,826	-
Morpho	100%	51,420	51,420	-
VIM-1 Block	100%	223,651	223,651	-
VMM-9 Block	100%	152,412	152,412	-
Aguas Blancas ⁽³⁾	50%	13,386	6,693	-
Total		<u>1,870,122</u>	<u>1,624,862</u>	<u>27,434</u>

Notes:

- (1) "Gross" means acres in which the Company has an interest.
- (2) "Net" means the Company's interest in the gross acres.
- (3) Lands are subject to farm-in agreement earning terms and/or regulatory approval.
- (4) Production volumes do not include an immaterial amount of oil and conventional natural gas production that is not sold but is consumed by the Company in its own operations.
- (5) Lands are subject to immaterial abandonment liabilities.

Exploration properties that are deemed non-commercial will be relinquished in due course. Accordingly, the gross versus net acres described above may decrease over time as lands deemed non-commercial are released.

Colombia

A three year summary of the Company's operational activities at its significant producing properties is provided below.

Block LLA-34 (55% working interest)

Parex obtained its 55% interest in Block LLA-34 through the purchase of the class A shares of Ramshorn by Parex Bermuda in April 2012 and the purchase of the Verano Shares pursuant to the Verano Arrangement in June 2014. This block is adjacent to Block LLA-32 (see below). During 2012, Parex and its partners drilled the Tua prospect at Block LLA-34 and made a discovery in the Guadalupe and Mirador reservoirs. Two additional follow up wells were successfully drilled and placed on production at Tua, and a water disposal well was drilled at Max field. In 2013, an additional three delineation wells were drilled at Tua, which were all placed on production. Parex and its partners also discovered the Tigana and Tarotaro reservoirs in 2013, drilling a total of four wells in Tarotaro and two wells in Tigana. Both fields are productive in the Guadalupe and Mirador reservoirs and produce oil of 15° to 20° API. In 2014, Parex and partners decided that further drilling at Tarotaro and Max were to be postponed allowing for focus on the development of Tigana and Tua. In 2014, Parex and its partners delineated the Tigana field by drilling an additional 6 wells, 5 of which are producers and 1 that is an injector. An additional 5 wells were drilled at Tua in 2015, further delineating the pool and resulting in 4 oil producers with 1 injector well. In 2015 Parex and its partners successfully tested 1 new field, being the Tilo field, and drilled 2 new fields at Jacana and Chachalaca. Tilo is comprised of Guadalupe formation reservoir producing heavy crude oil at 13.5° API. Jacana has both Mirador formation (untested) and Guadalupe with the Guadalupe on production producing heavy crude oil at 15° API. The Chachalaca field encountered several intervals in the Mirador formation reservoir with first tested zone producing 31° API light crude oil.

Average net oil production from Block LLA-34 in 2015 was 14,596 bbl/d net (26,539 bbl/d gross).

Block LLA-32 (70% working interest)

Parex obtained its 30% interest in Block LLA-32 through the purchase of the class A shares of Ramshorn by Parex Bermuda in April 2012. Parex obtained an additional 40% through the purchase of Verano pursuant to the Verano Arrangement in June 2014. Block LLA-32 is immediately north of Block LLA-34. Block LLA-32 was producing from the Maniceno field and in 2013 Parex and its partners drilled a second successful well in the Maniceno field. In 2014, three additional discoveries in Block LLA-32 were made at fields Kananaskis, Carmentea and Calona in both the Mirador and Une reservoirs. The Mirador reservoirs contain oil of 30 API, while the Une reservoirs contain gas that produces liquid condensates of 40-50 API. In 2014, Parex and its partners drilled 4 wells at Kananaskis, 1 well at Calona, and 2 wells at Carmentea. In 2015, Parex and its partners drilled no wells at Kananaskis, Calona or Carmentea.

In 2015 the Company focused on the commissioning of a gas facility on Block LLA-32 to produce natural gas and light crude oil in the Une formation and to facilitate shipment of processed gas south to Block LLA-34 and the Cabrestero Block for use in power generation.

Average net oil production from Block LLA-32 in 2015 was 4,456 bbl/d net (6,366 bbl/d gross) and an immaterial amount of conventional natural gas production.

Cabrestero Block (100% working interest)

In 2012, PACLS farmed into the Cabrestero Block and drilled the Kitaro-1 well to earn a 50% interest in the block. The well was cased and initially tested in the Une formation. In August of 2012, the Kitaro-1 well was recompleted in the Mirador formation as the temporary facility did not have capacity to handle increasing water production from the Une formation. The Kitaro-2 well was drilled as a follow-up well and was produced over a two week period from the Guadalupe formation at an average rate of 200 bbl/d net (400 bbl/d gross) until water breakthrough, at which point the well was recompleted in the Mirador formation. In 2012, the Akira prospect was drilled from the

Kitaro location to test the Guadalupe formation at a depth of 9,500 feet. The Akira-1 well was placed on production from the Guadalupe formation and produced at rates of 300-400 bbl/d.

On May 31, 2013, Parex Colombia completed the purchase of its partner's 50% working interest in the Cabrestero Block for \$12.5 million before adjustments. Beginning in April of 2013, Parex Colombia continued appraisal of the Akira field by drilling wells Akira-2 through Akira-6 which expanded the size of this field, and allowed Parex Colombia to commit to a large Oil Treatment Plan expansion which was commissioned in second quarter of 2014. Delineation of the Akira field continued in 2014 with the drilling of Akira 7, 8, 9, 9st, 10 and 11.

Average net oil production from the Cabrestero Block in 2015 was 2,285 bbl/d net (2,285 bbl/d gross). As Kitaro/Akira fields are 100% owned, this field is used by PACLS to maintain steady production and is used as a "swing field" to assist in corporate production targets being achieved. The Kitaro field crude density is 20° API, while the Akira field crude density is 15° API.

Block LLA-26 (100% working interest)

In 2014 PACLS, by way of three separate transactions, consolidated a 100% interest in this block and accepted the commitment to drill an exploration well to retain the block. In April 2015 PACLS drilled the Rumba-1 well to a total depth of 13,396 ft and encountered oil bearing reservoirs within the Mirador formation. The well was cased and tested 19° API heavy crude and was placed on production at a rate of approximately 2,000 bopd.

Subsequent in 2015 PACLS completed the appraisal of the Rumba field by drilling three additional oil wells and one water injection well at Rumba and extended the oil field with the drilling of the Bazar-2 exploration well approximately 2.2 kms away from Rumba-1 well.

Average oil production from Block LLA-26 in 2015 was 1,274 bbl/d, with production averaging 2,964 bbl/d in the period October 1, 2015 to December 31, 2015. As the PACLS Cabrestero Block is 100% owned by PACLS, this field is also used by PACLS to manage oil production to corporate production targets and so daily production may fluctuate.

Los Occaros Block (50% working interest)

In 2011, PACLS farmed into the Los Ocarros Block and drilled the Las Maracas-2 side track to earn a 50% interest in the Los Ocarros Block. During 2012, Parex and its partner drilled seven wells at Las Maracas targeting extension of the Mirador reservoir, which also discovered oil in the Gacheta and Une reservoirs. In 2013, an additional seven wells were drilled to exploit the Mirador, Gacheta and Une reservoirs resulting in six producing wells and one disposal well. In 2014, one additional producing well and one disposal well were drilled in the field. On May 27, 2014, Las Maracas field was declared commercial. The Las Maracas field's cumulative oil production exceeded 5 million bbls in January 2014 and, as a result, the High Price Participation Royalty threshold was reached. See *Industry Conditions, Colombia, High Price Participation*.

In 2015, no additional producing wells or disposal wells were drilled in the Los Ocarros Block. Average net oil production for the Los Ocarros Block in 2015 was 1,692 bbl/d net (3,384 bbl/d gross).

Block LLA-40 (50% working interest)

Parex obtained its 50% interesting in Block LLA-40 through the purchase of the class A shares of Ramshorn by Parex Bermuda in April 2012. The block had a four well commitment and in 2014 Parex and its partners drilled the 4 commitment wells resulting in two light oil discoveries at Celtis and Begonia, and two disposal wells at Berbena and Ardisia. The Celtis and Begonia fields commenced production in March and April 2014 and 2015 average net oil production from Block LLA-40 was 1,535 bbl/d gross (3,070 bbl/d gross). In 2016 the Company will evaluate the oil production rates from Celtis and Begonia prior to investing any further capital.

Block LLA-30 (100% working interest)

In early 2013, the Vivania Este-1, Adalia Norte-1 and Adalia-1 wells were drilled. Vivania Este-1 and Adalia Norte-1 were both tested and suspended. Adalia-1 was brought on-stream in March 2013 and average oil production for 2013 was 900 bbl/d of 38° API at a depth of approximately 5,300 feet. During the fourth quarter of 2013, Adalia-2 and Adalia-3 were drilled. Adalia-3 was completed for production in early 2014 and Adalia-2 was tested in 2014 indicating low rate light oil in a poorer quality reservoir. Average production from the Adalia field in 2015 was 704 bopd.

Block LLA-16 (100% working interest)

The principal property on Block LLA-16 is the Kona oil field ("**Kona**"). Kona was discovered by Parex Colombia in May 2010 and placed on production in December 2010. Kona produces from four formations at depths of 11,000 feet to 13,250 feet. Kona's average oil production for 2015 was 650 bbl/d (2014 1,770 bbl/d, 2013 4,532 bbl/d). The oil production from Kona is considered light crude oil and density ranges from 30° to 35° API. Crude oil from Kona is sold to various parties and is primarily used as a diluent to mix with heavy oil production for pipeline transportation to export locations. Kona produced fluid is treated on site through a 75,000 bfpd facility and associated water disposal wells. The Kona field's cumulative oil production exceeded 5 million bbls in January 2014 and, as a result, the High Price Participation Royalty threshold was reached. See *Industry Conditions, Colombia, High Price Participation*.

The other primary producing properties on Block LLA-16 have been the adjoining Sulawesi and Malawi fields, which were permanently abandoned in 2014.

The Java field was discovered in 2012 mid way between the Kona and Sulawesi fields. Currently two wells have been drilled into the structure and facilities have been installed. Production averaged 72 bbl/day in 2015 as the field was only on production until April.

Summary of Block Commitments as of March 17, 2016

The following information represents the gross outstanding financial commitments of the Company per Block in accordance with the E&P Contracts.

Blocks	Exploration Phase	Current Phase Expiry Date	Outstanding Gross Financial Commitment	Outstanding Net Financial Commitment	Current Commitment
LLA-24	Phase 2 (Current)	3/23/2017	\$3,100,000	\$3,100,000	Seismic + 2 exploratory wells (pending)
LLA-26	Phase 1 (Current)	6/30/2016	-	-	Seismic (done) + 3 exploratory wells (done)
LLA-29 ⁽²⁾	Phase 1	Pending Extension/Suspension	\$15,062,500	\$15,062,500	Seismic (done) + 5 exploratory wells (4 wells pending)
LLA-30	Phase 2 (Current)	1/19/2017	\$5,000,000	\$5,000,000	2 exploratory wells (pending)
LLA-32 ⁽¹⁾	Phase 1 (PEP)	2/20/2017	-	-	1 exploratory well (done)
LLA-34 ⁽¹⁾	Phase 1 (PEP)	3/14/2017	-	-	1 exploratory well (done)
LLA-40	Phase 2 (Current)	6/13/2017	\$1,500,000	\$750,000	1 exploratory well (pending)
LLA-57	Phase 2 (Current)	3/22/2017	\$3,000,000	\$3,000,000	1 exploratory well (pending)

Blocks	Exploration Phase	Current Phase Expiry Date	Outstanding Gross Financial Commitment	Outstanding Net Financial Commitment	Current Commitment
VIM-1	Phase 1 (Current)	4/8/2018	\$23,190,800	\$23,190,800	Seismic + 1 exploratory well
VMM-9	Phase 1 (Current)	5/22/2018	\$89,090,800	\$89,090,800	Seismic + 5 exploratory wells
VMM-11	Phase 1 & 2 (Current)	9/15/2017	\$6,000,000	\$6,000,000	Seismic (done) + 2 exploratory wells (pending)
Los Ocarros ⁽¹⁾	Phase 2 PEP (Current)	11/13/2017	-	-	1 exploratory well (done)
Cabrestero	Phase 5 (Extension)	8/28/2016	\$4,000,000	\$4,000,000	1 exploratory well (pending)
Cerrero ⁽¹⁾⁽³⁾	Phase 1 PEP (Current)	6/5/2017	\$4,000,000	\$4,000,000	Seismic pending
Cebucan	Phase 5 (Current)	10/17/2016 (Pending Extension)	\$4,000,000	\$4,000,000	1 exploratory well
Jagueyes	Phase 3		\$900,000	\$855,000	Activity pending (to be transferred to Cerrero) ⁽⁴⁾
TOTAL			\$158,844,100	\$158,094,100	

Notes:

- (1) Posterior Exploratory Program.
- (2) Contract includes an aggregate value for the total commitments per phase. Therefore an individual allocation per activity has been done on a pro rata basis.
- (3) Lands are subject to farm-in agreement earning terms and/or regulatory approval.
- (4) Transfer of commitment is pending regulatory approval.

The following information represents the outstanding financial commitments of the Company per Block in accordance with the applicable farm-in agreements:

Blocks	Exploration Phase	Current Phase Expiry Date	Outstanding Gross Financial Commitment	Outstanding Net Financial Commitment	Current Commitment
LLA-10 ⁽³⁾	Phase 1 (Current)	6/18/2016 Pending Suspension	\$2,400,000	\$2,136,000	Seismic (done) + 1 exploratory well (pending)
Capachos ⁽¹⁾	Phase 0	6/14/2017	\$32,000,000 ⁽²⁾	\$32,000,000	2 development wells
Aguas Blancas ⁽¹⁾	Phase 0	9/29/2019 (Pending Extension)	\$61,200,000 ⁽²⁾	\$61,200,000	10 development wells, water flooding project
TOTAL			\$95,600,000	\$95,336,000	

Notes:

- (1) Lands are subject to farm-in agreement earning terms and/or regulatory approval.
- (2) Commitments will be carried out in Phase 1 of the farm-in agreement.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

The statement of reserves data and other oil and gas information set forth below (the "**Reserves Data**") is dated December 31, 2015. The effective date of the Reserves Data is December 31, 2015 and the preparation date of the Reserves Data is February 5, 2016. All of the Company's reserves are located in Colombia.

Disclosure of Reserves Data

The reserves data set forth below are based upon an evaluation by GLJ set out in the GLJ Report dated February 5, 2016 with an effective date of December 31, 2015. The Reserves Data summarize the oil reserves of the Company and the net present values of future net revenue for such reserves using forecast prices and costs as at December 31, 2015. All of the Company's oil production and 96% of the oil reserves are located in the Llanos Basin of Colombia with the remaining oil reserves located in the Middle Magdalena Basin. The Company does not have any coal bed methane, synthetic crude oil, bitumen, gas hydrates, NGLs, shale gas, synthetic gas, or tight oil production or reserves. Parex had an immaterial amount of conventional natural gas production in the year ended December 31, 2015.

The reserve estimates presented in the GLJ Report are based on the guidelines contained in the COGE Handbook and the reserve definitions contained in NI 51-101 and the COGE Handbook. A summary of those definitions are set forth in the glossary to this Annual Information Form. GLJ was engaged to provide evaluations of proved reserves, proved plus probable reserves and proved plus probable plus possible reserves. Additional information not required by NI 51-101 has been presented to provide continuity and clarity which the Company believes is important to the readers of this information.

The Operations and Reserves Committee of the Board of Directors has reviewed and approved the GLJ Report. The Report of Management and Directors on Oil and Gas Disclosure and the Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor are attached as Schedules "A" and "B" hereto, respectively.

All evaluations of future revenue contained in the GLJ Report are after the deduction of royalties, development costs, production costs and well abandonment costs but before consideration of indirect costs such as administrative, overhead and other miscellaneous expenses. It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There are numerous uncertainties inherent in estimating quantities of crude oil, reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth in this Annual Information Form are estimates only. The recovery and reserve estimates of the reserves provided herein are estimates only, and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided herein. See *Risk Factors*.

In general, estimates of economically recoverable crude oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of crude oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies, and future operating costs, all of which may vary materially from actual results. For those reasons, among others, estimates of the economically recoverable crude oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves may vary and such variations may be material. The actual production, revenues, taxes and development, and operating expenditures with respect to the reserves associated with the Company's properties may vary, from the information presented herein, and such variations could be material. In addition, there is no assurance that the forecast price and cost assumptions contained in the GLJ Report will be attained, and variances could be material. See *Forward Looking Statements* and *Risk Factors*.

The estimates of reserves and future development capital for individual properties may not reflect the same confidence level as estimates of reserves and future development capital for all properties, due to the effects of aggregation. Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10 percent probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

In certain of the tables set forth below, the columns may not add due to rounding. All dollar amounts expressed in the tables below are expressed in United States dollars.

SUMMARY OF OIL AND GAS RESERVES
as at December 31, 2015
FORECAST PRICES AND COSTS

Reserve Category	Light Crude Oil and Medium Crude Oil		Heavy Crude Oil		Conventional Natural Gas		Total Oil Equivalent ⁽²⁾	
	Gross ⁽¹⁾ (Mbbbl)	Net ⁽¹⁾ (Mbbbl)	Gross (Mbbbl)	Net (Mbbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mboe)	Net (Mboe)
PROVED								
Developed Producing	3,345.6	3,037.6	22,320.1	19,985.0	2,534.4	2,345.9	26,088.1	23,413.5
Developed Non-Producing	329.4	300.8	218.9	202.1	268.9	248.7	593.1	544.3
Undeveloped	623.8	551.2	18,321.0	16,367.2	2,278.8	2,153.5	19,324.7	17,277.3
TOTAL PROVED	<u>4,298.8</u>	<u>3,889.5</u>	<u>40,860.1</u>	<u>36,554.3</u>	<u>5,082.0</u>	<u>4,748.2</u>	<u>46,005.9</u>	<u>41,235.2</u>
TOTAL PROBABLE	<u>6,569.9</u>	<u>6,001.3</u>	<u>28,099.6</u>	<u>23,282.1</u>	<u>6,019.5</u>	<u>5,676.4</u>	<u>35,672.8</u>	<u>30,229.5</u>
TOTAL PROVED PLUS PROBABLE	<u>10,868.8</u>	<u>9,890.8</u>	<u>68,959.6</u>	<u>59,836.4</u>	<u>11,101.5</u>	<u>10,424.6</u>	<u>81,678.7</u>	<u>71,464.6</u>
TOTAL POSSIBLE	<u>5,316.9</u>	<u>4,750.4</u>	<u>36,717.9</u>	<u>29,800.4</u>	<u>4,436.3</u>	<u>4,160.2</u>	<u>42,774.1</u>	<u>35,244.1</u>
TOTAL PROVED PLUS PROBABLE PLUS POSSIBLE	<u>16,185.7</u>	<u>14,641.2</u>	<u>105,677.5</u>	<u>89,636.8</u>	<u>15,537.8</u>	<u>14,584.8</u>	<u>124,452.8</u>	<u>106,708.8</u>

Notes:

- (1) "Gross Reserves" are the Company's working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the Company. "Net Reserves" are the Company's working interest (operating or non-operating) share after deduction of royalty obligations, plus the Company's royalty interests in reserves. See *Certain Definitions*.
- (2) See *Abbreviations, Conventions and Other Information*.

SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE
as at December 31, 2015
FORECAST PRICES AND COSTS

Reserves Category	Before Income Tax Discounted at (%/year)					After Income Taxes Discounted at (%/year) ⁽²⁾					Unit Value Before Income Tax Discounted at 10%/year ⁽¹⁾ (\$/boe)	Unit Value Before Income Tax Discounted at 10%/year ⁽¹⁾ (\$/Mcfe)
	0	5	10	15	20	0	5	10	15	20		
	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)		
PROVED												
Developed Producing	520,391	445,906	390,769	348,574	315,361	482,642	417,770	369,255	331,762	301,977	16.69	2.78
Developed Non-Producing	8,811	7,493	6,457	5,629	4,961	5,439	4,615	3,984	3,492	3,100	11.86	1.98
Undeveloped	571,552	430,767	334,092	265,394	215,119	355,960	263,000	199,840	155,479	123,417	19.34	3.22
TOTAL PROVED	<u>1,100,754</u>	<u>884,166</u>	<u>731,318</u>	<u>619,597</u>	<u>535,441</u>	<u>844,041</u>	<u>685,385</u>	<u>573,079</u>	<u>490,732</u>	<u>428,493</u>	<u>17.74</u>	<u>2.96</u>
PROBABLE	<u>1,115,313</u>	<u>800,655</u>	<u>598,493</u>	<u>462,271</u>	<u>366,765</u>	<u>681,475</u>	<u>482,357</u>	<u>354,681</u>	<u>269,063</u>	<u>209,457</u>	<u>19.80</u>	<u>3.30</u>
TOTAL PROVED PLUS PROBABLE	<u>2,216,067</u>	<u>1,684,821</u>	<u>1,329,812</u>	<u>1,081,868</u>	<u>902,206</u>	<u>1,525,516</u>	<u>1,167,741</u>	<u>927,760</u>	<u>759,795</u>	<u>637,950</u>	<u>18.61</u>	<u>3.10</u>
POSSIBLE	<u>1,690,103</u>	<u>1,124,533</u>	<u>800,947</u>	<u>600,402</u>	<u>467,906</u>	<u>1,045,649</u>	<u>691,328</u>	<u>488,961</u>	<u>363,960</u>	<u>281,735</u>	<u>22.73</u>	<u>3.79</u>
TOTAL PROVED PLUS PROBABLE PLUS POSSIBLE	<u>3,906,170</u>	<u>2,809,354</u>	<u>2,130,758</u>	<u>1,682,270</u>	<u>1,370,112</u>	<u>2,571,166</u>	<u>1,859,069</u>	<u>1,416,721</u>	<u>1,123,755</u>	<u>919,685</u>	<u>19.97</u>	<u>3.33</u>

Notes:

- (1) The unit values are based on net reserve volumes.

- (2) Net present values prepared by GLJ in the evaluation of Parex' oil and natural gas properties are calculated by considering sales of oil and natural gas, reserves, processing of third party reserves and other income. After tax net present values prepared by GLJ in the evaluation of Parex' oil and natural gas properties are calculated by considering the foregoing factors, as well as appropriate income tax calculations, current federal tax regulations, and by including prior tax pools for Parex.

TOTAL FUTURE NET REVENUE (UNDISCOUNTED)
as at December 31, 2015
FORECAST PRICES AND COSTS

Reserves Category	Revenue (\$000's)	Royalties (\$000's)	Operating Costs (\$000's)	Development Costs (\$000's)	Abandonment and Reclamation Costs (\$000's) ⁽²⁾	Future Net Revenue Before Future Income Taxes (\$000's)	Future Income Taxes (\$000's)	Future Net Revenue After Future Income Taxes (\$000's) ⁽¹⁾
PROVED	2,029,093	220,164	525,083	157,339	25,753	1,100,754	256,712	844,041
PROVED PLUS PROBABLE	4,042,200	548,050	918,384	318,437	41,262	2,216,067	690,550	1,525,516
PROVED PLUS PROBABLE PLUS POSSIBLE	6,686,006	1,034,250	1,302,304	391,737	51,545	3,906,170	1,335,004	2,571,166

Notes:

- (1) Values are calculated by utilizing existing tax pools for Parex in the evaluation of Parex' properties and taking into account current Colombian federal tax regulations. Values do not represent an estimate of the value at the business entity level, which may be significantly different. For information at the business entity level, please see Parex' Consolidated Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2015.
- (2) See *Significant Factors and Uncertainties – Abandonment and Reclamation Costs*.

FUTURE NET REVENUE
BY PRODUCT TYPE
as at December 31, 2015
FORECAST PRICES AND COSTS

	Net Present Value of Future Net Revenue (before deducting Future Income Tax Expenses and Discounted at 10%/year) (M\$)	Unit Value (before deducting Future Income Tax Expenses and Discounted at 10%/year) ((\$/bbl)/(\$/McF)) ⁽³⁾
Proved Reserves		
Light Crude Oil and Medium Crude Oil ⁽¹⁾	81,998	17.81/bbl
Heavy Crude Oil ⁽¹⁾	649,177	17.76/bbl
Conventional Natural Gas ⁽²⁾	144	0.31/Mcf
Total Proved	731,318	
Proved Plus Probable		
Light Crude Oil and Medium Crude Oil ⁽¹⁾	197,387	17.18/bbl
Heavy Crude Oil ⁽¹⁾	1,132,380	18.92/bbl
Conventional Natural Gas ⁽²⁾	44	0.05/Mcf
Total Proved Plus Probable	1,329,812	
Proved Plus Probable Plus Possible		
Light Crude Oil and Medium Crude Oil ⁽¹⁾	325,416	19.38bbl
Heavy Crude Oil ⁽¹⁾	1,804,192	20.13/bbl
Conventional Natural Gas ⁽²⁾	1,150	0.67/Mcf
Total Proved Plus Probable Plus Possible	2,130,758	

Notes:

- (1) Including solution gas and other by-products.
- (2) Including by-products but excluding solution gas.
- (3) Unit values are based on net reserve volumes.
- (4) Columns may not add due to rounding.

Pricing Assumptions

Crude Oil

The following table sets forth the benchmark reference prices, as at December 31, 2015, reflected in the Reserves Data. These price assumptions were provided to Parex by GLJ and were GLJ's then current forecast at the date of the GLJ Report.

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS⁽¹⁾
as at December 31, 2015
FORECAST PRICES AND COSTS

Year	WTI Cushing Oklahoma (\$US/bbl)	ICE Brent (\$US/bbl)	Medium Crude Oil 29° API (\$Cdn/bbl)	Hardisty Heavy 12° API (\$Cdn/bbl)	Inflation Rates ⁽²⁾ (%/Year)	Exchange Rate ⁽³⁾ (\$US/\$Cdn)
2015	48.82	53.75	51.91	39.31	1.1	0.7832
Forecast ⁽⁴⁾						
2016	44.00	45.00	50.80	35.70	2.0	0.7250
2017	52.00	54.00	59.52	45.02	2.0	0.7500
2018	58.00	61.00	63.60	49.06	2.0	0.7750
2019	64.00	67.00	68.59	54.42	2.0	0.8000
2020	70.00	73.00	73.27	59.75	2.0	0.8250
2021	75.00	78.00	76.59	63.56	2.0	0.8500
2022	80.00	83.00	82.06	69.32	2.0	0.8500
2023	85.00	88.00	87.53	74.62	2.0	0.8500
2024	87.88	91.39	59.73	78.40	2.0	0.8500
2025	89.63	93.22	91.52	79.99	2.0	0.8500
Thereafter			Escalated oil, gas and product prices at 2% per year thereafter.			

Notes:

- (1) This summary table identifies benchmark reference pricing schedules that might apply to a reporting issuer.
- (2) Inflation rates for forecasting prices and costs.
- (3) The exchange rate used to generate the benchmark reference prices in this table.
- (4) As at December 31, 2015.

Natural Gas

The GLJ Report does not use natural gas benchmark pricing assumptions. The GLJ Report used a price of \$6.00/Mcf for 2015, which reflects the Company's Colombian natural gas contracts in place. This price will be \$6.00/Mcf for 2016, will escalate to \$6.65/Mcf in 2017 and stay constant at this price until 2025.

Reserves Reconciliation

The following table sets forth a reconciliation of the Company's total gross proved, gross probable and total gross proved plus probable oil reserves as at December 31, 2015 against such reserves as at December 31, 2014 based on forecast prices and cost assumptions. All of the Company's evaluated reserves are located in Colombia.

FACTORS	Light Crude Oil And Medium Crude Oil			Heavy Crude Oil		
	Proved (Mbbbl)	Probable (Mbbbl)	Proved Plus Probable (Mbbbl)	Proved (Mbbbl)	Probable (Mbbbl)	Proved Plus Probable (Mbbbl)
December 31, 2014	39,586	26,943	66,529	-	-	-
Product Type Transfer ⁽¹⁾	(32,990)	(23,223)	(56,213)	32,990	23,223	56,213
Discoveries ⁽²⁾	395	1,364	1,759	6,384	7,338	13,722
Extensions	-	-	-	-	-	-
Infill Drilling	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions ⁽³⁾	2,200	2,226	4,426	8,097	(5,717)	2,379

FACTORS	Light Crude Oil And Medium Crude Oil			Heavy Crude Oil		
	Proved	Probable	Proved Plus	Proved	Probable	Proved Plus
	(Mbbbl)	(Mbbbl)	Probable (Mbbbl)	(Mbbbl)	(Mbbbl)	Probable (Mbbbl)
Acquisitions ⁽⁴⁾	-	-	-	-	3,256	3,256
Dispositions	-	-	-	-	-	-
Economic Factors ⁽⁵⁾	(1,468)	(740)	(2,208)	-	-	-
Production	(3,424)	-	(3,424)	(6,610)	-	(6,610)
December 31, 2015	4,299	6,570	10,869	40,860	28,100	68,960

FACTORS	Conventional Natural Gas			BOE		
	Proved	Probable	Proved Plus	Proved	Probable	Proved Plus
	(MMcf)	(MMcf)	Probable (MMcf)	(Mboe)	(Mboe)	Probable (Mboe)
December 31, 2014	5,026	6,348	11,375	40,424	28,001	68,425
Product Type Transfer	-	-	-	-	-	-
Discoveries ⁽²⁾	-	-	-	6,779	8,702	15,481
Extensions	-	-	-	-	-	-
Infill Drilling	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions ⁽³⁾	374	(329)	45	10,358	(3,546)	6,812
Acquisitions ⁽⁴⁾	-	-	-	-	3,256	3,256
Dispositions	-	-	-	-	-	-
Economic Factors ⁽⁵⁾	-	-	-	(1,468)	(740)	(2,208)
Production	(318)	-	(318)	(10,087)	-	(10,087)
December 31, 2015	5,082	6,020	11,102	46,006	35,673	81,679

Notes:

- (1) Product type transfer volumes represents reallocation of the opening December 31, 2014 light and medium crude oil product type estimates to heavy crude oil product type estimates as a result of the reserves definitions provided pursuant to amendments to NI 51-101 which came into effect July 1, 2015.
- (2) Attributed to discoveries of the Jacana, Rumba and Chachalaca Fields.
- (3) Positive technical revisions at the Tigana and Adalia Fields were partially offset by negative revisions in the Kananaskis and Akira Fields. There were minor technical revisions in the conventional natural gas product type.
- (4) Represents acquisition of the Aquas Blancas Field through farm in commitment. See *Description of the Business and Operations – Parex Resources (Colombia) Ltd.* Reserves are associated with small areas within the Aquas Blancas field that contain existing wellbores and are considered in the proved plus probable and proved plus probable plus possible reserves categories.
- (5) Reflects a write off of crude oil volumes attributed to minor fields Kona, Java, Maniceno, Celeus, Celtis and Rumi due to economic factors.

Additional Information Relating to Reserves Data***Undeveloped Reserves***

Undeveloped reserves are attributed by GLJ in accordance with standards and procedures contained in the COGE Handbook. Proved undeveloped reserves are those reserves that can be estimated with a high degree of certainty and are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production. Probable undeveloped reserves are those reserves that are less certain to be recovered than proved reserves and are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production. Proved and probable undeveloped reserves have been assigned in accordance with engineering and geological practices as defined under NI 51-101.

The GLJ Report assumes that the proven undeveloped reserves will be developed over the next 5 years with over 70% of the capital spending in the next 3 years. There are a number of factors that could result in delayed or cancelled development, including the following: (i) changing economic conditions (due to commodity pricing, operating and capital expenditure fluctuations); (ii) changing technical conditions (including production anomalies,

such as water breakthrough or accelerated depletion); (iii) multi-zone developments (for instance, a prospective formation completion may be delayed until the initial completion formation is no longer economic); (iv) a larger development program may need to be spread out over several years to optimize capital allocation and facility utilization; and (v) surface access issues (including those relating to land owners, weather conditions and regulatory approvals). For more information, see *Risk Factors* herein.

Proved and Probable Undeveloped Reserves

The following tables set forth the proved undeveloped reserves and the probable undeveloped reserves, each by product type, attributed to Parex' assets for the years ended December 31, 2015, 2014 and 2013 based on forecast prices and costs. All of the Company's proved undeveloped reserves and the probable undeveloped reserves are located in Colombia. See *Statement of Reserves Data and Other Oil and Gas Information - Disclosure of Reserves Data*.

Proved Undeveloped Reserves

Year	Light Crude and Medium Crude Oil (Mbbbl)		Heavy Crude Oil (Mbbbl)		Conventional Natural Gas (MMcft)		Oil Equivalent (Mbbbl)	
	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End
	2013	5,032	8,363	-	-	559	596	5,125
2014	9,661	16,992	-	-	4,174	4,174	10,356	17,688
2015	255	624	1,901	18,321	-	2,279	2,156	19,325

The GLJ Report disclosed Company gross proved undeveloped reserves of 19,325 Mbbbl before royalties. These are reserves which can be estimated with a high degree of certainty to be recoverable, provided a significant expenditure is made to render them capable of production. The undeveloped reserves in the GLJ Report estimates future capital spending of approximately \$128,833 million to fully develop the undeveloped reserves and it is expected that these undeveloped reserves would be reclassified as proved developed reserves. Development of the undeveloped reserves is expected to occur over the next 5 years with over 70% of the investment expected over the next three years. Timing of the investment and the desired pace of development will depend to a large extent on economic conditions, in particular, the world price of oil. The Company has significant development opportunities in several large properties and the pace of development is controlled to meet corporate capital expenditure targets. See *Principal Properties* in this Annual Information Form.

Probable Undeveloped Reserves

Year	Light Crude Oil and Medium Crude Oil (Mbbbl)		Heavy Crude Oil (Mbbbl)		Conventional Natural Gas (MMcft)		Oil Equivalent (Mbbbl)	
	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End
	2013	7,586	10,795	-	-	54	981	7,595
2014	9,839	19,424	-	-	5,545	5,545	10,763	20,348
2015	4,562	5,152	7,041	23,240	-	5,064	11,604	29,236

The GLJ Report disclosed Company gross probable undeveloped reserves of 29,236 Mbbbl before royalties. Probable reserves are less certain to be recovered than proved reserves. Development of the undeveloped reserves is expected to occur over the next 5 years with over 65% of the investment expected over the next three years. Timing of the investment and the desired pace of development will depend to a large extent on economic conditions, in particular, the world price of oil. The Company has significant development opportunities in several large properties and the pace of development is controlled to meet corporate capital expenditure targets.

See *Principal Properties and Statement of Reserves Data and Other Information – Additional Information Relating to Reserves Data - Future Development Costs* for a description of the Company's exploration and development plans and expenditures.

Significant Factors or Uncertainties

General

The process of evaluating reserves is inherently complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and natural gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, prices and economic conditions and other factors and assumptions that may affect the reserve estimates and the present worth of the future net revenue therefrom. These factors and assumptions include, among others: (i) historical production in the area compared with production rates from analogous producing areas; (ii) initial production rates; (iii) production decline rates; (iv) ultimate recovery of reserves; (v) success of future development activities; (vi) marketability of production; (vii) effects of government regulations; and (viii) other government levies imposed over the life of the reserves. Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, subjective decisions, new geological or production information and a changing environment may impact these estimates.

As circumstances change and additional data becomes available, reserve estimates also change. Estimates are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and government restrictions. Revisions to reserve estimates can arise from changes in year-end prices, reservoir performance and geologic conditions or production. These revisions can be either positive or negative.

At this time, the Company does not anticipate any unusually high development costs or operating costs, the need to build a major pipeline or other major facility before production of reserves can begin, or contractual obligations to produce and sell a significant portion of production at prices substantially below those which could be realized but for those contractual obligations. The Company does not anticipate any significant economic factors or significant uncertainties will affect any particular components of the Reserves Data. However, reserves can be affected significantly by fluctuations in product pricing, capital expenditures, operating costs, royalty regimes and well performance, and subsequent drilling results, that are beyond the Company's control. See *Risk Factors*.

Abandonment and Reclamation Costs

The following table sets forth abandonment and reclamation costs deducted in the estimation of the Company's future net revenue using forecast prices and costs as included in the GLJ report:

Year	Total Proved Abandonment Costs (\$000's)	Total Proved plus Probable Abandonment Costs (\$000's)	Total Proved plus Probable plus Possible Abandonment Costs (\$000's)
2016	245	-	-
2017	946	286	286
2018	3,732	1,001	564
Thereafter	20,830	39,975	50,695
Total Undiscounted	25,753	41,262	51,545
Total Discounted @ 10%	12,568	14,871	13,910

As at December 31, 2015 Parex had 97.2 net wells for which we expect to incur abandonment and reclamation costs in the total proved plus probable category (113.3 net wells in the proved plus probable plus possible category). The GLJ Report deducted \$41.3 million (undiscounted) and \$14.9 million (10% discount) for abandonment costs of wells with proved and probable reserves (\$52.5 million (undiscounted) and \$14 million (10% discount) for

abandonment costs of wells with proved and probable and possible reserves), in estimating the future net revenues disclosed in this Annual Information Form.

The future net revenues disclosed in this Annual Information Form based on the GLJ Report do not contain an allowance for abandonment and reclamation costs for facilities, pipelines or wells without reserves. Management has also estimated there is an additional \$5.1 million (undiscounted) and \$3.9 million (10% discount) not included in the future net revenues disclosed in this Annual Information Form for abandonment and reclamation costs for facilities and pipelines and an additional \$13.8 million (undiscounted) and \$10.3 million (10% discounted) for abandonment and reclamation costs for wells without reserves. See Note 15 – *Decommissioning and Environmental Liabilities* in the consolidated financial statements of the Company for the year ended December 31, 2015, which can be found on the Company's SEDAR profile at www.sedar.com.

Future Development Costs

The following table sets out the development costs deducted in the estimation of future net revenue attributable to proved reserves (using forecast prices and costs) and proved plus probable reserves (using forecast prices and costs) based upon the GLJ Report.

(\$000s)	Total Proved Estimated Using Forecast Prices and Costs	Total Proved Plus Probable Estimated Using Forecast Prices and Costs
2016	28,913	31,800
2017	28,305	76,628
2018	63,823	118,559
2019	28,000	55,655
2020	3,924	20,160
Total for all years undiscounted	157,339	318,437
Total for all years discounted at 10% per year	127,280	251,215

Parex expects to use a combination of internally generated cash from operations, working capital and the issuance of new equity or debt where and when it believes appropriate to fund future development costs set out in the GLJ Report. There can be no guarantee that funds will be available or that the Board of Directors of the Company will allocate funding to develop all of the reserves attributable in the GLJ Report. Failure to develop those reserves could have a negative impact on the Company's future cash flow. Further, the Company may choose to delay development depending upon a number of circumstances including the existence of higher priority expenditures and available cash flow.

Interest expense or other costs of external funding are not included in the reserves and future net revenue estimates set forth above and would reduce the reserves and future net revenue to some degree depending upon the funding sources utilized. The Company does not anticipate that interest or other funding costs would make further development of any of the Company's properties uneconomic.

Other Oil and Natural Gas Information

Unless otherwise stated, the following information is presented as at December 31, 2015. The Company does not believe that there have been any material changes to such information since such date.

Oil and Natural Gas Wells

The following table sets forth the number and status of wells in which the Company held a working interest as at December 31, 2015.

	Oil Wells				Natural Gas Wells				Other Wells ⁽³⁾	
	Producing		Non-Producing		Producing		Non-Producing		Gross ⁽¹⁾	Net ⁽²⁾
	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾		
Colombia	63	44.5	30	24.35	4	2.7	-	-	27	19.9

Notes:

- (1) "Gross" means the total number of wells in which the Company has an interest.
- (2) "Net" means the number of wells obtained by aggregating the Company's interest in each of its gross wells.
- (3) Includes service, disposal, injection and standing wells.

Of the non producing wells, 1 (0.55 net) oil wells were capable of production and had reserves assigned to them and 8 (5.8 net) oil wells were capable of production that had no reserves assigned to them. None of the non producing oil wells have been placed on production as of date of this Annual Information Form.

Properties with No Attributed Reserves

The following table sets out Parex and its Subsidiaries' unproved properties as at December 31, 2015.

	<u>Gross Acres</u>	<u>Net Acres</u>
Colombia	1,856,924	1,616,587

Within the next year, 121,030 gross (118,402 net) acres are scheduled to expire. Development of the Company's properties with no attributed reserves are subject to current industry conditions and uncertainties as indicated under *Risk Factors* herein.

Significant Factors or Uncertainties Relevant to Properties with No Attributed Reserves

Forward Contracts

See Note 22, "*Financial Instruments and Risk Management*" and Note 24, "*Commitments*", to the consolidated financial statements of the Company for the year ended December 31, 2015, which information can be found on the Company's website at www.parexresources.com and on SEDAR at www.sedar.com. The nature of crude oil operations exposes the Company to risks associated with fluctuations in commodity prices and foreign currency exchange rates. Periodically, the Company may manage these risks through the use of derivative instruments. The Board of Directors of the Company periodically reviews the results of all risk management activities on all outstanding positions.

As part of its risk management program, Parex has entered into the following commodity price derivative contracts:

<u>Term</u>	<u>Commodity</u>	<u>Counterparty</u>	<u>bbl/d</u>	<u>Price /bbl</u>	<u>Option Type</u>
January 1 – June 30, 2016	Crude Oil	HSBC	5,000	\$47.75, \$52.50-\$70.00	3-way Collar
February 1 – June 30, 2015	Crude Oil	Scotiabank	15,000	\$25.00, \$35.00-\$45.00	3-way Collar
July 1 – September 30, 2016	Crude Oil	Scotiabank	5,000	\$30.50, \$38.00-\$47.00	3-way Collar
July 1 – September 30, 2016	Crude Oil	Scotiabank	5,000	\$34.25, \$40.25-\$49.50	3-way Collar

As part of its risk management program, Parex has entered into the following foreign currency risk management contracts:

<u>Term</u>	<u>Reference</u>	<u>Counterparty</u>	<u>Type</u>	<u>Amount USD</u>	<u>Price (COP)</u>
August 31, 2015 – April 14, 2016	Colombian Peso	Scotiabank	Call	\$8 million	3,000
August 31, 2015 – June 14, 2016	Colombian Peso	Scotiabank	Call	\$8 million	3,000
August 31, 2015 – April 14, 2016	Colombian Peso	Scotiabank	Put	\$8 million	3,227.5
August 31, 2015 – June 14, 2016	Colombian Peso	Scotiabank	Put	\$8 million	3,227.5

Tax Horizon

The GLJ report forecasts cash taxes in Colombia to be incurred in 2016 and the Company incurred cash taxes in prior years.

Costs Incurred

The following table summarizes certain costs incurred by the Company for the year ended December 31, 2015:

Country	Property Acquisition Costs (\$000's)		Exploration Costs (\$000's)	Development Costs (\$000's)
	Proved Properties	Unproved Properties		
Colombia	-	15,346	44,989	65,147
Total	-	15,346	44,989	65,147

Exploration and Development Activities

The following table sets forth the wells in which the Company participated during the year ended December 31, 2015.

Colombia

	Exploratory		Appraisal		Development		Injection		Total	
	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾
Oil	4	3.1	3	2.1	-	-	1	1	8	6.2
Gas	-	-	-	-	-	-	-	-	-	-
Service	-	-	-	-	1	0.55	-	-	1	0.55
Stratigraphic Test	-	-	-	-	-	-	-	-	-	-
Dry	3	2.7	-	-	-	-	-	-	3	2.7
Total	7	5.8	3	2.1	1	0.55	1	1	12	9.45

Notes:

- (1) "Gross" means the total number of wells in which the Company has an interest.
- (2) "Net" means the number of wells obtained by aggregating the Company's interest in each of its gross wells.

See *Principal Properties* for a description of Parex and its Subsidiaries' current and proposed exploration and development activities.

Decommissioning Liabilities

The Company accounts for decommissioning liabilities in accordance with IFRS. This standard requires liability recognition for decommissioning liabilities associated with long-lived assets, which would include abandonment of oil and natural gas wells, related facilities, compressors and gas plants, removal of equipment from leased acreage and returning such land to its original condition. Under the standard, the estimated fair value of each decommissioning liability is recorded in the period a well or related asset is drilled, constructed or acquired. Fair value is estimated using the present value of the estimated future cash outflows to abandon the asset at the Company's risk-free interest rate. The obligation is reviewed regularly by Management based upon current regulations, costs, technologies and industry standards. The discounted obligation is recognized as a liability and is accreted against income until it is settled or the property is sold. Actual restoration expenditures are charged to the accumulated obligation as incurred. The related cost is recognized as an asset and is included in costs subject to depletion.

In the Company's audited and consolidated financial statements as at December 31, 2015, the estimated total inflated, undiscounted amount required to settle the asset retirement obligations in respect of the Company's producing and non-producing wells and facilities was approximately \$36.7 million. These obligations will be settled over the useful lives of the underlying assets, which currently extend up to 20 years. The present value of this amount is approximately \$26.8 million discounted at 5.25%. The Company does not expect to incur the majority of these expenditures over the next three financial years.

Environmental Liabilities

Liabilities for environmental costs are recognized in the period in which they are incurred, normally when the asset is developed and the associated costs can be estimated. These liabilities are in addition to the decommissioning liabilities due to government regulations that require the Company to perform additional mitigation against the environmental issues attributed to water usage and deforestation from oil and gas activities performed. In addition, the timing of expected settlement of the environmental liabilities differs from the timing of expected settlement of the decommissioning liabilities. Environmental expenditures that relate to current or future revenues are expensed or capitalized as appropriate. In the Company's audited and consolidated financial statements as at December 31, 2015, the estimated total inflated, undiscounted amount required to settle the environmental obligations was approximately \$15.1 million. These obligations are expected to be settled over the next 5 years. The 8% discounted present value of this amount is approximately \$8.6 million. The Company expects to incur approximately \$2.1 million of these expenditures over the next financial year.

Production Estimates

The following table sets out the volumes of gross and net production estimated in the GLJ Report for the year ended December 31, 2016, which is reflected in the estimate of future net revenue disclosed in the forecast price tables contained under *Statement of Reserves Data and Other Oil and Gas Information – GLJ Report*.

	Light Crude and Medium Crude Oil		Heavy Crude Oil		Conventional Natural Gas		Oil Equivalent	
	(bbls/d)		(bbls/d)		(Mcf/d)		(boe/d)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved Producing	3,537	3,189	20,165	18,393	2,915	2,697	24,189	22,031
Developed Non-Producing	85	78	126	116	66	61	223	205
Undeveloped	-	(1)	1,547	1,419	-	-	1,547	1,418
Total Proved	3,623	3,266	21,839	19,929	2,981	2,758	25,989	23,654
Total Probable	617	563	1,960	1,768	191	176	2,608	2,360
Total Proved Plus Probable	4,240	3,828	23,799	21,697	3,172	2,934	28,567	26,014
Total Possible	506	462	831	753	185	171	1,368	1,243
Total Proved Plus Probable Plus Possible	4,746	4,291	24,630	22,449	3,357	3,104	29,935	27,257

Note:

- (1) Gross production is company working interest production before royalty deductions. Net production is company working interest production less royalties.

The following tables set out the volumes of gross and net production estimated in the GLJ Report for the year ended December 31, 2016 for the Company's fields that account for 20% or more of the Company's total gross and net production estimated in the GLJ Report for the year ended December 31, 2015:

Tigana, Colombia

	Light Crude Oil and Medium Crude Oil		Heavy Crude Oil		Conventional Natural Gas		Oil Equivalent	
	(bbls/d)		(bbls/d)		(Mcf/d)		(boe/d)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved Producing	-	-	7,276	6,721	-	-	7,276	6,721
Developed Non-Producing	-	-	-	-	-	-	-	-
Undeveloped	-	-	781	713	-	-	781	713
Total Proved	-	-	8,056	7,434	-	-	8,056	7,434
Total Probable	-	-	579	527	-	-	579	527
Total Proved Plus Probable	-	-	8,635	7,961	-	-	8,635	7,961
Total Possible	-	-	285	259	-	-	285	259
Total Proved Plus Probable Plus Possible	-	-	8,920	8,220	-	-	8,920	8,220

Production History

The following table sets forth certain information in respect of the gross Company production, product prices received, royalties paid, production costs and the netbacks received by the Company for each quarter of the last financial year.

	Quarter Ended 2015				Year Ended 2015
	Dec. 31	Sept. 30	June 30	Mar. 31	December
Average Daily Production⁽¹⁾⁽³⁾					
Light Crude and Medium Crude Oil (Bbl/d)	6,000	9,277	10,406	11,494	9,279
Heavy Crude Oil (Bbl/d)	22,588	18,100	16,619	15,235	18,155
Average Price Received (net of quality adjustment)⁽³⁾⁽⁴⁾					
Light Crude and Medium Crude Oil (\$/Bbl)	39.35	45.12	56.83	49.93	48.34
Heavy Crude Oil (\$/Bbl)	35.46	43.80	57.07	48.71	44.97
Royalties Paid⁽³⁾⁽⁴⁾					
Light Crude and Medium Crude Oil (\$/Bbl)	2.80	3.79	5.46	3.89	4.44
Heavy Crude Oil (\$/Bbl)	2.50	3.25	4.62	4.25	3.54
Production and Transportation Costs⁽³⁾⁽⁴⁾					
Light Crude and Medium Crude Oil (\$/Bbl)	24.09	21.25	20.79	23.02	22.20
Heavy Crude Oil (\$/Bbl)	17.64	19.75	22.42	23.20	20.75
Netback Received (\$/BOE)⁽²⁾⁽³⁾⁽⁴⁾					
Light Crude and Medium Crude Oil (\$/Bbl)	12.46	21.25	30.57	23.01	21.70
Heavy Crude Oil (\$/Bbl)	15.32	19.75	30.02	21.26	20.69

Notes:

- (1) Before deduction of royalties and after the Company's own consumption.
- (2) Netbacks are calculated by subtracting royalties and operating and transportation costs from revenues and is reported before any realized commodity price hedge gain or loss.
- (3) The Company has not presented information for conventional natural gas product type, as there was an immaterial amount of gross conventional natural gas production in the year ended December 31, 2015 of 46 Mcf/d. Of this amount, the Company sold an immaterial amount of such conventional natural gas to third parties in 2015 and the majority of the conventional natural gas produced by the Company was used for the Company's own use.
- (4) The Company's revenues, royalties and costs by product type are different from the Company's disclosed netback information contained in the Company's Management's Discussion and Analysis for the year ended December 31, 2015. Revenues, royalties and costs contained in the above table are approximations prepared by management for each product type. Netback information disclosed in the Management's Discussion and Analysis for the year ended December 31, 2015 blends heavy and light crude oil (rather than separating them by product type) and includes other adjustments on a Company consolidated basis.

The following table indicates the Company's average daily production from its important fields for the year ended December 31, 2015:

	Light Crude Oil and Medium Crude Oil (Bbls/d)	Heavy Crude Oil (Bbls/d)	Conventional Natural Gas (Mcf/d)	BOE (BOE/d)
Tigana	-	6,407	-	6,407
Tua	-	5,526	-	5,526
Rumba	-	1,274	-	1,274
Jacana	-	511	-	511
Akira	-	2,214	-	2,214
Kananaskis	3,339	-	-	3,339
Tarotaro	-	1,095	-	1,095
Total	3,339	17,027	-	20,366

DIVIDEND POLICY

Parex has not paid any dividends on the outstanding Common Shares. The Board of Directors of Parex will determine the actual timing, payment and amount of dividends, if any, that may be paid by Parex from time to time based upon, among other things, the level of cash flow, results of operations and financial condition, the need for funds to finance ongoing operations and other business considerations as the Board of Directors of Parex considers relevant, including the satisfaction of the liquidity and solvency tests imposed by the ABCA for the declaration and payment of dividends.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Company consists of an unlimited number of Common Shares without nominal or par value. As at December 31, 2015, there were 151,489,302 Common Shares issued and outstanding and as at March 16, 2016, there were 151,542,664 Common Shares issued and outstanding. The following is a description of the rights, privileges, restrictions and conditions attaching to the Common Shares.

The Company is authorized to issue an unlimited number of Common Shares. The holders of Common Shares are entitled: (i) to dividends if, as and when declared by the Board of Directors; (ii) to vote at any meetings of the holders of Common Shares; and (iii) upon liquidation, dissolution or winding up of the Company, to receive the remaining property and assets of the Company.

On September 29, 2009, the Board of Directors of Parex approved the adoption of a shareholder protection rights plan, which Parex Shareholder Rights Plan was approved by shareholders of PARI on October 30, 2009 and by Parex on May 23, 2012 and was amended and restated and approved by shareholders of Parex on May 12, 2015 (the "**Parex Shareholder Rights Plan**"). Pursuant to the Parex Shareholder Rights Plan, one right ("**Right**") is attached to each Common Share. The Rights will separate from the Common Shares to which they are attached and will become exercisable upon the occurrence of certain events in accordance with the Parex Shareholder Rights Plan. Subject to adjustment as provided in the Parex Shareholder Rights Plan, each Right will entitle the holder to purchase one Common Share at a price equal to \$50.00 (the "**Exercise Price**") and, in the event of a "Flip-In Event", as that term is defined in the Parex Shareholder Rights Plan, each Right will constitute the right to purchase from the Company, upon payment of the Exercise Price and otherwise exercising such Right in accordance with the terms of the Parex Shareholder Rights Plan, that number of Common Shares having an aggregate Market Price (as defined in the Parex Shareholder Rights Plan), on the date of consummation or occurrence of such Flip-In Event equal to four times the Exercise Price for an amount in cash equal to the Exercise Price. The Parex Shareholder Rights Plan is similar to plans adopted recently by several other Canadian issuers and approved by their securityholders. A copy of the Parex Shareholder Rights Plan is available on the Company's SEDAR profile at www.sedar.com.

BANK DEBT

On May 23, 2012, Parex entered into a \$200 million senior secured credit facility with a syndicate of banks led by a major Canadian bank with a borrowing base of \$50 million. The credit facility borrowing base was increased in each of 2013 and 2014, and as at March 17, 2016 the facility consists of a reserve-based revolving facility with a borrowing base of \$200 million including an operating line of \$20 million. The revolving facility has a two year term, and may be extended by Parex for an additional 365 days after attaining syndicate approval. The facility is subject to re-determination of the borrowing base semi-annually on November 30 and May 31 of each year. The borrowing base is determined based on, among other things, the Company's reserve report, results of operations, the lenders' view of the current and forecasted commodity prices and the current economic environment. In the event that the syndicate reduces the borrowing base below the amount drawn at the time of redetermination, the Company has 180 days to eliminate any shortfall by providing additional security or guarantees satisfactory to the lenders or repaying amounts in excess of the new re-determined borrowing base. Advances under the revolving facility bear interest at rates ranging from US base rate or LIBOR plus 2.50% - 3.50% per annum, depending on utilization. Advances on the operating line bear interest at rates ranging from Canadian prime plus 1.50% - 2.50% per annum, dependent on utilization. Undrawn amounts under the revolving facility bear a commitment fee ranging from 0.5% to 0.7% per annum, dependent on utilization. Repayments of principal are not required provided that the borrowings under the facility do not exceed the authorized borrowing amount and the Company is in compliance with all covenants, representations and warranties. Key covenants include a rolling four quarter total funded debt to

EBITDA test of 3.50:1, and other business operating covenants customary for a facility of this type. The authorized borrowing amount is subject to an interim review as discussed above. Security is provided for by a first fixed and floating charge debenture over all assets of Parex, a pledge of the shares of material subsidiaries and general assignment of book debts.

MARKET FOR SECURITIES

The Common Shares are listed and posted for trading on the TSX under the symbol "PXT". The following sets forth the price range and volume of the Common Shares traded or quoted on the TSX (as reported by such exchange) for the periods indicated, in Canadian dollars.

	Price Range		Volume
	High (Cdn\$/share)	Low (Cdn\$/share)	
2016			
January	10.57	7.74	11,815,528
February	9.9	8.38	9,605,786
March (1 to 16)	11.01	9.72	3,971,750
2015			
January	7.65	5.97	10,715,975
February	9.24	7.00	11,896,347
March	8.42	7.19	6,886,802
April	9.92	8.06	11,921,027
May	10.54	9.21	10,783,497
June	11.10	9.98	8,166,065
July	10.57	8.11	8,035,633
August	9.17	7.16	7,912,525
September	9.75	8.58	10,169,514
October	10.94	9.09	9,400,003
November	11.55	9.69	7,332,819
December	11.17	9.6	8,071,619

PRIOR SALES

During the year ended December 31, 2015, the Company granted: (i) an aggregate of 1,991,500 stock options to acquire an aggregate of 1,991,500 Common Shares with a weighted average exercise price of Cdn\$10.77; (ii) an aggregate of 988,250 restricted share units to acquire an aggregate of 988,250 Common Shares; and (iii) an aggregate of 78,600 deferred share units to acquire an aggregate of 78,600 Common Shares.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

As at the date hereof, none of the Company's securities are subject to escrow or subject to contractual restrictions on transfer.

DIRECTORS AND OFFICERS

The names, provinces and countries of residence, positions held with the Company, and principal occupation of the directors and officers of the Company during the past five years are set out below, and, in the case of directors, the period each has served as a director of the Company.

Name, Province and Country of Residence	Offices Held and Time as Director or Officer ⁽⁴⁾	Principal Occupation (for last 5 years)
Norman McIntyre ⁽³⁾⁽⁴⁾ California, USA	Director and Chairman since September 29, 2009	Independent Businessman since 2004. President of Petro-Canada from 2002 to 2004. Executive Vice President of Petro-Canada from 1995 to 2002. Member of the Institute of Corporate Directors having completed the Directors Education Program.

Name, Province and Country of Residence	Offices Held and Time as Director or Officer ⁽⁴⁾	Principal Occupation (for last 5 years)
Curtis Bartlett ⁽²⁾⁽⁴⁾ Alberta, Canada	Director since September 29, 2009	Co-founder and Partner at Lorem Partners, a private equity investment firm. Over 25 years of experience as an entrepreneur and private equity investor. Director of several private companies.
John Bechtold ⁽¹⁾⁽³⁾⁽⁴⁾ Quebec, Canada	Director since September 29, 2009	Currently a Director of Parkland Fuel Corporation, an independent marketer of fuels across Canada. Mr. Bechtold brings over 40 years of broad oil, gas and energy related experience. He served at Petro-Canada from 1977 until retirement in a number of leadership roles. Following retirement he has also served on the Board of Directors of the British Columbia Oil & Gas Commission which regulates oil and natural gas activity in that province.
Lisa Colnett ⁽²⁾⁽³⁾ Ontario, Canada	Director since May 12, 2015	Currently a Director of Parkland Fuel Corporation, an independent marketer of fuels across Canada, and Detour Gold Corporation. Ms. Colnett brings over 20 years of experience in Human Resources for a variety of industries ranging from mining to information technology. Since 1991, Ms. Colnett has held senior roles in human resources, information technology and strategy including Senior Vice President and Chief Information Officer of Celestica Inc., Senior Vice President, Human Resources, also of Celestica Inc. and Senior Vice President, Human Resources and Corporate Services, of Kinross Gold Corporation. Member of the Institute of Corporate Directors having completed the Directors Education Program.
Robert Engbloom, Q.C. ⁽¹⁾⁽²⁾⁽⁴⁾ Alberta, Canada	Director since September 29, 2009	Senior Partner of Norton Rose Fulbright Canada LLP, a national law firm in Canada and a member of the global Norton Rose Fulbright Group. Mr. Engbloom has more than 35 years of experience in the areas of mergers and acquisitions, governance, corporate and securities law. His broad experience spans a range of businesses both public and private, operating nationally and internationally, primarily in the energy industry.
Wayne Foo ⁽⁴⁾ Alberta, Canada	Chief Executive Officer since September 29, 2009, and Director since August 28, 2009	Currently Chief Executive Officer of Parex since September 29, 2009. President of Parex from September 29, 2009 to November 5, 2015. President and Chief Executive Officer of Dominion Energy Canada Ltd. from 1998 to October 2002, and then Consultant to March 2003. Director of Pengrowth Energy Corporation.
Ron Miller ⁽¹⁾⁽⁴⁾ Alberta, Canada	Director since September 29, 2009	Co-founder and Partner of Lorem Partners, a private equity investment firm. Director of several private companies and one non-profit. Member of the Institute of Corporate Directors having completed the Directors Education Program.
Kenneth Pinsky Alberta, Canada	Chief Financial Officer and Corporate Secretary since September 29, 2009	Currently Chief Financial Officer and Corporate Secretary of Parex. Previously, Chief Financial Officer of Ultima Energy Trust, a TSX listed Royalty Trust from 2001 to June 2004, and the Chief Financial Officer and director of a Canadian based private exploration and production company from September 2004 to January 2008.
David Taylor Alberta, Canada	President since November 5, 2015	Currently President of Parex. Executive Vice President Exploration and Business Development of Parex from September 29, 2009 to November 5, 2015. Prior thereto, Vice President, Exploration and International Operations with Husky Energy from August 2000 to July 2007 and Vice President, Exploration for Renaissance Energy from June 1998 to August 2000.

Name, Province and Country of Residence	Offices Held and Time as Director or Officer ⁽⁴⁾	Principal Occupation (for last 5 years)
Paul Wright ⁽¹⁾⁽⁴⁾ Alberta, Canada	Director since September 29, 2009	Currently works as a financial consultant and sits on the Board of Directors of one non-profit organization. Mr. Wright is a Chartered Accountant with over 30 years of industry experience. He has worked in senior financial roles in both domestic and international oil and natural gas companies. Member of the Institute of Corporate Directors having completed the Directors Education Program.

Notes:

- (1) Member of the Finance and Audit Committee.
- (2) Member of the Corporate Governance, Compensation and Human Resources Committee.
- (3) Member of the Operations and Reserves Committee.
- (4) Parex' directors will hold office until the next annual general meeting of the Company's shareholders or until each director's successor is appointed or elected pursuant to the ABCA.

As at March 16, 2016, the directors and officers of Parex, as a group, beneficially owned or controlled or directed, directly or indirectly, 7,553,365 Common Shares or approximately 5.0% of the issued and outstanding Common Shares.

Cease Trade Orders

No current director or executive officer of the Company has, within the last ten years prior to the date of this Annual Information Form, been a director, chief executive officer or chief financial officer of any issuer (including the Company) that: (i) while the person was acting in the capacity as director, chief executive officer or chief financial officer, was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation, that was in effect for a period of more than thirty (30) consecutive days; or (ii) was subject to an order that resulted, after the director, executive officer ceased to be a director, chief executive officer or chief financial officer of an issuer, in the issuer being the subject of a cease trade or similar order or an order that denied the relevant issuer access to any exemption under securities legislation, for a period of more than thirty (30) consecutive days, which resulted from an event that occurred while that person was acting as a director, chief executive officer or chief financial officer of the issuer.

Bankruptcies

No current director or executive officer or securityholder holding a sufficient number of securities of the Company to affect materially the control of the Company has, within the last ten years prior to the date of this document, been a director or executive officer of any company (including the Company) that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement for compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

In addition, no current director or executive officer or securityholder holding a sufficient number of securities of the Company to affect materially the control of the Company has, within the last ten years prior to the date of this document, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or securityholder.

Penalties or Sanctions

No current director or executive officer or securityholder holding a sufficient number of securities of the Company to affect materially the control of the Company has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement

with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

CONFLICTS OF INTEREST

The directors or officers of the Company may also be directors or officers of other oil and natural gas companies or otherwise involved in natural resource exploration and development and situations may arise where they are in a conflict of interest with the Company. Conflicts of interest, if any, which arise will be subject to and governed by procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with the Company disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA. See *Risk Factors*.

FINANCE AND AUDIT COMMITTEE INFORMATION

Finance and Audit Committee Mandate and Terms of Reference

The Mandate and Terms of Reference of the Finance and Audit Committee of the Board of Directors is attached hereto as Schedule "C".

Composition of the Finance and Audit Committee

The members of the Finance and Audit Committee are Paul Wright, Ron Miller, Robert Engbloom and John Bechtold. The members of the Finance and Audit Committee are independent (in accordance with National Instrument 52-110 – *Audit Committees*) and are financially literate. The following is a description of the education and experience of each member of the Finance and Audit Committee.

<u>Name and Municipality of Residence</u>	<u>Independent</u>	<u>Financially Literate</u>	<u>Relevant Education and Experience</u>
Paul Wright Calgary, Alberta (Chairman)	Yes	Yes	Currently works as a financial consultant and sits on the Board of Directors of one non-profit organization. Mr. Wright is a Chartered Professional Accountant, CA with over 30 years of industry experience. He has worked in senior financial roles in both domestic and international oil and natural gas companies. Member of the Institute of Corporate Directors having completed the Directors Education Program.
Ron Miller Calgary, Alberta	Yes	Yes	Co-founder and Partner of Lorem Partners, a private equity investment firm. Director of several private companies and one non-profit organization. Until the completion of the Arrangement in November 2009, he acted as director and chair of the Audit Committee for PARI. Mr. Miller earned his Bachelor of Commerce degree from the University of Alberta in 1987, his Chartered Professional Accountant, CA designation while articling with KPMG in 1990, and his ICD.D designation in 2009.
Robert Engbloom, Q.C. Calgary, Alberta	Yes	Yes	Senior Partner of Norton Rose Fulbright Canada LLP, a national law firm in Canada and a member of the global Norton Rose Fulbright Group. Mr. Engbloom has more than 35 years of experience in the areas of mergers and acquisitions, governance, corporate and securities law and has served on the audit committee of a number of companies.
John Bechtold Verdun, Quebec	Yes	Yes	Currently a director of Parkland Fuel Corporation, Mr. Bechtold brings over 40 years of broad oil, gas and energy related experience. He served at Petro-Canada from 1977 until retirement in a number of executive positions with profit and loss responsibility.

Pre Approval of Policies and Procedures

The Finance and Audit Committee has adopted a policy to review and pre approve any non audit services to be provided to Parex by the external auditors and consider the impact on the independence of such auditors. The Finance and Audit Committee may delegate to one or more independent members the authority to pre approve non audit services, provided that the member report to the Finance and Audit Committee at the next scheduled meeting such pre approval and the member comply with such other procedures as may be established by the Finance and Audit Committee from time to time.

External Auditor Service Fees

Audit Fees

The Finance and Audit Committee has reviewed the nature and amount of non-audit services provided by PricewaterhouseCoopers LLP to the Company to ensure auditor independence. Fees paid to PricewaterhouseCoopers LLP for audit and non-audit services in the last two fiscal years are outlined in the following table. Payments made in foreign currencies have been translated to Canadian dollars at average exchange rates for each year.

Nature of Services	Fees Paid to Auditor in the Year Ended December 31, 2015 (Cdn\$)	Fees Paid to Auditor in the Year Ended December 31, 2014 (Cdn\$)
Audit Fees ⁽¹⁾	533,561	508,035
Audit-Related Fees ⁽²⁾	-	-
Tax Fees ⁽³⁾	105,580	125,207
All Other Fees ⁽⁴⁾	253,266	284,417
Total	892,407	917,659

Notes:

- (1) "Audit Fees" include fees necessary to perform the annual audit and quarterly reviews of the Company's consolidated financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include the review and assistance with transition to IFRS.
- (3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice.
- (4) "All Other Fees" include all other non-audit products and services.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are PricewaterhouseCoopers LLP, Chartered Professional Accountants, Suite 3100, 111 – 5th Avenue S.W., Calgary, Alberta, T2P 5L3.

The transfer agent and registrar for the Common Shares and Debentures is Computershare Trust Company of Canada ("**Computershare**"). The Company's Common Shares are transferable at the offices of Computershare in Calgary, Alberta and at the offices of BNY Trust Company of Canada in Toronto, Ontario.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of the Company and other than as disclosed below, as at December 31, 2015, there were no material legal proceedings to which the Company was a party or which any of its respective properties was the subject matter of, nor were there any such proceedings known to the Company to be contemplated as at such date.

Parex, Parex Bermuda and Ramshorn have been named as defendants in a lawsuit (the "**Lawsuit**") filed in the 61st Judicial District Court of Harris County, Texas (the "**Texas Court**") along with other parties, including Nabors Industries Ltd. and a Bermuda-domiciled company, Nabors Global Holdings II Limited, by a Texas based private company (the "**Plaintiff**"). The Lawsuit relates to a share purchase agreement entered into by the Plaintiff and

Nabors Global Holdings II Limited (the "Seller") (prior to the agreement entered into by Parex Bermuda and the Seller for the purchase of Ramshorn's class A shares) respecting the proposed purchase by the Plaintiff of the class A shares of Ramshorn, which prior agreement the Plaintiff claims was improperly terminated by the Seller. The Plaintiff is seeking specific performance remedies or, in the alternative, actual, consequential and exemplary damages. Each of Parex, Parex Bermuda and Ramshorn specially appeared in the Lawsuit to challenge the jurisdiction of the Texas Court and to seek dismissal of the claims against them.

A hearing on the jurisdictional aspects of the Lawsuit took place on November 19 and 20, 2012. The Texas Court found that it does not have jurisdiction over Parex Bermuda and ordered that all of the Plaintiff's claims and causes of action asserted against Parex Bermuda be dismissed for want of jurisdiction. The Texas Court overruled Parex' and Ramshorn's jurisdictional challenges such that the Plaintiff's claims against Parex and Ramshorn were not dismissed. Parex and Ramshorn filed a Notice of Appeal with the 14th Texas Court of Appeals (the "Texas Appeal Court") of the Texas Court's rulings in respect of these jurisdictional matters, as well as the Plaintiff with respect to the Parex Bermuda ruling.

On January 28, 2014, the Texas Appeal Court reversed the decision of the Texas Court respecting Parex and dismissed all of the Plaintiffs' claims against Parex for lack of jurisdiction. The Texas Appeal Court also affirmed the decision of the Texas Court dismissing all of the Plaintiff's claims against Parex Bermuda for lack of jurisdiction. Lastly, the Texas Appeal Court affirmed the decision of the Texas Court respecting Ramshorn such that Ramshorn remains subject to the Lawsuit. The causes of action alleged against Ramshorn in the Lawsuit all relate to acts and conduct by Ramshorn that the Plaintiff alleges took place prior to Parex Bermuda's acquisition of Ramshorn. On February 12, 2014, the Plaintiff filed a combined motion requesting an initial reconsideration by the Texas Appeal Court of its decision regarding the dismissal of Parex and Parex Bermuda as ruled on January 28, 2014. The Plaintiff's motion was entirely rejected by the Texas Appeal Court on March 6, 2014. On April 18, 2014, the Plaintiff filed Petitions for Review in the Supreme Court of Texas (the "**Texas Supreme Court**"), asking the Texas Supreme Court to grant discretionary review of the Texas Appeal Court's decision with regard to Parex and Parex Bermuda. In response, on May 16, 2014, Ramshorn filed a Conditional Cross-Petition for Review, asking the Texas Supreme Court to grant review of the Texas Appeal Court's decision as to Ramshorn if it decided to grant the Plaintiff's Petitions For Review. In October 2014, the Texas Supreme Court requested briefs on the merits by all parties. Since that time the parties have filed their opening briefs, responses and replies as to each party to the appeal. The final briefs were filed in late February 2015. On October 23, 2015, the Texas Supreme Court granted all parties' Petitions For Review, and set oral argument for December 10, 2015. Although that hearing did take place, no ruling has been issued by the Texas Supreme Court. Presently it is not know how the Texas Supreme Court will ultimately rule and there is no deadline by which the Texas Supreme Court must make a decision.

On March 7, 2014 the Plaintiff filed a Statement of Claim at the Court of Queen's Bench of Alberta (the "**Alberta Statement of Claim**") naming Parex, Parex Bermuda and RBC Dominion Securities, Inc. as defendants and setting forth causes of action and remedies substantially the same as have been alleged in the Lawsuit. On May 28, 2015, the Alberta Statement of Claim was served on Parex and Parex Bermuda. The Plaintiff is seeking specific performance remedies, or, in the alternative, actual and exemplary damages, however the Plaintiff has not yet identified or disclosed its actual damages (if any), or described the methodology by which it intends to calculate its alleged damages, nor has it been required to do so. The Plaintiff has agreed to not take any steps against Parex or Parex Bermuda in Alberta without reasonable prior notice.

On April 30, 2015, the Plaintiff filed for Chapter 11 Bankruptcy in the Northern District of Texas. In the bankruptcy, the Plaintiff has proposed and confirmed a Chapter 11 plan pursuant to which its secured lenders became the primary owners of its operating assets and the Plaintiff's general unsecured creditors retained a beneficial interest in a litigation trust (the "Trust"). The Trust was assigned certain claims and causes of action, including the claims comprising the Lawsuit and the Alberta Statement of Claim. The trustee of the Trust is currently reviewing such claims and will ultimately decide whether to pursue the Lawsuit and the Alberta Statement of Claim for the benefit of the Plaintiff's general unsecured creditors. It is not presently known what the results of such review will be or what, if any, impact the Plaintiff's bankruptcy might have on the Lawsuit and the Alberta Statement of Claim.

During the year ended December 31, 2015, there were: (i) no penalties or sanctions against the Company imposed by a court relating to securities legislation or by a securities regulatory authority; (ii) no other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision; and (iii) no settlement agreements the Company entered into with a court relating to a securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of directors or executive officers of the Company, of any shareholder who beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding voting securities of the Company, or any other Informed Person (as defined in NI 51-102) or any known associate or affiliate of such persons, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or would materially affect the Company or any of its subsidiaries.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, including purchase and sale agreements, the Company has not entered into any material contracts within the most recently completed financial year, or before the most recently completed financial year which are still in effect other than the following:

1. The Parex Shareholder Rights Plan. See *Description of Capital Structure*.
2. A General Security Agreement in favour of EDC in respect of the Letters of Credit provided to the ANH that guarantees the exploration commitments for the Colombian exploration blocks. See *Description of the Business and Operations*.
3. The senior secured bank credit facility. See *Bank Debt*.

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under NI 51-102 by Parex other than GLJ, Parex' independent reserves evaluators, and PricewaterhouseCoopers LLP, Chartered Professional Accountants, Parex' auditors. None of the principals of GLJ had any registered or beneficial interests, direct or indirect, in any securities or other property of Parex or of Parex' associates or affiliates, either at the time they prepared the statement, report or valuation prepared by it, at any time thereafter, or to be received by them. PricewaterhouseCoopers LLP is independent in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Professional Accountants of Alberta.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of Parex or of any associate or affiliate of Parex.

INDUSTRY CONDITIONS

The following is a brief summary of the economic and energy market conditions encountered in conducting oil and natural gas operations in Colombia. The industry related information in this section has been taken from public sources.

Colombia

Economic

GDP growth in Colombia was 3.2% in 2015 and Colombian inflation was 4.5% in 2015, slightly above the central bank's target rate of 4%. The Colombian peso was COP 2,747:\$1 in 2015, compared to current rates of approximately COP 3,300:\$1. The current credit default swap ("CDS") rate, which provides an indication of counter-party credit risk, is currently approximately 260 basis points for the Government of Colombia, which represents an increase from 2014.

Royalties

In 2004, the ANH released new fiscal terms based on a royalty/tax system, abolishing the incumbent association contract model. The most fundamental change to the terms is that Ecopetrol, the national oil company, has no mandatory back-in right. The contractor has rights to all production net of royalty.

Royalty payments vary depending on the quality of oil and the rate of production and are applied on a production area or, in some cases, block basis. For light/medium oil, the stated royalty rate is as presented in the following table:

<u>Field Production (bbl/d)</u>	<u>Royalty Rate*</u>
0-5,000	8%
5,001-125,000	8%-20%
125,001-400,000	20%
400,001-600,000	20%-25%

*For new discoveries of heavy oil, classified as those with an API equal to or less than 15°, the royalties will be 75% of the royalty rates for light and medium oils presented above.

All of Parex' Colombian contracts are subject to this sliding scale royalty.

High Price Participation

For contracts signed under the new ANH oil regulatory regime, in 2004 and onwards, a high price share of production applies once a production area has cumulatively produced more than 5 MMbbls of oil, determined after the deduction of royalties. For the Company's ANH contracts, the share of production to be paid is based on the established percent (S) of the part of the average monthly reference WTI price (P) that exceeds a base price (Po), divided by the average monthly reference price (P).

Quality	Base Price (Po) 2014 Threshold Prices
Less than 10° API	Nil
10° to 15° API	\$54.20/bbl
15° to 22° API	\$37.95/bbl
22° to 29° API	\$36.59/bbl
Greater than 29° API	\$35.22/bbl

Average Monthly Reference WTI Price (P)	Established Percentage (S)
Po ≤ P ≤ 2Po	30%
2Po ≤ P ≤ 3Po	35%
3Po ≤ P ≤ 4Po	40%
4Po ≤ P ≤ 5Po	45%
5Po ≤ P	50%

Crude oil production with a quality higher than 15° and lower than 22° API and a WTI oil price of \$65/bbl results in a production share equivalent to an incremental 12% royalty, bringing the total government royalty to approximately 19% for a production area with production less than 5,000 bbl/d, excluding potential X-Factor. Threshold prices are adjusted annually and high price share is calculated after base royalties and X-Factor if applicable.

Parex has no outstanding material disputes in respect of the interpretation of the royalty regime and the High Price Participation. However, Parex is aware of disputes between ANH contract holders and the ANH regarding the High Price Participation royalty.

X-Factor

For certain Exploration Contracts acquired in the 2008 Heavy Oil Bid round and in subsequent bid rounds, the ANH required an additional royalty percentage, or X-Factor, to be paid by the Contractor to the ANH. The X-Factor is also now one of the bid criteria for new Exploration Contracts, and the minimum X-Factor is one%.

Summary of Fiscal Terms by ANH Exploration Contract

Each Exploration Contract with the ANH has a sliding scale royalty of 8% - 25% based on the average monthly production level of a field, plus potentially two additional payments that vary by contract, a high price participation payment and an X-factor. The following table summarizes the high price participation factors and X-factors applicable to Parex' Exploration Contracts.

Block	X-Factor	High Price Participation Basis
LLA-16	1%	Exploitation area + sliding scale factor
LLA-20	1%	Exploitation area + sliding scale factor
LLA-24	1%	Exploitation area + sliding scale factor
LLA-26	1%	Exploitation area + sliding scale factor
LLA-29	1%	Exploitation area + sliding scale factor
LLA-30	1%	Exploitation area + sliding scale factor
LLA-57	1%	Block +sliding scale factor
Cabrestero	0%	Exploitation area + sliding scale factor
Cebucan	1%	Exploitation area + sliding scale factor
El Eden	0%	Exploitation area + sliding scale factor
Los Ocarros	0%	Exploitation area + sliding scale factor
LLA-17	1%	Exploitation area + sliding scale factor
LLA-32	1%	Exploitation area + sliding scale factor
LLA-34	1%	Exploitation area + sliding scale factor
LLA-40	1%	Block + sliding scale factor
Morpho ⁽¹⁾	6.5% GOR + 4% NPI	Sliding scale factor
Guariques	0%	Exploitation area + sliding scale factor
VMM-11	1%	Exploitation area + sliding scale factor
Cerrero	0%	Exploitation area
Capachos	0%	Exploitation area
LLA-10	3%	Exploitation area
VMM-9	1%	Exploitation area
VIM-1	17% (conventional) & 1% (unconventional)	Exploitation area
Aguas Blancas	0%	Exploitation area

Note:

- (1) Associated with the Morpho Block, there is a 6.5% gross overriding royalty due to Ecopetrol and 4% net profit interest due to the prior working interest holder. The net profit interest is calculated based on net profit.

Income Tax

In December 2012, the Colombian government enacted tax reform which effectively increased the income tax rate to 34% from 33%, effective January 1, 2013 until December 31, 2015. As part of this tax reform Colombia reduced the corporate income tax rate from 33% to 25% and introduced a new 9% tax (CREE tax) in addition to the regular corporate income tax. A portion of the CREE tax is considered a minimum tax based on net equity and has not been included as part of the overall income tax expense.

On December 23, 2014, the Colombian government enacted new legislation containing tax rate changes effective January 1, 2015. The CREE tax that was previously introduced as a temporary measure was made permanent and an additional surtax was introduced for 2015 to 2018 fiscal periods. Accordingly, the CREE surtax rate during this period will be as follows: 2015: 5%; 2016: 6%; 2017: 8% and 2018: 9%. These increases will result in a

consolidated income tax, CREE tax and CREE surtax rate of: 39% for 2015; 40% for 2016; 42% for 2017; and 43% for 2018. Under current legislation, the consolidated rate is set to revert to 34% in 2019 and onwards.

Income tax losses can be carried forward indefinitely but can only be applied on a branch by branch basis. Unsuccessful exploration costs can be written off in the current year or in any of the following two years. Other exploration and development costs are amortized using units-of-production method. General administrative costs can generally be expensed, with only those relating to the Colombian entities being deductible.

Regulatory Regime

The regulatory regime in Colombia underwent a significant change, effective January 1, 2004, with the formation of the ANH, which has assumed the role of regulating the Colombian oil industry. This function was previously performed by Ecopetrol.

The ANH developed a new exploration risk contract that took effect near the end of the first quarter of 2005. This contract has significantly changed the way the industry views Colombia and has significantly increased the amount of new exploration in the country. In place of the earlier association contracts in which the government, through the state company (Ecopetrol) had an immediate back-in to production, the new agreement provides full risk/reward benefits for the contractor. Under the terms of the contract, the successful operator will retain the rights to all reserves, production and income from any new exploration block, subject to existing royalty and income tax regulations with a windfall surcharge provision for larger fields.

Previously, the ANH dealt with exploration acreage proposals on a "first-come, first-served" basis, but since 2008 has adopted a system of competitive bidding rounds, or rounds whereby the ANH invites a selected group of companies to submit proposals. Once the ANH is satisfied that the successful oil company has the proper technical and financial resources to fulfill its obligations under the proposed contract, a definitive work program is negotiated. This work program typically includes technical studies, reprocessing or shooting new seismic and/or drilling wells. The ANH contract term consists of three phases: (i) the exploration phase, which lasts six years and comprises an initial phase 1 lasting 3 years and an optional phase 2, which is also 3 years. The exploration phase can be extended for up to an additional four years under certain circumstances; (ii) upon a declared discovery, and at the contractor's request, the evaluation phase commences and lasts one to two years with up to a two year extension possible, during which the contractor must declare commerciality or relinquish the block; and (iii) the production phase with a basic 24 year term, extendable under certain circumstances. The duration of the exploration period is six years; however, the contractor may request an extension for up to four additional years provided that it presents an additional exploration program and relinquishes 50% of the area. Depending on the period requested, this period is also divided into phases as the contractor proposes. All discoveries must be reported to the ANH, while the Colombian Ministry of Mines and Energy defines the extent of the discovery.

If a discovery is made, the contractor has the option to request an appraisal period of up to two years, depending on the size and scope of the evaluation plan proposed. If, in the opinion of the ANH, there is sufficient reason, this period may also be extended. If the evaluation plan relates to a natural gas or heavy oil field, two additional years may be granted because of the complex planning and marketing required. At the end of this phase, the contractor must declare commerciality or return the block.

Once the evaluation phase is complete and the operator declares commerciality, the exploitation phase begins. The duration of the exploitation period of each declared field is 24 years. The contractor may obtain an extension of the exploitation period beyond the 24 years, if the contractor complies with three basic requirements: continuous production, an active enhanced oil recovery plan or infill project, and a payment of 5% for natural gas and 10% for oil of the remaining reserves value.

Relinquishment of part or all the licence area depends on which phase the operations are in. Under normal circumstances the contractor must relinquish 50% of the area at the end of the six-year exploration period if the contractor continues to explore, and there is an evaluation program or a discovery. If not, the operator must relinquish 100%. Another 25% must be relinquished after the two-year evaluation phase expires. The operator and the ANH may also agree on the relinquishment of certain parts of a licence area during the initial six-year exploration period as part of the contract and on a block by block basis, depending on the scope of the exploration

work program and the size of the area. The contractor also has the option to relinquish all or part of the area after each exploration phase.

Environmental Regulation

The environmental regulatory framework in Colombia which governs the oil and natural gas industry is divided into two parts: planning and compliance.

Planning

The National Authority for Environmental Licenses ("ANLA") requires that environmental impact assessments ("EIAs") and environmental management plans ("EMPs") be submitted as the principal planning tools for all new projects, ensuring local and specific environmental and social variables are included in project planning. Following approval of the EIA, the ANLA awards an environmental licence. The environmental licence deals with usage of natural resources, road and site construction, flowlines, loading facilities and in general terms any activity orientated to exploration activities including production testing. Should the field be declared commercial it requires a new development EIA and EMP for the development of a permanent oil and natural gas production field and development drilling. The process is similar to the one of the exploration phase.

Field pipeline (defined as wider than 6") design and construction is subject to a two part environmental licensing process. First, an environmental option assessment ("EOA") is conducted, whereby both the company and the government environmental authority review options to agree on an environmentally friendly pipeline design and layout. Once an agreement is reached, the company can apply for the pipeline environmental licence through a comprehensive EIA and EMP.

Once a production field's environmental licence is in place, development drilling, flowlines, batteries and other production infrastructure can be added by preparing specific EMPs.

Compliance

In Colombia, regulations relating to compliance standards include specific standards for water and air quality, wastewater and solid waste treatment and disposal, air emission control, and industrial hygiene. In addition, the environmental licence normally includes obligations which have to be complied with by the operator.

Market Conditions

Colombia has a well-developed oil infrastructure system, comprising over 6,000 kilometres of crude and product pipelines. The system is concentrated on transporting crude from the main producing basins (Llanos and the Magdalenas), via a central hub at Vasconia in the interior, to Colombia's main oil export terminal at Coveñas on the Caribbean coast. These include the 520-mile Ocesa pipeline, which has the capacity to transport 590,000 bbl/d from the Cusiana/Cupiagua area in the Llanos Basin. Additionally, the Cano Limon pipeline runs from the Caño Limón field near the Venezuelan border to Coveñas. In the far south, the Oleoducto Trans-Andino carries crude to the Pacific port of Tumaco. Phase 1 of the Bicentenario Pipeline began transporting 110,000 bbls/d of crude oil from the Llanos Basin (Araguaney) to Banadia where it connects to the Cano Limon pipeline.

Colombia currently operates five refineries, all of which are owned by Ecopetrol. Two of these, Barrancabermeja and Cartagena, are main fuels refineries, accounting for almost all of the country's refining capacity. The remaining three refineries are small and simple. Total domestic crude processing capacity is approximately 375,000 bbls/d.

RISK FACTORS

The following is a summary of certain risk factors relating to the business of Parex. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Information Form. **Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Company's other public filings before making an investment decision.**

In assessing the risks of an investment in the Common Shares, potential investors should realize that they are relying on the experience, judgment, discretion, integrity and good faith of the management of Parex. **An investment in Common Shares is suitable for only those investors who are willing to risk a loss of their entire investment and who can afford to lose their entire investment. Subscribers should consult their own professional advisors to assess the income tax, legal and other aspects of an investment in the Common Shares.**

Colombia

Parex' indirect Colombian entities have various working interests in numerous exploration blocks in the Llanos basin, three blocks in the Middle Magdalena and one block in the Lower Magdalena. Further, all of Parex' oil and gas reserves and production is in Colombia. The contracts have exploration commitments and in some cases a portion of the commitments are guaranteed by issued letters of credit. Therefore Parex will be subject to additional risks associated with international operations in Colombia.

Guerrilla Activity in Colombia

A 50-year armed conflict between government forces and anti-government insurgent groups and illegal paramilitary groups, both thought to be funded by the drug trade, continues in Colombia. Insurgents continue to attack civilians and violent guerrilla activity continues in many parts of the country. Regions that border Venezuela and Ecuador have historically been areas of high security risk and there continues to be guerrilla activity. At present, the Company has not experienced any significant anti-government insurgency conflict since the Company began operations in Colombia in 2009.

Since 2012, there have been peace negotiations between the government and the Fuerzas Armadas Revolucionarias de Colombia ("**FARC**") guerrillas and indirect negotiations with the Ejército de Liberación Nacional ("**ELN**"). The attempt by the President, Juan Manuel Santos, to end the 40-year conflict is intended to bring further institutional strengthening and development, particularly to rural regions. The government's biggest challenge is perceived to be to ensure that the negotiations lead to a long-lasting peace and that demobilised members of the FARC and ELN rejoin civilian life, rather than regrouping in criminal bands.

Continuing attempts to reduce or prevent guerrilla activity may not be successful and guerrilla activity may disrupt Parex Colombia operations in the future. The Company may not be able to establish or maintain the safety of its operations and personnel in Colombia and this violence may affect its operations in the future. Continued or heightened security concerns in Colombia could also result in a significant loss to Parex and/or costs exceeding current expectations.

United States Relations with Colombia

Colombia is among several nations whose progress in stemming the production and transit of illegal drugs and is subject to annual certification by the President of the United States of America. Although Colombia has received a current certification, there can be no assurance that, in the future, Colombia will receive certification or a national interest waiver. The failure to receive certification or a national interest waiver may result in any of the following:

- all bilateral aid, except anti-narcotics and humanitarian aid, would be suspended;
- the Export-Import Bank of the United States and the Overseas Private Investment Company would not approve financing for new projects in Colombia;

- United States representatives at multilateral lending institutions would be required to vote against all loan requests from Colombia, although such votes would not constitute vetoes, and
- the President of the United States and Congress would retain the right to apply future trade sanctions.

Each of these consequences could result in adverse economic consequences in Colombia and could further heighten the political and economic risks associated with operations there. Any changes in the holders of significant government offices could have adverse consequences on Parex Colombia's relationship with the ANH and the Colombian government's ability to control guerrilla activities, and could exacerbate the factors relating to Parex Colombia's foreign operations. Any sanctions imposed on Colombia by the United States government could threaten Parex Colombia's ability to obtain any necessary financing to develop the Colombian properties. There can be no assurance that the United States will not impose sanctions on Colombia in the future, nor can the effect in Colombia that these sanctions might cause be predicted.

Canada relations with Colombia

The Canada-Colombia Free Trade Agreement became effective on August 15, 2011. Through the agreement, Canada's producers and exporters benefit from reduced or eliminated tariffs on nearly all of Canada's exports to Colombia. The agreement also provides a more predictable, transparent and rules-based trading environment for Canadian investors and businesses.

General

Commodity Prices, Markets and Marketing

Numerous factors beyond the Company's control do, and will continue to affect the marketability and price of oil and natural gas acquired or discovered by the Company. Accordingly, commodity prices are the Company's most significant financial risk. The Company's ability to market its oil and natural gas may depend upon its ability to acquire space on pipelines that deliver natural gas to commercial markets. Deliverability uncertainties related to the distance the Company's reserves are to pipelines, processing and storage facilities, operational problems affecting pipelines and facilities as well as government regulation relating to prices, taxes, royalties, land tenure, allowable production, the export of oil, and natural gas. Many other aspects of the oil and natural gas business may also affect the Company. At present, crude oil sales are generally benchmarked against Brent reference prices.

Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty, and a variety of additional factors beyond the control of the Company. These factors include economic conditions, in the United States, Canada, Europe, China and emerging markets, the actions of Organization of Petroleum Exporting Countries ("**OPEC**"), governmental regulation, political stability in the Middle East, Northern Africa and elsewhere, the foreign supply and demand of oil and natural gas, risks of supply disruption, the price of foreign imports, and the availability of alternative fuel sources. Prices for oil and natural gas are also subject to the availability of foreign markets and the Company's ability to access such markets. Oil prices are expected to remain volatile and may decline in the near future as a result of global excess supply due to the increased growth of shale oil production in the United States, the decline in global demand for exported crude oil commodities, and OPEC's recent decisions pertaining to the oil production of OPEC member countries, among other factors. A material decline in prices could result in a reduction of the Company's net production revenue. The economics of producing from some wells may change because of lower prices, which could result in reduced production of oil or natural gas and a reduction in the volumes and the value of the Company's reserves. The Company might also elect not to produce from certain wells at lower prices.

All these factors could result in a material decrease in the Company's expected net production revenue and a reduction in its oil and natural gas acquisition, development and exploration activities. Any substantial and extended decline in the price of oil and natural gas would have an adverse effect on the carrying value of the Company's reserves, borrowing capacity, revenues, profitability and cash flows from operations, and may have a material adverse effect on the Company's business, financial condition, results of operations, and prospects.

Oil and natural gas prices are expected to remain volatile for the near future because of market uncertainties over the supply and the demand of these commodities due to the current state of the world economies, OPEC actions, sanctions imposed on certain oil producing nations by other countries and ongoing credit and liquidity concerns. Volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects. The Company monitors market conditions and may selectively utilize derivative instruments to reduce exposure to crude oil price movements. However, the Company is of the view that it is neither appropriate nor possible to eliminate 100% of its exposure to commodity price volatility.

See *Risk Factors – Weakness in the Oil and Gas Industry*.

Social Disruptions and Instability

Parex operates in Colombia. In Colombia companies operating in the oil and gas industry have experienced interruptions to their operations and production curtailments as a result of social instability and labour disruptions. For example, in January, 2012, the Company postponed the Block LLA-30 exploration drilling program due to road blockades and civil disruption along the main road access to the block by groups with grievances against other operators in the area (which did not include Parex). As a result, the Company had to delay drilling three exploration wells until 2013 and receive an extension of the initial exploration phase from the ANH.

The Company cannot provide assurances that this type of social instability or labour disruption will not be experienced in future. The potential impact of future social instability, labour disruptions and any lack of public order may have on the oil and gas industry in Colombia, and on our operations in particular, is not known at this time. This uncertainty may affect operations in unpredictable ways, including disruptions of fuel supplies and markets, ability to move equipment such as drilling rigs from site to site, or disruption of infrastructure facilities, including pipelines, production facilities, public roads, and off-loading stations, which could be targets or experience collateral damage as a result of social instability, labour disputes or protests. We may suffer loss of production, or be required to incur significant costs in the future to safeguard our assets against such activities, incur standby charges on stranded or idled equipment or to remediate potential damage to our facilities. There can be no assurance that we will be successful in protecting ourselves against these risks and the related financial consequences. Further, these risks may not in any part be insurable in the event the Company does suffer damage.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids reserves, and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth in this document are estimates only. Generally, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties; production rates; ultimate reserve recovery; timing and amount of capital expenditures; marketability of oil and natural gas; royalty rates; and the assumed effects of regulation by governmental agencies and future operating costs (all of which may vary materially from actual results).

For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times may vary. The Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

The estimation of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas were estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves. Such variations could be material.

In accordance with applicable securities laws, the Company's independent reserves evaluator has used forecast prices and costs in estimating the reserves and future net cash flows as summarized herein. Actual future net cash flows will be affected by other factors, such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

The Borrowing Base Under Our Revolving Credit Facility May be Reduced in Light of Recent Commodity Price Declines

The borrowing base under our revolving credit facility is currently \$200 million. Our borrowing base is re-determined by the lenders twice per year and the next scheduled borrowing base redetermination is in May 2016. Our borrowing base may decrease as a result of current oil and natural gas prices, operating difficulties, declines in reserves, lending requirements or regulations.

Additional Funding

Depending on future exploration, development, acquisition and divestiture plans, Parex may require additional financing. The ability of Parex to arrange any such financing in the future will depend in part upon the prevailing capital market conditions, risk associated with the international operations, as well as the business performance of Parex. Periodic fluctuations in commodity prices may affect lending policies for potential future lenders. This in turn could limit growth prospects in the short run or may even require Parex to dedicate existing cash balances or cash flow, dispose of properties or raise new equity to continue operations under circumstances of declining energy prices, disappointing drilling results, or economic or political dislocation in foreign countries. There can be no assurance that Parex will be successful in its efforts to arrange additional financing on terms satisfactory to Parex. Due to the conditions in the oil and gas industry and/or global economic volatility, the Company may from time to time have restricted access to capital and increased borrowing costs. The current conditions in the oil and gas industry have negatively impacted the ability of oil and gas companies to access additional financing. If additional financing is raised by the issuance of shares from treasury of Parex, control of Parex may change and shareholders may suffer additional dilution.

Continued depressed oil and natural gas prices have caused decreases, and may cause further decreases, in the Company's revenues from its reserves, which may affect the Company's ability to expend the necessary capital to replace its reserves or to maintain its production. To the extent that external sources of capital become limited, unavailable or available on onerous terms, the Company's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result. In addition, the future development of the Company's petroleum properties may require additional financing and there are no assurances that such financing will be available or, if available, will be available upon acceptable terms. Alternatively, any available financing may be highly dilutive to existing shareholders. Failure to obtain any financing necessary for the Company's capital expenditure plans may result in a delay in development or production on the Company's properties.

Conditions in the Oil and Natural Gas Industry

The oil and natural gas industry is intensely competitive and Parex will compete with other companies which possess greater technical and financial resources. Many of these competitors not only explore for and produce oil and natural gas, but also carry on refining operations and market petroleum and other products on an international basis.

The impact on the oil and natural gas industry from commodity price volatility is significant. During periods of high prices, producers may generate sufficient cash flows to conduct active exploration programs without external capital. Increased commodity prices frequently translate into very busy periods for service suppliers triggering premium costs for their services. The cost of purchasing land or properties and work commitments associated with new exploration blocks similarly can increase in price during these periods. During low commodity price periods, acquisition costs drop, as do internally generated funds to spend on exploration and development activities. With decreased demand, the prices charged by the various service suppliers may also decline.

Oil and natural gas exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration or development activities by Parex will result in discoveries of oil or natural gas that are commercially or economically feasible. It is difficult to project the costs of implementing any exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

Parex' operations will be subject to all the risks normally associated with the exploration, development and operation of oil and natural gas properties and the drilling of oil and natural gas wells, including encountering unexpected formations or pressures, premature declines of reservoirs, potential environmental damage, blow-outs, cratering, fires and spills, all of which could result in personal injuries, loss of life and damage to property of Parex and others. In accordance with customary industry practice, Parex will maintain insurance coverage, but will not be fully insured against all risks, nor are all such risks insurable.

Oil and natural gas exploration and development activities are dependent on the availability of seismic, drilling, completions and other specialized equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to Parex and may delay exploration and development activities.

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long term commercial success of the Company depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, the Company's existing reserves, and the production from them, will decline over time as the Company produces from such reserves. A future increase in the Company's reserves will depend on both the ability of the Company to explore and develop its existing properties and its ability to select and acquire suitable producing properties or prospects. There is no assurance that the Company will be able continue to find satisfactory properties to acquire or participate in. Moreover, management of the Company may determine that current markets, terms of acquisition, participation or pricing conditions make potential acquisitions or participations uneconomic. There is also no assurance that the Company will discover or acquire further commercial quantities of oil and natural gas.

Future oil and natural gas exploration may involve unprofitable efforts from dry wells as well as from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, completing (including hydraulic fracturing), operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs.

The Company is exposed to a high level of exploration risk. The Company's current and future (to the extent discovered or acquired) proved reserves will decline as reserves are produced from its properties unless the Company is able to acquire or develop new reserves. The business of exploring for, developing or acquiring reserves is capital-intensive and is subject to numerous estimates and interpretations of geological and geophysical data. There can be no assurance the Company's future exploration, development and acquisition activities will result in material additions of proved reserves. To manage this risk, to the extent possible, Parex employs highly experienced geologists and geophysicists, uses technology such as 3D seismic as a primary exploration tool and focuses exploration efforts in known hydrocarbon-producing basins. In addition, the Company takes a portfolio approach to exploration by dispersing drilling locations among different exploration blocks and geological basins and by targeting multiple play-types. The Company may also choose to mitigate exploration risk through acquisitions that may require raising funds.

Drilling hazards, environmental damage and various field operating conditions could greatly increase the cost of operations and adversely affect the production from successful wells. Field operating conditions include, but are not limited to, delays in obtaining governmental approvals or consents, and shut ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, it is not possible to eliminate production delays and declines from normal field operating conditions, which can negatively affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including, but not limited to, fire, explosion, blowouts, cratering, sour gas releases, spills and other environmental hazards. These typical risks and hazards could result in substantial damage to oil and natural gas wells, production facilities, other property, the environment and personal injury. Particularly, the Company may explore for and produce sour natural gas in certain areas. An unintentional leak of sour natural gas could result in personal injury, loss of life or damage to property and may necessitate an evacuation of populated areas, all of which could result in liability to the Company.

Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

As is standard industry practice, the Company is not fully insured against all risks, nor are all risks insurable. Although the Company maintains liability insurance in an amount that it considers consistent with industry practice, liabilities associated with certain risks could exceed policy limits or not be covered. In either event the Company could incur significant costs.

Weakness in the Oil and Gas Industry

Recent market events and conditions, including global excess oil and natural gas supply, recent actions taken by the OPEC, slowing growth in China and other emerging economies, market volatility and disruptions in Asia, and sovereign debt levels in various countries, have caused significant weakness and volatility in commodity prices. These events and conditions have caused a significant decrease in the valuation of oil and gas companies and a decrease in confidence in the oil and gas industry. Lower commodity prices may also affect the volume and value of the Company's reserves especially as certain reserves become uneconomic. In addition, lower commodity prices have restricted, and are anticipated to continue to restrict, the Company's cash flow resulting in a reduced capital expenditure budget. As a result, the Company may not be able to replace its production with additional reserves and both the Company's production and reserves could be reduced on a year over year basis. Any decrease in value of the Company's reserves may reduce the borrowing base under its credit facilities, which, depending on the level of the Company's indebtedness, could result in the Company having to repay a portion of its indebtedness. Given the current market conditions and the lack of confidence in the Canadian oil and gas industry, the Company may have difficulty raising additional funds or if it is able to do so, it may be on unfavourable and highly dilutive terms.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Company considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner, and the Company's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Company. The integration of acquired businesses may require substantial management effort, time and resources diverting management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non core assets may be periodically disposed of so the Company can focus its efforts and resources more efficiently. Depending on the state of the market for such non core assets, certain non core assets of the Company, if disposed of, may realize less than their carrying value on the financial statements of the Company.

Environmental Regulation and Risks

The Company is subject to environmental laws and regulations that affect aspects of the Company's past, present and future operations. Extensive national, provincial and local environmental laws and regulations in Colombia will and do affect nearly all of the operations of Parex. These laws and regulations set various standards regulating certain aspects of health and environmental quality, including air emissions, water quality, wastewater discharges and the generation, transport and disposal of waste and hazardous substances; provide for penalties and other liabilities for the violation of such standards; and establish, in certain circumstances, obligations to remediate current

and former facilities and locations where operations are or were conducted. In addition, special provisions may be appropriate or required in environmentally sensitive areas of operation and unconventional blocks.

There is uncertainty around the impact of environmental laws and regulations, including those currently in force and proposed laws and regulations, and Parex cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered, interpreted from time to time, or enforced. It is not possible to predict the outcome and nature of certain of these requirements on the Company and its business at the current time; however, failure to comply with current and proposed regulations can have a material adverse impact on the Company's business and results of operations by substantially increasing its capital expenditures and compliance costs and its ability to meet its financial obligations, including debt payments. It may also lead to the modification or cancellation of operating licenses and permits, penalties and other corrective actions which may have an impact on production operations. Further, compliance with more stringent laws or regulations, or more vigorous enforcement policies of any regulatory authority, could in the future require material expenditures by Parex for the installation and operation of systems and equipment for remedial measures, any or all of which may have a material adverse effect on Parex.

Environmental regulation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The Company's activities have the potential to impair natural habitat, damage plant and wildlife, or cause contamination to land or water that may require remediation under applicable laws and regulations. These laws and regulations require the Company to obtain and comply with a variety of environmental registrations, licenses, permits and other approvals. In Colombia, licensing and permitting processes relating to the exploring and drilling for and development of oil and natural gas takes significant time and it is outside the control of the Company, specifically, the Exploitation License that may cause operation delays and higher development costs. Environmental regulations place restrictions and prohibitions on emissions of various substances produced concurrently with oil and natural gas and can impact on the selection of drilling sites and facility locations, potentially resulting in increased capital expenditures. Both public officials and private individuals may seek to enforce environmental laws and regulations against the Company.

Significant liability could be imposed on Parex for costs resulting from potential unknown and unforeseeable environmental impacts arising from the Company's operations, including damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of properties purchased by Parex or non-compliance with environmental laws or regulations. While these costs have not been material to the Company in the past, there is no guarantee that this will continue to be the case in the future.

Given the nature of the Company's business, there are inherent risks of oil spills occurring at the Company's drilling and operations sites. Large spills of oil and oil products can result in significant clean-up costs. Oil spills can occur from operational issues, such as operational failure, accidents and deterioration and malfunctioning of equipment. In certain countries where the Company operates, oil spills can also occur as a result of sabotage and damage to the pipelines. Further, the Company sells oil at various delivery stations and the oil is truck transported. There is an inherent risk of oil spills caused by road accidents which the Company may still be deemed to be responsible for as the owner of the crude oil. All of these may lead to significant potential environmental liabilities, such as clean-up and litigation costs, which may materially adversely affect the Company's financial condition, cash flows and results of operations. Depending on the cause and severity of the oil spill, the Company's reputation may also be adversely affected, which could limit the Company's ability to obtain permits and affect its future operations.

To prevent and/or mitigate potential environmental liabilities from occurring, the Company has policies and procedures designed to prevent and contain oil spills. The Company works to minimize spills through a program of well designed facilities that are safely operated, effective operations integrity management, continuous employee training, regular upgrades to facilities and equipment, and implementation of a comprehensive inspection and surveillance system. Also, the Company's facilities and operations are subject to routine inspection by various Federal and Provincial authorities in Colombia to evaluate the Company's compliance with the various laws and regulations.

Corruption

The Company's operations are governed by the laws of many jurisdictions, which generally prohibit bribery and other forms of corruption. The Company has policies in place to prevent any form of corruption or bribery, which includes enforcement of policies against giving or accepting money or gifts in certain circumstances and an annual certification from each employee confirming that each employee has received and understood the Company's anticorruption policies. It is possible that the Company, some of its Subsidiaries, or some of the Company or its Subsidiaries' employees or contractors, could be charged with bribery or corruption as a result of the unauthorized actions of employees or contractors. If the Company is found guilty of such a violation, which could include a failure to take effective steps to prevent or address corruption by its employees or contractors, the Company could be subject to onerous penalties and reputational damage. A mere investigation itself could lead to significant corporate disruption, high legal costs and forced settlements (such as the imposition of an internal monitor). In addition, bribery allegations or bribery or corruption convictions could impair the Company's ability to work with governments or nongovernmental organizations. Such convictions or allegations could result in the formal exclusion of the Company from a country or area, national or international lawsuits, government sanctions or fines, project suspension or delays, reduced market capitalization and increased investor concern. Further, from time to time the Company may acquire a company that subsequently is subject to a bribery or corruption charge, whereby the Company could assume onerous penalties and/or suffer reputational damage as a result of activities in which the Company had no part.

Gathering and Processing Facilities and Pipeline Systems

The Company delivers its products through gathering, processing and pipeline systems, some of which it does not own. The amount of oil and natural gas that the Company can produce and sell is subject to the accessibility, availability, proximity and capacity of these gathering, processing and pipeline systems. The lack of availability of capacity in any of the gathering, processing and pipeline systems could result in the Company's inability to realize the full economic potential of its production or in a reduction of the price offered for the Company's production. The Company currently produces oil in only one basin in Colombia that has seen an increase in crude oil production, but a decrease in crude take away capacity as heavier density crude production increases outpace lighter density crude production. Although pipeline expansions in Colombia are ongoing, the lack of firm pipeline capacity continues to affect the oil and natural gas industry and limit the ability to produce and to market oil and natural gas production. Any significant change in market factors or other conditions affecting these infrastructure systems and facilities, as well as any delays in constructing new infrastructure systems and facilities could harm the Company's business and, in turn, the Company's financial condition, results of operations and cash flows.

All of the Company's production is delivered for shipment on facilities owned by third parties and over which the Company does not have control. From time to time, these facilities may discontinue or decrease operations, either as a result of normal servicing requirements or as a result of unexpected events. A discontinuation or decrease of operations could materially adversely affect the Company's ability to process its production and to deliver the same for sale. Unexpected shut downs or curtailment of capacity of pipelines for maintenance or integrity work or because of actions taken by regulators could also affect the Company's production, operations and financial results.

Reliance on Third Party Operators

To the extent that the Company is not the operator of its properties, the Company will be dependent upon other guarantors or third party operations for the timing of activities and will be largely unable to control the activities and costs of such operators.

Natural Disasters and Weather-Related Risks

Parex will be subject to operating hazards normally associated with the exploration and production of oil and natural gas, including blowouts, explosions, oil spills, cratering, pollution, earthquakes, hurricanes and fires. The occurrence of any such operating hazards could result in substantial losses to Parex due to injury or loss of life and damage to or destruction of oil and natural gas wells, formations, production facilities or other properties.

The majority of oil in the Llanos basin in Colombia is delivered by two pipelines to the coastal export locations and refineries. Sales of oil could be disrupted by damage to these pipelines and/or road networks. Without other transportation alternatives, sales of oil could be disrupted by landslides or other natural events which impact these pipelines. If oil has to be trucked to the coastal export locations, operating and transport costs could materially increase.

Labour Relations

Parex operates in countries that have large state sponsored or owned oil and gas companies that have traditionally employed unionized personnel. From time to time the unions attempt or threaten to disrupt field operations and crude oil transportation activities of their employers which may directly or indirectly effect the operations of Parex.

Foreign Subsidiaries

Parex will conduct all of its operations in Colombia through foreign subsidiaries and foreign branches. Therefore, to the extent of these holdings, Parex will be dependent on the cash flows of these subsidiaries to meet its obligations excluding any additional equity or debt Parex may issue from time to time. The ability of its subsidiaries to make payments and transfer cash to Parex may be constrained by, among other things: the level of taxation, particularly corporate profits and withholding taxes, in the jurisdiction in which it operates; and the introduction of foreign exchange and/or currency controls or repatriation restrictions, or the availability of hard currency to be repatriated.

Risks of Foreign Operations

Parex' operations may be adversely affected by changes in foreign government policies and legislation or social instability and other factors which are not within the control of Parex, including, but not limited to: nationalization, expropriation of property without fair compensation or marketable compensation, or renegotiation or nullification of existing concessions and contracts; the imposition of specific drilling obligations and the development and abandonment of fields; changes in energy and environmental policies or the personnel administering them; changes in oil and natural gas pricing policies; the actions of national labour unions; currency fluctuations and devaluations; currency exchange controls; economic sanctions; and royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which Parex' operations will be conducted, as well as risks of loss due to civil strife, acts of war, terrorism, guerrilla activities and insurrections. Parex' operations may also be adversely affected by laws and policies of Colombia affecting foreign trade, taxation and investment. If Parex' operations are disrupted and/or the economic integrity of its projects is threatened for unexpected reasons, its business may be harmed. Prolonged problems may threaten the commercial viability of its operations.

In addition, there can be no assurance that contracts, licenses, license applications or other legal arrangements will not be adversely affected by changes in governments in foreign jurisdictions, the actions of government authorities or others, or the effectiveness and enforcement of such arrangements.

In the event of a dispute arising in connection with Parex' operations in Colombia, Parex may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgements in such other jurisdictions. Parex may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, Parex' exploration, development and production activities in Colombia could be substantially affected by factors beyond Parex' control, any of which could have a material adverse effect on Parex.

Acquiring interests and conducting exploration and development operations in foreign jurisdictions often require compliance with numerous and extensive procedures and formalities. These procedures and formalities may result in unexpected or lengthy delays in commencing important business activities. In some cases, failure to follow such formalities or obtain relevant evidence may call into question the validity of the entity or the actions taken. Management is unable to predict the effect of additional corporate and regulatory formalities which may be adopted in the future including whether any such laws or regulations would materially increase Parex' cost of doing business or affect its operations in any area.

Parex may in the future acquire oil and natural gas properties and operations outside of Colombia, which expansion may present challenges and risks that Parex has not faced in the past, any of which could adversely affect the results of operations and/or financial condition of Parex.

Stage of Development

There are additional risks associated with an investment in Parex related to the early stage of Parex' development. These risks include, but are not limited to, availability of subsequent financing, complications and delays in establishment of operations in new jurisdictions, obtaining the exploitation license in due time, control of expenses, the ability to establish profitable operations, and other difficulties.

Security and Insurance

Colombia has a publicized history of security problems. The Company and its personnel are subject to these risks, but through effective security and social programs, Parex believes these risks can be effectively managed. The Company maintains insurance in an amount that it considers adequate and consistent with industry practice and its operations, however, it is difficult to obtain insurance coverage to protect against terrorist incidents and, as a result, the Company's insurance program excludes this coverage. Consequently, incidents like this in the future could have a material adverse impact on the Company's operations.

Legal Systems

Colombia is a civil law jurisdiction. Each of Barbados and Bermuda, being part of the Commonwealth, has a similar legal system to Canada. There can be no assurance that joint ventures, licences, licence or permit applications or other legal arrangements will not be adversely affected by changes in governments, the actions of government authorities or others, or the effectiveness and enforcement of such arrangements.

Potential Conflicts of Interest

There are potential conflicts of interest to which some of the directors and officers of the Company will be subject in connection with the operations of the Company. Some of the directors and officers are engaged and will continue to be engaged in the search for oil and natural gas interests on their own behalf and on behalf of other corporations, and situations may arise where the directors and officers will be in direct competition with the Company. Conflicts of interest, if any, which arise will be subject to and be governed by procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to or is a director or an officer of or has a material interest in any person who is a party to a material contract or proposed material contract with the Company, to disclose his interest and to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

Regulatory

Various levels of governments impose extensive controls and regulations on oil and natural gas operations (exploration, development, production, pricing, marketing and transportation). In Colombia, the oil and gas industry regulatory body is the ANH. Governments may regulate or intervene with respect to exploration and production activities, prices, taxes, royalties and the exportation of oil and natural gas. Amendments to these controls and regulations may occur from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for crude oil and natural gas and increase the Company's costs, either of which may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. In order to conduct oil and natural gas operations, the Company will require licenses from various governmental authorities. There can be no assurance that the Company will be able to obtain all of the licenses and permits that may be required to conduct operations that it may wish to undertake.

Issuance of Debt

From time to time, the Company may enter into transactions to acquire assets or shares of other organizations. These transactions may be financed in whole or in part with debt, which may increase the Company's debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and development plans, the Company may require additional debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Company's articles nor its bylaws limit the amount of indebtedness that the Company may incur. The level of the Company's indebtedness from time to time, could impair the Company's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Availability of Drilling Equipment and Access

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment (typically leased from third parties) in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Company and may delay exploration and development activities.

Title to Assets

The assignment of working interests under the exploration and production contracts in the jurisdictions in which the Company operates is a detailed and time-consuming process. The Company's properties may be subject to unforeseen title claims. Title to Assets in Colombia is by way of an undivided working interest provided by the exploration and exploitation contracts or *convenio* signed with ANH. While the Company will diligently investigate title to all property and will follow usual industry practice in obtaining satisfactory title opinions and, to the best of the Company's knowledge, title to all of the Company's properties are in good standing, this should not be construed as a guarantee of title. Title to the properties may be affected by undisclosed and undetected defects. The Company does not warrant title to the oil properties.

Dilution

In order to finance future operations or acquisition opportunities, the Company may issue Common Shares or raise funds through the issuance of Common Shares or the issuance of debt instruments or securities convertible into Common Shares, which will be dilutive to shareholders. The Company cannot predict the size of future issuances of Common Shares or the issuance of debt instruments or other securities convertible into Common Shares or the effect, if any, that future issuances and sales of the Company's securities will have on the market price of the Common Shares.

Market Price of Common Shares

The trading price of securities of oil and natural gas issuers is subject to substantial volatility often based on factors related and unrelated to the financial performance or prospects of the issuers involved. Factors unrelated to the Company's performance could include macroeconomic developments nationally, within North America or globally, domestic and global commodity prices or current perceptions of the oil and gas market. Similarly, the market price of the Common Shares could be subject to significant fluctuations in response to variations in the Company's operating results, financial condition, liquidity and other internal factors. The price at which the Common Shares will trade cannot be accurately predicted.

Cost of New Technologies

The petroleum industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Company. There can be no assurance that the Company will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost.

One or more of the technologies currently utilized by the Company or implemented in the future may become obsolete. In such case, the Company's business, financial condition and results of operations could be affected adversely and materially. If the Company is unable to utilize the most advanced commercially available technology, its business, financial condition and results of operations could also be adversely affected in a material way.

Alternatives to and Changing Demand for Petroleum Products

Full conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for oil and other liquid hydrocarbons. The Company cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Hedging

From time to time, the Company may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline. However, to the extent that the Company engages in price risk management activities to protect itself from commodity price declines, it may also be prevented from realizing the full benefits of price increases above the levels of the derivative instruments used to manage price risk. In addition, the Company's hedging arrangements may expose it to the risk of financial loss in certain circumstances, including instances in which: production falls short of the hedged volumes or prices fall significantly lower than projected; there is a widening of price-basis differentials between delivery points for production and the delivery point assumed in the hedge arrangement; the counterparties to the hedging arrangements or other price risk management contracts fail to perform under those arrangements; or a sudden unexpected event materially impacts oil and natural gas prices. The Company may also enter into agreements to receive currencies at a fixed price or fix interest rates of floating rate based debt. Therefore, and as above with commodity hedging, there are risks associated with any currency or interest rate swap, or derivative agreement.

Litigation

In the normal course of the Company's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, related to, but not limited to, personal injuries, property damage, property tax, land rights, the environment and contractual disputes. The outcome of outstanding, pending or future proceedings, including the Lawsuit (as defined herein), cannot be predicted with certainty and may be determined adversely to the Company and, as a result, could have a material adverse effect on the Company's assets, liabilities, business, financial condition and results of operations. Without restriction, *Parex*, *Parex Bermuda*, and *Ramshorn* have been named as defendants in the Lawsuit. See *Legal Proceedings and Regulatory Actions*.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, the Company may disclose confidential information relating to the business, operations or affairs of the Company. Although confidentiality agreements are signed by third parties prior to the disclosure of any confidential information, a breach could put the Company at competitive risk and may cause significant damage to its business. The harm to the Company's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Company will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Income Taxes

The Company and its subsidiaries file all required income tax returns and the Company believes that it is in full compliance with applicable Canadian, Colombian, Barbadian, and Bermudian tax laws; however, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the

Company, whether by re-characterization of exploration and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable.

Income tax laws relating to the oil and gas industry, such as the treatment of resource taxation or dividends, may in the future be changed or interpreted in a manner that adversely affects the Company. Furthermore, tax authorities having jurisdiction over the Company may disagree with how the Company calculates our income for tax purposes or could change administrative practices to the Company's detriment.

Diversification

The Company's business focuses on the petroleum industry in Colombia. Other companies have the ability to manage their risk by diversification; however, the Company lacks diversification, in terms of the geographic scope of its business. As a result, factors affecting the industry or the regions in which it operates will likely impact the Company more acutely than if the Company's business was more diversified.

Expansion into New Activities

The operations and expertise of the Company's management are currently focused primarily on oil and gas production, exploration and development in Colombia. In the future the Company may acquire or move into new industry related activities or new geographical areas, may acquire different energy related assets, and, as a result, may face unexpected risks or, alternatively, significantly increase the Company's exposure to one or more existing risk factors, which may in turn result in the Company's future operational and financial conditions being adversely affected.

Accounting Adjustments

The presentation of financial information in accordance with IFRS requires that management apply certain accounting policies and make certain estimates and assumptions which affect reported amounts in the Company's consolidated financial statements. The accounting policies may result in non-cash charges to net income and write-downs of net assets in the consolidated financial statements. Such non-cash charges and write-downs may be viewed unfavourably by the market and may result in an inability to borrow funds and/or may result in a decline in the Common Share price.

Lower oil and gas prices may increase the risk of write-downs of Parex' oil and gas property investments. Under IFRS, property, plant and equipment costs are aggregated into groups known as Cash Generation Units ("CGU's") for impairment testing. CGUs are reviewed for indicators that the carrying value of the CGU may exceed its recoverable amount. If an indication of impairment exists, the CGU's recoverable amount is then estimated. A CGU's recoverable amount is defined as the higher of the fair value less costs to sell and its value in use. If the carrying amount exceeds its recoverable amount an impairment loss is recorded to comprehensive net income in the period to reduce the carrying value of the CGU to its recoverable amount. While these impairment losses would not affect cash flow, the charge to comprehensive net income could be viewed unfavourably in the market.

Cash from Subsidiaries

The Company's ability to obtain cash from its foreign subsidiaries may be restricted. The Company currently conducts all of its operations through its foreign subsidiaries and foreign branches. Therefore, the Company will be dependent on the cash flows of these subsidiaries to meet its obligations. The ability of its subsidiaries to make payments to the Company may be constrained by among other things: the level of taxation, particularly corporate profits and withholding taxes, in the jurisdictions in which it operates; the introduction of exchange controls or repatriation restrictions or the availability of hard currency to be repatriated; and contractual restrictions with third parties. Currently, there are no restrictions on the repatriation from Colombia of earnings to foreign entities; however, there can be no assurance that restrictions on repatriation of earnings from Colombia will not be imposed in the future.

Dependence on Management

The Chief Executive Officer and senior officers of the Company are critical to its success. In the event of the departure of the Chief Executive Officer or a senior officer, the Company believes that it will be successful in attracting and retaining qualified successors, but there can be no assurance of such success. If the Company is not successful in attracting and retaining qualified personnel, the efficiency of its operations could be affected, which could have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition. The Company strongly depends on the business and technical expertise of its management team and there is little possibility that this dependence will decrease in the near term.

Ability to Attract and Retain Qualified Personnel

Recruiting and retaining qualified personnel is critical to the Company's success. The number of persons skilled in the acquisition, exploration, development and operation of oil and gas properties in the jurisdictions in which the Company operates is limited, and competition for such persons is intense. As the Company's business activity grows, it will require additional key financial, administrative, technical and operations staff. If Parex is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have a material adverse impact on the Company's future cash flows, net income, results of operations and financial condition.

Credit Facilities

The Company currently has a credit facility and the amount authorized thereunder is dependent on the borrowing base determined by its lenders. The Company is required to comply with covenants under its credit facility which may, in certain cases, include certain financial ratio tests, which from time to time either affect the availability, or price, of additional funding and in the event that the Company does not comply with these covenants, the Company's access to capital could be restricted or, if drawn, repayment could be required. Events beyond the Company's control may contribute to the failure of the Company to comply with such covenants. In addition, the Company's credit facility may impose operating and financial restrictions on the Company that could include restrictions on, the payment of dividends, repurchase or making of other distributions with respect to the Company's securities, incurring of additional indebtedness, the provision of guarantees, the assumption of loans, making of capital expenditures, entering into of amalgamations, mergers, take-over bids or disposition of assets, among others. The Company's lenders use the Company's reserves, commodity prices, applicable discount rate and other factors, to periodically determine the Company's borrowing base. Commodity prices continue to be depressed and have fallen dramatically since 2014. There remains a substantial amount of uncertainty as to when and if commodity prices will recover. Depressed commodity prices could reduce the Company's borrowing base, reducing the funds available to the Company under the credit facility. This could, if the credit facility is drawn, result in the requirement to repay a portion, or all, of the Company's indebtedness.

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures in order to help ensure the reliability of its financial reports, including those imposed on it under Canadian securities laws, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's financial statements and harm the trading price of the Common Shares.

Forward-Looking Statements May Prove Inaccurate

Shareholders and investor are cautioned not to place undue reliance on forward-looking statements and other future looking financial information. By their nature, forward-looking statements and information involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the Company's information circular for the Company's most recent annual meeting of securityholders that involved the election of directors. Additional financial information is contained in the Company's consolidated financial statements and the related management's discussion and analysis for the Company's most recently completed financial year.

SCHEDULE "A"

FORM 51-101F3

REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE

Report of Management and Directors on Reserves Data and Other Information

Management of Parex Resources Inc. (the "**Company**") are responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data.

An independent qualified reserves evaluator has evaluated the Company's reserves data. The report of the independent qualified reserves evaluator is presented below.

The Reserves Committee of the board of directors of the Company has:

- (a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluator;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Reserves Committee of the board of directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has, on the recommendation of the Reserves Committee, approved

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
- (b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data, contingent resources data, or prospective resources data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

DATED as of this 17th day of March, 2016.

(signed) "*Wayne Foo*"
Wayne Foo
Chief Executive Officer

(signed) "*Kenneth Pinsky*"
Kenneth Pinsky
Chief Financial Officer

(signed) "*Norman McIntyre*"
Norman McIntyre
Chairman

(signed) "*John Bechtold*"
John Bechtold
Chairman of Operations and Reserves Committee

SCHEDULE "B"

**FORM 51-101F2
REPORT ON RESERVES DATA
BY INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR**

Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor

To the board of directors of Parex Resources Inc. (the "**Company**"):

1. We have evaluated the Company's reserves data as at December 31, 2015. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2015, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.
3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "**COGE Handbook**") maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).
4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended December 31, 2015, and identifies the respective portions thereof that we have evaluated and reported on to the Company's board of directors:

Independent Qualified Reserves Evaluator or Auditor	Effective Date of Evaluation Report	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate)			
			Audited	Evaluated	Reviewed	Total
GLJ Petroleum Consultants Ltd.	December 31, 2015	Colombia	-	\$1,329,812	-	\$1,329,812
Totals			-	\$1,329,812	-	\$1,329,812

6. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
7. We have no responsibility to update our report referred to in paragraph 5 for events and circumstances occurring after the effective date of our report.
8. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

EXECUTED as to our report referred to above:

GLJ Petroleum Consultants Ltd.
Calgary, Alberta, Canada
February 5, 2016

Original Signed by Keith Braaten, P. Eng.
Keith M. Braaten, P. Eng.

SCHEDULE "C"

PAREX RESOURCES INC. FINANCE AND AUDIT COMMITTEE MANDATE AND TERMS OF REFERENCE

1. Overall Purpose & Objectives

A standing committee of the Board of Directors (the "**Board**") of Parex Resources Inc. (the "**Corporation**") consisting of members of the Board is hereby appointed by the Board from amongst its members and complying with all other legislation, regulations, agreements, articles and policies to which the Corporation and its business is subject is hereby established and designated the Audit Committee (hereinafter referred to as the "**Audit Committee**" or the "**Committee**").

The Audit Committee will assist the Board in fulfilling its oversight responsibilities, including without limitation the review, approval or recommendation to the Board for approval, of:

- the Corporation's financial statements, management's discussion and analysis and the integrity of the financial reporting process;
- the management of financial and other enterprise risks;
- the external audit process and the Corporation's process for monitoring compliance with financial laws and regulations;
- any material disclosure of information to shareholders, securities regulators and the public, including, without limitation, the Corporation's annual information form; and
- if requested, significant acquisitions and divestitures.

The Audit Committee shall also take the steps necessary to address and resolve all instances or allegations of fraud or other complaints reported to the Audit Committee in accordance with the Corporation's Whistleblower Policy.

While the Audit Committee has the duties and responsibilities set forth herein, the Audit Committee is not responsible for planning or conducting an audit or for determining whether the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles or international financial reporting standards, as applicable. Similarly, it is not the responsibility of the Audit Committee to ensure that the Corporation complies with all laws and regulations.

2. Composition

- (a) The Audit Committee shall be composed of at least three individuals appointed by the Board from amongst its members. The Board shall appoint one member as Chairman of the Audit Committee (the "**Chair**").
- (b) All members of the Audit Committee shall be Board members who are not members of management of the Corporation. Subject to certain exemptions that may be available under applicable securities legislation, all members of the Audit Committee must be "independent", as defined in National Instrument 52-110 – *Audit Committees* as adopted by the Canadian Securities Regulatory Authorities ("**NI 52-110**").
- (c) A quorum shall be a majority of the members of the Committee.
- (d) Members of the Audit Committee must be financially literate, as defined in NI 52-110, and at least one member must have accounting or related financial management expertise.

- (e) A member shall cease to be a member of the Audit Committee upon ceasing to be a director of the Corporation or upon ceasing to be "independent".

3. Meetings

- (a) The Audit Committee shall meet at least quarterly with Management, and at least annually with the external auditors, such meetings generally coinciding with the release of interim or year-end financial information.
- (b) Effective agendas, with input from Management, shall be circulated to Committee members and relevant Management personnel along with background information on a timely basis prior to the Committee meetings.
- (c) Minutes of each meeting shall be prepared.
- (d) The meetings and proceedings of the Audit Committee shall be governed by the provisions of the by-laws of the Corporation that regulate meetings and proceedings of the Board.
- (e) The Audit Committee may invite the Chief Executive Officer or Chief Financial Officer or his designate(s), such directors, officers or employees of the Corporation, the Corporation's external auditor(s) and any other independent external advisors or consultants as it may see fit to attend its meetings and take part in the discussion and consideration of the affairs of the Audit Committee.

4. Reporting / Authority

- (a) Following each meeting, the Chair will report to the Board and provide a summary of the meeting.
- (b) Copies of the minutes from all meetings, as well as information and supporting schedules reviewed and discussed by the Audit Committee at any meeting shall be retained and made available for examination by the Board or any Director upon request to the Chair.
- (c) The Audit Committee shall have the authority to investigate any activity of the Corporation falling within the terms of this Mandate, and may request any employee of the Corporation to cooperate with any request made by the Audit Committee, including any investigation in accordance with the Corporation's Whistleblower Policy.
- (d) The Audit Committee may retain external persons having special expertise and obtain independent professional advice to assist in fulfilling its responsibilities at the expense of the Corporation and approve the terms of retainer and the fees payable to such parties.

5. Duties & Responsibilities

- (a) **Financial Information and Shareholder Communication**
 - (i) Review:
 - (i) the audited annual financial statements and unaudited quarterly financial statements with Management and the external auditors (including disclosures under "Management's Discussion & Analysis"), in conjunction with the report of the external auditors, and obtain explanation from Management of all material variances between comparative reporting periods. Upon satisfactory completion of the review, the Committee will recommend that the Board approve the annual and quarterly financial statements and management's discussion and analysis;

- (ii) shareholder communications based on the quarterly and annual financial statements, including, without limitation, all annual and interim earnings press releases;
- (iii) the Corporation's annual information form; and
- (iv) significant accounting and tax compliance issues where there is choice among various alternatives or where application of a policy has a material effect on the financial results of the Corporation.

(b) **Internal Controls**

- (i) Review annually and approve as required:
 - (A) (A) processes adopted by Management for establishing effective internal controls, to be responsible for the accurate reporting of the Corporation's revenues and expenses, and the safeguarding of its assets;
 - (B) (B) the adequacy and effectiveness of the Corporation's accounting and internal control policies and procedures through inquiry and discussions with the Corporation's independent auditors and management of the Corporation;
 - (C) (C) the quality and integrity of the Corporation's disclosure controls and procedures and management information systems through discussions with management and the external auditors;
 - (D) (E) major changes to the Corporation's disclosure controls and procedures and management information systems; and
 - (E) (F) spending authority and approval of limits.
- (ii) Oversee Management's reporting on internal controls and disclosure controls and procedures.

(c) **Enterprise Risk Management**

- (ii) Review periodically the Corporation's:
 - (i) risk assessment and risk management policies;
 - (ii) hedging strategies, policies, objectives and controls;
 - (iii) risk retention philosophy and resulting exposure to the Corporation;
 - (iv) loss prevention policies and programs in the context of competitive and operational consideration;
 - (v) insurance programs;
 - (vi) Directors' and Officers' insurance coverage; and
 - (vii) procedures for the control, identification and reporting of fraudulent acts.

(d) **External Auditors**

- (i) instruct the auditors that: (a) they are ultimately accountable to the Audit Committee (as representatives of the shareholders of the Corporation); (b) they must report directly to the Committee; and (c) the Committee is responsible for the appointment (subject to shareholder approval), compensation, retention, evaluation and oversight of the Corporation's independent auditors;
- (ii) oversee the independence of the auditors and take such actions as it may deem necessary to satisfy it that the Corporation's auditors are independent within the meaning of applicable securities laws by, among other things: (a) requiring the independent auditors to deliver to the Audit Committee on a periodic basis a formal written statement delineating all relationships between the independent auditors and the Corporation; and (b) actively engaging in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors and taking appropriate action to satisfy itself of the auditors' independence;
- (iii) annually:
 - (A) recommend to the Board an independent accounting firm to conduct the annual audit;
 - (B) review with Management and auditors the purpose and scope of the audit examination, review the terms of the external auditors' engagement and the fees for the annual audit;
 - (C) review and recommend to the Board the compensation of the external auditors;
 - (D) assess the qualifications and performance of the auditors, taking into account the opinions of Management, and present conclusions to the Board;
 - (E) obtain and review a report by the external auditors describing: the firm's internal quality control procedures; any material issues raised by the most recent internal quality control review (or peer review) of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm and any steps taken to deal with such issues;
 - (F) ensure compliance with any legal requirements regarding the rotation of applicable partners of the external auditors, on a regular basis, as required;
 - (G) obtain a certificate attesting to the external auditors' independence, which identifies all relationships between the external auditors and the Corporation;
 - (H) review all reportable events, including disagreements, unresolved issues and consultations, as defined in National Instrument 51-102 as adopted by the Canadian Securities Regulatory Authorities ("**NI 51-102**"), on a routine basis, whether or not there is a change of auditors; and
 - (I) meet independently with auditors in the absence of Management to discuss any issues which the auditors may wish to bring forward including any restrictions imposed by Management or significant accounting issues in which there was a disagreement with Management;

- (iv) review the performance of the auditors and recommend to the Board the replacement or termination of the independent auditors (subject to required shareholder approvals) when circumstances warrant;
- (v) where there is a change of auditor, review all issues related to the change, including information to be included in the notice of change of auditors (NI 51-102) and the planned steps for an orderly transition;
- (vi) generally oversee the work of the external auditor, including resolving any issues that arise between Management and the external auditors;
- (vii) pre-approve engagements for non-audit services provided by the external auditors or their affiliates, together with estimated fees and potential issues of independence; and
- (viii) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.

(e) **Audit**

- (i) review with Management and the external auditors major issues regarding accounting principles and financial statement presentation, including any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgements of Management that may be material to financial reporting;
- (ii) question Management and the external auditors regarding significant financial reporting issues during the fiscal period and the method of resolution of such issues;
- (iii) monitor the steps taken by management to deal with issues arising from the annual audit;
- (iv) review the auditors' report to Management, containing recommendations of the external auditors', and Management's response and subsequent remedy of any identified weaknesses; and
- (v) review and approve the Audit Committee information that may be required by applicable securities laws to be included in the Corporation's annual Management Proxy Circular or Annual Information Form, as applicable.

(f) **Press**

- (iii) Review of press releases and other publicly circulated documents containing financial information or financial guidance.

(g) **Legal**

- (iv) (i) review annually the legal expenses incurred by the Corporation; and
- (v) (ii) assist the Board with oversight of the Corporation's compliance with applicable legal and regulatory requirements, including meeting with general counsel and outside counsel, when appropriate, to review legal and regulatory matters, including any matters that may have a material impact on the financial statements of the Corporation.

(h) Budget and Forecast of Operations

- (i) be responsible for the Corporation having in place a process to review all general and administrative expenditures (including income tax) to improve future planning and cost control; and
- (ii) be responsible for the Corporation having in place a process to review all material capital investments to assess where value has been created and improve future decisions.

(i) New Business Development

- (vi) Review of proposed acquisitions and divestitures at the request of the Board, including a review of the financial and legal due diligence conducted, and make recommendations to the Board as to the completion of such transactions.

(j) Audit Committee Evaluation and Complaints

- (vii) Periodically, in conjunction with the Corporate Governance Committee:
- (viii) assess individual Audit Committee member and Chair performance and evaluate the performance of the Audit Committee as a whole, including its processes and effectiveness;
- (ix) review the Corporation's procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters;
- (x) review the Corporation's procedures for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;
- (xi) take the steps necessary to address and resolve all instances or allegations of fraud or other complaints reported to the Audit Committee in accordance with the Corporation's Whistleblower Policy; and
- (xii) develop and approve Audit Committee member eligibility criteria, identify Directors qualified to become Committee members and recommend appointments to and removals from the Audit Committee.

6. Other Duties & Responsibilities

- (a) The Audit Committee shall be available to meet with any member of Management or any employee of the Corporation who wishes to raise any concern with respect to conflicts of interest, ethical issues or concerns raised under the Corporation's Whistleblower Policy.
- (b) The responsibilities, practices and duties of the Audit Committee outlined herein are not intended to be comprehensive. The Board may, from time to time, charge the Audit Committee with the responsibility of reviewing items of a financial, control or risk management nature.

7. Mandate Review

The Board shall review this Mandate every other year, or more frequently as may be determined necessary by the Board, to ensure that it is achieving its purpose.

8. Authorization

This Audit Committee mandate is hereby approved on behalf of the Board this 30th day of October, 2009 as amended on November 9, 2011, November 13, 2013 and November 2, 2015.