



**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING**

**and**

**MANAGEMENT PROXY CIRCULAR**

**WITH RESPECT TO THE**

**ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS OF PAREX RESOURCES INC.**

**TO BE HELD ON MAY 11, 2017**

**INFORMATION CIRCULAR DATED APRIL 3, 2017**





**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON MAY 11, 2017**

**TO THE HOLDERS OF COMMON SHARES**

Notice is hereby given that the Annual General and Special Meeting of holders (the "**Meeting**") of common shares ("**Common Shares**") of Parex Resources Inc. ("**Parex**" or the "**Company**") will be held at the Conference Centre on the 4<sup>th</sup> floor of Eighth Avenue Place East Tower, 525 - 8th Avenue S.W., Calgary, Alberta T2P 1G1, on May 11, 2017 at 9:30 a.m. (Calgary time) for the following purposes:

1. to receive and consider the financial statements of the Company for the year ended December 31, 2016, the auditors' report thereon and the report of the Board of Directors;
2. to fix the number of directors to be elected at the Meeting at nine (9) members;
3. to elect nine (9) directors;
4. to consider and, if deemed advisable, to pass an ordinary resolution approving all unallocated options issuable under the stock option plan of the Company, as more particularly described in the management information circular of the Company dated April 3, 2017 (the "**Information Circular**");
5. to consider and, if deemed advisable, to pass an ordinary resolution approving an amendment to the deferred share unit plan of the Company, as more particularly described in the Information Circular;
6. to consider an advisory, non-binding resolution (a "**Say on Pay**" vote) on the Company's approach to executive compensation described in the Information Circular;
7. to appoint auditors and to authorize the directors to fix their remuneration as such; and
8. to transact such further and other business as may properly come before the Meeting or any adjournments or postponements thereof.

The nature of the business to be transacted at the Meeting is described in further detail in the Information Circular.

The record date for the determination of shareholders entitled to receive notice of and to vote at the Meeting is April 3, 2017 (the "**Record Date**"). Shareholders of the Company whose names have been entered in the register of shareholders at the close of business on that date will be entitled to receive notice of and to vote at the Meeting, provided that, to the extent a shareholder transfers the ownership of any of such shareholder's Common Shares after such date and the transferee of those Common Shares establishes that the transferee owns the Common Shares and requests, not later than 10 days before the Meeting, to be included in the list of shareholders eligible to vote at the Meeting, such transferee will be entitled to vote those Common Shares at the Meeting.

**A shareholder may attend the Meeting in person or may be represented by proxy. Shareholders who are unable to attend the Meeting or any adjournments or postponements thereof in person are requested to date, sign and return the accompanying form of proxy for use at the Meeting or any adjournments or postponements thereof. To be effective, the enclosed proxy must be deposited with the Company's registrar and transfer agent, Computershare Trust Company of Canada ("**Computershare**"): (i) by mail, using the enclosed return envelope or one addressed to Computershare Trust Company of Canada, Proxy Department, 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1; (ii) by hand delivery to Computershare Trust Company of Canada, 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1; (iii) by telephone to 1-866-732-VOTE (8683) (toll free within North America) or to 1-312-588-4290 (outside North America); (iv) by facsimile to 1-866-249-7775 or 1-416-263-9524 (if outside North America); or (v) through the internet by using the 15 digit control number located at the bottom of your proxy at [www.investorvote.com](http://www.investorvote.com), not later than forty-eight (48) hours (excluding Saturdays,**

**Sundays and statutory holidays in the Province of Alberta) prior to the time set for the Meeting or any adjournments or postponements thereof. All instructions are listed in the enclosed form of proxy and see also "*Proxies - Voting by Internet*" in the Information Circular. In the event of a strike, lockout or other work stoppage involving postal employees, the enclosed proxy should be deposited with Computershare by hand delivery, by telephone or through the internet.**

The instrument appointing a proxy shall be in writing and shall be executed by the shareholder or the shareholder's attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized.

**The persons named in the enclosed form of proxy are directors and/or officers of the Company. Each shareholder has the right to appoint a proxyholder other than such persons, who need not be a shareholder, to attend and to act for such shareholder and on such shareholder's behalf at the Meeting. To exercise such right, the names of the nominees of management should be crossed out and the name of the shareholder's appointee should be legibly printed in the blank space provided.**

DATED at Calgary, Alberta this 3<sup>rd</sup> day of April, 2017.

**BY ORDER OF THE BOARD OF DIRECTORS**

(signed) "*Wayne Foo*"  
Chief Executive Officer and a Director



## Information Circular – Management Proxy Statement

For the Annual General and Special Meeting  
of Shareholders to be Held on May 11, 2017

### PROXIES

#### Solicitation of Proxies

**This information circular – management proxy statement (the "Information Circular") is furnished in connection with the solicitation of proxies by or on behalf of the management of Parex Resources Inc. ("Parex" or the "Company") for use at the annual general and special meeting of the Company's shareholders ("shareholders" or "Shareholders") to be held at the Conference Centre on the 4<sup>th</sup> floor of Eighth Avenue Place East Tower, 525 - 8th Avenue S.W., Calgary, Alberta T2P 1G1, on May 11, 2017 at 9:30 a.m. (Calgary time), and any adjournments or postponements thereof for the purposes set forth in the accompanying Notice of Annual General and Special Meeting (the "Meeting"). Only shareholders of record on April 3, 2017 are entitled to notice of, and to attend and vote at, the Meeting, unless a shareholder has transferred any common shares ("Common Shares" or "Shares") subsequent to that date and the transferee shareholder, not later than 10 days before the Meeting, establishes ownership of the Common Shares and demands that the transferee's name be included on the list of shareholders eligible to vote at the Meeting.**

Unless otherwise stated information contained in this Information Circular is given as at April 3, 2017. **All amounts set forth in this Information Circular are stated in Canadian dollars.**

The persons named in the accompanying instrument of proxy are directors and/or officers of the Company. **As a shareholder submitting a proxy you have the right to appoint a person or company (who need not be a shareholder) to represent you at the Meeting other than the persons designated in the instrument of proxy furnished by Parex. To exercise this right you should insert the name of the desired representative in the blank space provided in the instrument of proxy and strike out the other names. In order to be effective, the proxy must be deposited with the Company's registrar and transfer agent, Computershare Trust Company of Canada ("Computershare"): (a) by mail, using the enclosed return envelope or one addressed to Computershare Trust Company of Canada, Proxy Department, 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1; (b) by hand delivery to Computershare Trust Company of Canada, 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1; (c) by telephone to 1-866-732-VOTE (8683) (toll free within North America) or to 1-312-588-4290 (outside North America); (d) by facsimile to 1-866-249-7775 or 1-416-263-9524 (if outside North America); or (e) through the internet by using the 15 digit control number located at the bottom of your proxy at [www.investorvote.com](http://www.investorvote.com), not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) prior to the time set for the Meeting or any adjournments or postponements thereof. All instructions are listed in the enclosed form of proxy and see also "*Proxies - Voting by Internet*" in this Information Circular.**

#### Appointment of Proxies

Those shareholders who desire to be represented at the Meeting by proxy must deposit their proxy with the Company's registrar and transfer agent, Computershare, in the manner set forth under "*Proxies – Solicitations of Proxies*" above.

A proxy must be executed by the shareholder or his or her attorney authorized in writing, or if the shareholder is a corporation, under its corporate seal by a duly authorized officer or attorney of the corporation. **The persons named in the accompanying instrument of proxy are directors and/or officers of Parex. A shareholder has the right to appoint a person or company (who need not be a Shareholder) to attend and act on such shareholder's behalf at the Meeting other than the persons designated in the instrument of proxy furnished by Parex. To exercise this right, the shareholder must strike out the**

**name of the persons named in the proxy and insert the name of his or her nominee in the space provided and deposit the proxy with Parex at the place and within the time specified above for the deposit of proxies.**

### **Persons Making the Solicitation**

**The solicitation is made on behalf of the management of Parex.** The costs incurred in the preparation and mailing of the instrument of proxy, Notice of Annual General and Special Meeting and this Information Circular will be borne by Parex. In addition to solicitation by mail, proxies may be solicited by personal interviews, telephone or by other means of communication and by directors and officers of Parex, who will not be specifically remunerated therefor. While no arrangements have been made to date by Parex, Parex may contract for the distribution and solicitation of proxies for the Meeting. The costs incurred by Parex in soliciting proxies will be paid by Parex.

### **Exercise of Discretion by Proxy**

The Common Shares represented by the instrument of proxy enclosed with the accompanying Notice of Annual General and Special Meeting and this Information Circular will be voted for or against or withheld from voting on any ballot that may be called for in accordance with the instructions of the shareholder, but if no specification is made, they will be voted in favour of the matters set forth in the proxy. If any amendments or variations are proposed at the Meeting or any adjournments or postponements thereof to matters set forth in the proxy and described in the accompanying Notice of Annual General and Special Meeting and this Information Circular, or if any other matters properly come before the Meeting or any adjournments or postponements thereof, the proxy confers upon the shareholder's nominee discretionary authority to vote on such amendments or variations or such other matters according to the best judgement of the person voting the proxy at the Meeting. At the date of this Information Circular, management of Parex knows of no such amendments or variations or other matters to come before the Meeting.

### **Revocation of Proxies**

A shareholder who has given a proxy has the power to revoke it. If a person who has given a proxy attends personally at the Meeting at which the proxy is to be voted, such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing signed by the shareholder or his attorney authorized in writing, or, if the shareholder is a corporation, under its corporate seal and signed by a duly authorized officer or attorney for the corporation, and deposited at the registered office of Parex at any time up to and including the last day (other than Saturdays, Sundays and statutory holidays in the Province of Alberta) preceding the day of the Meeting at which the proxy is to be used, or any adjournments or postponements thereof, or with the chairman of the Meeting on the day of the Meeting, or on the day of any adjournments or postponements thereof, prior to the commencement of the Meeting.

### **Voting by Internet**

Shareholders may use the internet site at **www.investorvote.com** to transmit their voting instructions. Shareholders should have their proxy in hand when they access the web site and will be prompted to enter their 15-digit control number, which is located at the bottom of the proxy. If Shareholders vote by internet, their vote must be received not later than 9:30 a.m. (Calgary time) on May 9, 2017 or 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) prior to the time set for the Meeting or any adjournments or postponements thereof. **The website may be used to appoint a proxy holder to attend and vote on a Shareholder's behalf at the Meeting and to convey a Shareholder's voting instructions. Please note that if a Shareholder appoints a proxy holder and submits their voting instructions and subsequently wishes to change their appointment, a Shareholder may resubmit their proxy and/or voting direction, prior to the deadline noted above. When resubmitting a proxy, the most recently submitted proxy will be recognized as the only valid one, and all previous proxies submitted will be disregarded and considered as revoked, provided that the last proxy is submitted by the deadline noted above.**

### **Advice to Beneficial Holders of Securities**

The information set forth in this section is of significant importance to many shareholders of Parex, as a substantial number of the shareholders of Parex do not hold Common Shares in their own name. Shareholders who do not hold their Common Shares in their own name (referred to in this Information Circular as "**Beneficial Shareholders**") should note that only proxies deposited by

shareholders whose names appear on the records of Parex as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those Common Shares will not be registered in the shareholder's name on the records of Parex. Such Common Shares will more likely be registered under the name of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services, Inc., which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers/nominees are prohibited from voting shares for their clients. The directors and officers of Parex do not know for whose benefit the Common Shares registered in the name of CDS & Co. are held.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to registered shareholders. However, its purpose is limited to instructing the registered shareholders how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically applies a special sticker to the proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the proxy forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder receiving a proxy with a Broadridge sticker on it cannot use that proxy to vote shares directly at the Meeting. The proxy must be returned to Broadridge well in advance of the Meeting in order to have the Common Shares voted.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his or her broker (or agent of the broker), a Beneficial Shareholder may attend the Meeting as proxyholder for the registered shareholder and vote Common Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the registered shareholder should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

These securityholder materials are being sent to both registered and non-registered owners of Common Shares. If you are a non-registered owner, and the Company or its agent has sent these materials directly to you, your name and address and information about your holdings of Common Shares, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

The Company is not using "notice-and-access" to send its proxy-related materials to Shareholders, and paper copies of such materials will be sent to all Shareholders. The Company will not send proxy-related materials directly to non-objecting Beneficial Shareholders and such materials will be delivered to non-objecting Beneficial Shareholders by Broadridge or through the non-objecting Beneficial Shareholder's intermediary. The Company intends to pay for the costs of an intermediary to deliver proxy-related materials to objecting Beneficial Shareholders.

### ADVISORIES

This Information Circular contains certain oil and gas metrics, including finding, development and acquisition ("**FD&A**") costs and recycle ratio, which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included herein to provide readers with additional measures to describe and 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. FD&A is the sum of total capital expenditures incurred in the period and the change in future development capital ("**FDC**") required to develop reserves. FD&A cost per barrel of oil ("**bbbl**") is determined by dividing current period net reserve additions into the corresponding period's FD&A cost. Total capital includes both capital expenditures incurred and changes in FDC required to bring proved undeveloped reserves and probable reserves to production during the applicable period. Reserve additions are calculated as the change in reserves from the beginning to the end of the applicable period excluding production. The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated FD&A generally will

not reflect total finding and development costs related to reserves additions for that year. Recycle ratio is calculated as fourth quarter funds flow from operations for the noted year per bbl divided by FD&A cost per bbl for that year.

Certain reserves information contained in this Information Circular is based upon an evaluation (the "**GLJ Report**") prepared by GLJ Petroleum Consultants Ltd. ("**GLJ**") dated February 6, 2017 and effective December 31, 2016 and an evaluation prepared by GLJ dated February 5, 2016 and effective December 31, 2015. Each report was prepared in accordance with the standards contained in the Canadian Oil and Gas Evaluation Handbook and the reserves definitions contained in National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*. All December 31, 2016 reserves presented are based on GLJ's forecast pricing effective January 1, 2017 and all December 31, 2015 reserves presented are based on GLJ's forecast pricing effective January 1, 2016.

"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.

This document contains forward-looking information ("**forward-looking information**" or "**forward-looking statements**") within the meaning of applicable Canadian securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "believe", "plan", "intent", "objective", "scheduled", "continuous", "ongoing", "estimate", "expect", "may", "will", "project", "should", or similar words suggesting future events, circumstances or outcomes. All such forward-looking statements are subject to important risks, uncertainties and assumptions. Unless otherwise indicated, forward-looking statements in this document describe the Company's expectations as at the date hereof and, accordingly are subject to change after such date. The Company's actual results and events could differ materially from those expressed or implied in the forward-looking statements in this Information Circular, if known or unknown risks affect the business of the Company, or if its estimates or assumption turn out to be inaccurate. As a result, the Company cannot guarantee that the results or events expressed or implied in any forward-looking statement will materialize, and accordingly, you are cautioned against relying on these forward-looking statements. The Company disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available, as a result of future events or for any other reason, except in accordance with applicable Canadian securities laws.

#### VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Company is authorized to issue an unlimited number of Common Shares without nominal or par value. As at April 3, 2017, there were 153,714,236 Common Shares issued and outstanding, stock options ("**Options**") to purchase 7,772,717 Common Shares issued under the Company's stock option plan ("**Stock Option Plan**" or "**Option Plan**"), restricted share units ("**RSUs**") representing the right to receive 3,121,337 Common Shares issued under the Company's restricted share unit plan ("**RSU Plan**") and 145,900 deferred share units ("**DSUs**") representing the right to receive a cash payment issued under the Company's deferred share plan ("**DSU Plan**"), which have been granted to certain directors, officers and employees of the Company or of its foreign subsidiaries.

The holders of Common Shares are entitled to one vote per Common Share at meetings of shareholders, to receive any dividend as and when declared by the Board of Directors of the Company (the "**Parex Board of Directors**", the "**Board of Directors**" or the "**Board**") and to receive *pro rata* upon liquidation, dissolution or winding-up of the Company, the remaining property of the Company.

The Company has not declared or paid dividends on the Common Shares since incorporation and any decision made by the Parex Board of Directors to pay dividends from time to time will be 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 and legal considerations as the Parex Board of Directors considers relevant, including the satisfaction of the liquidity and solvency tests imposed by the *Business Corporations Act* (Alberta) ("**ABCA**") for the declaration and payment of dividends.

The record date for the determination of shareholders entitled to receive notice of and to vote at the Meeting is April 3, 2017.

To the best of the knowledge of the directors and executive officers of the Company, no person or company, beneficially owns or controls or directs, directly or indirectly, Common Shares carrying more than ten percent (10%) of the votes attached to all of the issued and outstanding Common Shares.

## **OTHER MATTERS RELATED TO THE MEETING**

### **Majority Voting for Directors**

The Parex Board of Directors has adopted a policy stipulating that if the "WITHHOLD" votes in respect of the election of a director nominee at the Meeting represent more than the "FOR" votes, the nominee will immediately submit his resignation for the Parex Board of Directors' consideration. The Parex Board of Directors will consider such resignation within 90 days and after reviewing the matter will determine, having regard to all matters it deems relevant, whether to accept such resignation or not. The Board will accept such resignation absent exceptional circumstances and the resignation will be effective upon acceptance by the Board. The Parex Board of Directors' decision to accept or reject the resignation will be disclosed to the public through the issuance of a news release within 90 days of the Meeting, a copy of which will be provided by the Company to the Toronto Stock Exchange. If the Board determines not to accept the nominee's resignation, such news release will disclose the reasons for the Board's decision. The nominee will not participate in any Parex Board of Director deliberations on the resignation. The policy does not apply in circumstances involving contested director elections.

### **Director Retirement Policy**

The Company's director retirement policy requires that each director, upon reaching the age of 70 years old, will offer his or her resignation as a director of the Company to the Chairman of the Board on an annual basis, which resignation will be effective immediately prior to the next annual meeting of shareholders. The Board will consider such resignation and will determine whether to accept such resignation or whether to waive such resignation for a period of one year, having regard to all matters the Board deems relevant. In accordance with the director retirement policy, Mr. McIntyre and Mr. Bechtold initially offered their resignations as directors on October 1, 2015. Following fulsome consideration by the remaining directors, Mr. McIntyre and Mr. Bechtold were asked to remain on the Board due to the significant experience and expertise they bring as well as the need for continuity on the Board given the challenging business environment. On September 29, 2016, Mr. McIntyre and Mr. Bechtold tendered their respective resignations again and stated their intentions to retire from the Board and not stand for re-election at the Meeting.

### **Advance Notice By-law**

Amended and Restated By-law No. 1 of the Company (the "**By-law**"), which was ratified by shareholders at the Company's annual general and special meeting of shareholders held in 2014, contains advance notice provisions, which provide shareholders, the Board and management of the Company with a clear framework for nominating directors to help ensure orderly business at shareholder meetings by effectively preventing a shareholder from putting forth director nominations from the floor of a shareholder meeting without prior notice. Among other things, the By-law fixes a deadline by which shareholders must submit notice of director nominations to the Company prior to any annual or special meeting of shareholders. It also specifies the information that a nominating shareholder must include in the notice to the Company regarding each director nominee and the nominating shareholder for the notice to be in proper written form in order for any director nominee to be eligible for nomination and election at any annual or special meeting of shareholders of the Company. These requirements are intended to provide all shareholders with the opportunity to evaluate and review the proposed candidates and vote on an informed and timely manner regarding such nominees. The By-law does not affect nominations made pursuant to a "proposal" made in accordance with the ABCA or a requisition of a meeting of shareholders made pursuant to the ABCA. As of the date of this Information Circular, the Company has not received any nominations pursuant to the advance notice provisions contained in the By-law.

### **Share Ownership Policy**

The Board has adopted a mandatory equity ownership policy for directors and executive officers. Independent directors are required to acquire and hold Common Shares with a minimum aggregate market value of four times their annual cash retainers (including committee and committee chair additional retainers) and the Chief Executive Officer is required to acquire and hold Common Shares with a minimum aggregate market value of four times his base annual salary. The executive officers of the Company other than the Chief Executive Officer are required to acquire and hold Common Shares of the Company with a

minimum aggregate market value of three times their base annual salary. The aggregate market values are based on the fair market value of the Common Shares at the time of purchase. The independent directors and executive officers have a period of five years from the date of the implementation of the policy on November 24, 2010, or from the date of their appointment as an independent director or executive officer of the Company, as applicable, whichever is later, to acquire the value of Common Shares required. As of December 31, 2016, all of the independent directors and executive officers of the Company were in compliance with the policy.

## MATTERS TO BE ACTED UPON AT THE MEETING

### Receipt of the Financial Statements and Auditors' Report

At the Meeting, shareholders will receive and consider the financial statements of the Company for the year ended December 31, 2016 and the Auditors' Report thereon, but no vote by the shareholders with respect thereto is required or proposed to be taken.

### Fixing the Number of Directors and Election of Directors

At the Meeting, it is proposed that the number of directors to be elected at the Meeting be fixed at nine (9) members and that nine (9) directors be elected to hold office until the next annual general meeting, or until their successors are elected or appointed. There are presently ten (10) directors of the Company. In accordance with the Company's director retirement policy, Mr. Norm McIntyre and Mr. John Bechtold will not stand for re-election at the Meeting.

Unless otherwise directed, it is the intention of management to vote proxies in the accompanying form in favour of an ordinary resolution fixing the number of directors to be elected at the Meeting at nine (9) members, and in favour of the election as directors of the nine (9) nominees hereinafter set forth:

Curtis Bartlett  
 Lisa Colnett  
 Robert Engbloom  
 Wayne Foo  
 Bob (G.R.) MacDougall  
 Glenn McNamara  
 Ron Miller  
 David Taylor  
 Paul Wright

The name, province and country of residence, and age of each of the persons nominated for election as directors, the number of voting securities of the Company beneficially owned or controlled or directed, directly or indirectly, the period served as director and the principal occupation of each are set forth below.

Name, Province and Country of Residence and Age	Offices Held and Time as Director or Officer <sup>(6)</sup>	Number of Common Shares Beneficially Owned or Controlled or Directed	Principal Occupation (for last 5 years)
Curtis Bartlett <sup>(2)</sup> Alberta, Canada Age: 54	Director since September 29, 2009	2,172,285 <sup>(4)</sup>	Co-founder and Partner at Lorem Partners, a private equity investment firm. Over 30 years of experience as an entrepreneur and manager, private equity and investment banker. Director of several private companies. Member of the Institute of Corporate Directors having completed the Directors Education Program.

Name, Province and Country of Residence and Age	Offices Held and Time as Director or Officer <sup>(6)</sup>	Number of Common Shares Beneficially Owned or Controlled or Directed	Principal Occupation (for last 5 years)
Lisa Colnett <sup>(2)(3)</sup> Ontario, Canada Age: 59	Director since May 12, 2015	4,000	Currently a Director and Chair of the Human Resources and Governance Committee of Parkland Fuel Corporation, an independent marketer of fuels across Canada and Detour Gold Corporation, a public intermediate gold mining company whose activities are in Northeastern Ontario. 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. <sup>(1)(2)(7)</sup> Alberta, Canada Age: 67	Director since September 29, 2009	110,039	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 <sup>(7)(8)</sup> Alberta, Canada Age: 60	Director since August 28, 2009	1,958,740	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 Petro Andina Resources Inc. from 2004 to 2009. President and Chief Executive Officer of Dominion Energy Canada Ltd. from 1998 to October 2002, and then Consultant until March 2003. Director of Pengrowth Energy Corporation.
Bob (G.R.) MacDougall <sup>(3)</sup> Alberta, Canada Age: 53	Director since October 4, 2016	23,039	Currently a director of TransGlobe Energy Corporation, a public oil exploration and production company whose activities are in Egypt and Canada. Mr. MacDougall is a professional engineer with close to 30 years of domestic and international oil and gas operations and senior executive management experience. Mr. MacDougall was Executive Vice President and Chief Operation Officer of Vermilion Energy Corporation from 2004 to 2012.
Glenn McNamara <sup>(3)</sup> Alberta, Canada Age: 64	Director since October 4, 2016	4,780	Currently the President and Chief Executive Officer of Heritage Royalty, a private fee title acreage owner company. Prior thereto, Mr. McNamara was the Chief Executive Officer and a director of PMI Resources Ltd. (formerly, Petromanas Energy Inc.), a public oil and gas company from September 2010 to May 2016. From August 2005 to August 2010, Mr. McNamara was the President of BG Canada (part of the BG Group PLC, a public gas company with its head office in the United Kingdom, trading on the London Stock Exchange).
Ron Miller <sup>(1)</sup> Alberta, Canada Age: 51	Director since September 29, 2009	1,338,620 <sup>(5)</sup>	Co-founder and Partner of Lorem Partners, a private equity investment firm. Director of several private companies and one non-profit organization. Mr. Miller is a Chartered Professional Accountant, CA. Member of the Institute of Corporate Directors having completed the Directors Education Program.

Name, Province and Country of Residence and Age	Offices Held and Time as Director or Officer <sup>(6)</sup>	Number of Common Shares Beneficially Owned or Controlled or Directed	Principal Occupation (for last 5 years)
David Taylor <sup>(8)</sup> Alberta, Canada Age: 60	Director Nominee	422,000	Currently President of Parex since November 5, 2015. Executive Vice President Exploration and Business Development of Parex from September 29, 2009 to November 5, 2015. Vice President Business Development of Petro Andina Resources Inc. from 2007 to 2009. 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.
Paul Wright <sup>(1)</sup> Alberta, Canada Age: 57	Director since September 29, 2009	125,839	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.

**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) Includes 2,100,000 Common Shares which are held pursuant to trust arrangements by Auxilium Group Inc. ("**Auxilium**"). Mr. Bartlett is the President of Auxilium and in that capacity controls and directs the Common Shares held by Auxilium.
- (5) Includes (i) 1,293,945 Common Shares held by AREAH Investments Limited ("**AREAH**"), which company is controlled by Mr. Miller's spouse and a trust, the beneficiaries of which are Mr. Miller's spouse and children and which trust is not controlled by Mr. Miller; and (ii) 44,675 Common Shares held by Mr. Miller personally. Mr. Miller is the President of AREAH and in that capacity controls and directs the Common Shares held by AREAH. Does not include 90,000 Common Shares held by a trust, the beneficiaries of which are Mr. Miller's spouse and children and which trust is not controlled by Mr. Miller.
- (6) 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.
- (7) Following the Meeting it is expected that Mr. Foo will be appointed Chairman of the Board and Mr. Engbloom will be appointed Lead Director.
- (8) Following the Meeting, Mr. Foo will retire as Chief Executive Officer of Parex and upon Mr. Foo's retirement Mr. Taylor will assume the role of President and Chief Executive Officer.

The information as to Common Shares beneficially owned or controlled or directed, directly or indirectly, is based upon information furnished to the Company by the respective nominees.

As at April 3, 2017, the directors and executive officers of the Company, as a group, beneficially owned or controlled or directed, directly or indirectly, 7,178,452 Common Shares constituting approximately 4.7 percent of the issued and outstanding Common Shares. The number of Common Shares beneficially owned or controlled or directed, directly or indirectly, by each director and executive officer of the Company significantly exceeds the share ownership policy for executive directors and officers that was implemented by the Company in 2010. See "*Other Matters Related to the Meeting – Share Ownership Policy*" in this Information Circular.

### ***Cease Trade Orders, Bankruptcies, Penalties or Sanctions***

To the knowledge of the directors, no proposed director of the Company (nor any personal holding company of any such persons):

- (a) is, as at the date of this Information Circular, or has been, within ten years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company (including Parex), that:
  - (i) was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "**Order**") that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
  - (ii) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;
- (b) is, as at the date of this Information Circular, or has been, within ten years before the date of this Information Circular, a director or executive officer of any company (including Parex) that, while that 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 or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within the ten years before the date of this Information Circular, 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 proposed director.

In addition, no proposed director 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 shareholder in deciding whether to vote for a proposed director.

### **Approval of Unallocated Options**

Section 613(a) of the Toronto Stock Exchange ("**TSX**") Company Manual provides that every three (3) years after the institution of a security based compensation arrangement all unallocated rights, options or other entitlements under such arrangement which does not have a fixed maximum number of securities issuable must be approved by a majority of the issuer's directors and by the issuer's security holders.

As the Option Plan is considered to be a security based compensation arrangement and the Option Plan provides that the maximum number of Common Shares reserved for issuance from time to time pursuant to outstanding Options is not a fixed number and instead shall not exceed a number of Common Shares equal to a percentage of the issued and outstanding Common Shares from time to time (less the number of Common Shares issuable pursuant to all other security based compensation arrangements), approval will be sought at the Meeting to approve the grant of unallocated Options under the Option Plan. When Options have been granted pursuant to the Option Plan, Common Shares that are reserved for issuance under outstanding Options are referred to as allocated Common Shares. The Company has additional Common Shares that may be reserved for issuance pursuant to future grants of Options under the Option Plan, but as they are not subject to current Option grants, they are referred to as unallocated Options.

As at April 3, 2017, the maximum number of Common Shares issuable under the Option Plan and all other security based compensation arrangements of the Company, including the RSU Plan, may not exceed 9.0% of the Common Shares outstanding from time to time. The maximum number of Common Shares issuable under the RSU Plan may not exceed 4.0% of the Common Shares outstanding from time to time. As at April 3, 2017, the Company had Options to acquire 7,772,717 Common Shares

outstanding under the Option Plan, representing 5.06% of the issued and outstanding Common Shares as at that date, leaving up to 6,061,564 Common Shares available for future grants under the Option Plan before taking into account RSU grants which further reduces the unallocated entitlements. In addition, as at April 3, 2017, the Company had Options and RSUs to acquire an aggregate of 10,790,554 Common Shares outstanding under the Stock Option Plan and the RSU Plan, representing 7.02% of the issued and outstanding Common Shares as at that date, leaving up to 2,940,227 Common Shares available for future grants under the Option Plan and all other security based compensation arrangements, based on the number of Common Shares outstanding as at that date. If any Options or RSUs granted under the Option Plan or the RSU Plan, respectively, shall be exercised or shall expire, terminate or be cancelled for any reason without having been exercised in full, additional Common Shares will be unallocated and available for the purposes of future grants under the Option Plan and all other security based compensation arrangements of the Company, including under the RSU Plan.

For a summary of the current terms of the Option Plan see "*Statement of Executive Compensation – Stock Option Plan*" in this Information Circular. Also see a copy of the Option Plan attached hereto as Appendix B.

### ***Shareholder Approval***

If approval of the grant of unallocated Options under the Option Plan is obtained at the Meeting, the Board of Directors will be able to grant Options and the Company will not be required to seek further approval for unallocated Options under the Option Plan until May 11, 2020.

If approval is not obtained at the Meeting, Options which have not been allocated as of May 11, 2017 and Common Shares which are reserved for issuance pursuant to Options which are outstanding as of May 11, 2017 and which are subsequently cancelled, terminated or exercised will not be available for a new grant of Options under the Option Plan. Previously allocated Options will continue to be unaffected by the approval or disapproval of the resolution.

At the Meeting, the following ordinary resolution (the "**Unallocated Option Resolution**") will be presented:

"BE IT RESOLVED, as an ordinary resolution of the shareholders of the Company, that:

1. all unallocated Options under the Option Plan are approved and authorized until May 11, 2020;
2. any one officer or director of the Company be and is hereby authorized to execute and deliver all such agreements and documents, whether under the corporate seal or otherwise, and to take all action, as such officer or director shall deem necessary or appropriate to give effect to the foregoing resolutions; and
3. notwithstanding that this resolution has been duly passed by the shareholders of the Company, the directors of the Company are hereby authorized and empowered to revoke this resolution, without any further approval of the shareholders of the Company, at any time if such revocation is considered necessary or desirable by the directors."

In order for the Unallocated Option Resolution to be passed, it must be approved by a simple majority of the votes cast by shareholders who vote in person or by proxy at the Meeting. **Unless otherwise directed, it is the intention of management to vote proxies in favour of the Unallocated Option Resolution.**

### **Amendment to DSU Plan**

On March 7, 2017, the Board approved certain amendments to the DSU Plan to provide for the cash settlement of all DSUs granted pursuant to the DSU Plan. As a result, Common Shares can no longer be issued on settlement of DSUs.

As a result of the above noted amendments, at the Meeting, approval of shareholders will be sought to amend the DSU Plan (the "**Proposed DSU Plan Amendment**") to replace the current amending provisions contained in Section 5.1(a) of the DSU Plan with the following:

"The Board may amend, suspend or terminate this Plan or any portion thereof and any DSU granted under it (together with any related DSU Agreement) at any time without prior notice. However, no such amendment, suspension or

termination may materially adversely affect any DSU, or any rights pursuant thereto, granted previously to any Participant without the consent of that Participant."

For a summary of the current terms of the DSU Plan see "*Statement of Executive Compensation – Director Compensation – DSU Plan*" in this Information Circular. Also see a copy of the DSU Plan after giving effect to the Proposed DSU Plan Amendment (the "**Amended DSU Plan**"), and a blackline reflecting such Proposed DSU Plan Amendment, attached hereto as Appendix C. The foregoing description of the Proposed DSU Plan Amendment is qualified, in its entirety, by the Amended DSU Plan.

### ***Shareholder Approval***

At the Meeting, the following ordinary resolution (the "**DSU Plan Amendment Resolution**") will be presented:

"BE IT RESOLVED, as an ordinary resolution of the shareholders of the Company, that:

1. the Proposed DSU Plan Amendment, as described under the heading "*Matters to be Acted Upon at the Meeting – Amendment to DSU Plan*" and as set forth in the Amended DSU Plan provided in Appendix C to this Information Circular are hereby authorized and approved;
2. any one officer or director of the Company be and is hereby authorized to execute and deliver all such agreements and documents, whether under the corporate seal or otherwise, and to take all action, as such officer or director shall deem necessary or appropriate to give effect to the foregoing resolutions; and
3. notwithstanding that this resolution has been duly passed by the shareholders of the Company, the directors of the Company are hereby authorized and empowered to revoke this resolution, without any further approval of the shareholders of the Company, at any time if such revocation is considered necessary or desirable by the directors."

In order for the DSU Plan Amendment Resolution to be passed, it must be approved by a simple majority of the votes cast by shareholders who vote in person or by proxy at the Meeting. **Unless otherwise directed, it is the intention of management to vote proxies in favour of the DSU Plan Amendment Resolution.**

### **Shareholder Advisory Vote on Executive Compensation**

The Board believes that Shareholders should have the opportunity to receive information to assist them in understanding the objectives, philosophy and principles used in its approach to executive compensation and to provide feedback to the Board on such matters. As such, the Board determined to include a shareholder advisory vote (the "**Say on Pay Vote**") on executive compensation at the Company's annual general meetings of shareholders, beginning with the Company's annual and special meeting of shareholders held on May 11, 2016 (the "**2016 Shareholders Meeting**"). The Say on Pay Vote is a non-binding advisory vote on the Board's approach to executive compensation. The purpose of the Say on Pay Vote is to provide Board accountability to the Shareholders for the Board's compensation decisions by giving Shareholders a formal opportunity to provide their views on the disclosed objectives of the Company's executive compensation plans, and on the plans themselves. At the 2016 Shareholders Meeting, Shareholders voted 97.33% in favour of the Company's approach to executive compensation described in the Company's management information circular dated April 1, 2016.

Shareholders will be asked at the Meeting to vote, on an advisory basis, on the acceptance of Parex' approach to executive compensation as set forth in the "*Statement of Executive Compensation*" section of this Information Circular. Shareholders are encouraged to carefully review the information set forth in that section before voting on this matter. The "*Statement of Executive Compensation*" section discusses our compensation philosophy, the objectives of the different elements of our compensation programs and the way the Board assesses performance and makes decisions. It explains how our compensation programs are centered on a pay-for-performance culture and are aligned with the long-term development strategy of our business in the interest of our Shareholders.

As this is an advisory vote, the results will not be binding upon the Board, however, the Board places a great deal of importance on the views of shareholders and will take the results of the vote into account, as appropriate, when considering future compensation policies, procedures and decisions. The Board believes that it is essential for shareholders to be well informed of Parex' approach to executive compensation and consider the advisory vote to be an important part of the ongoing process of

engagement between the shareholders and the Board. The Company will disclose the results of the shareholder advisory vote as a part of its report on voting results for the Meeting.

In the event that the advisory resolution is not approved by a majority of the votes cast at the meeting, the Board will consult with its Shareholders (particularly those who are known to have voted against it) to understand their concerns and will review the Board's approach to compensation in the context of those concerns. Results from any such Board review, if necessary, will be discussed in the Company's management information circular for the annual meeting of Shareholders to be held in 2018. In addition, shareholders may contact the Corporate Secretary of the Company by mail at the Company's head and registered office at 2700 Eighth Avenue Place, West Tower, 585-8 Avenue S.W., Calgary, Alberta T2P 1G1, if they wish to share their view on executive compensation with the Board.

At the Meeting, Shareholders will be asked to approve the following resolution (the "**Say on Pay Resolution**"):

"BE IT RESOLVED, on an advisory basis and not to diminish the role and responsibilities of the Board of Directors of Parex Resources Inc. (the "**Company**"), that the shareholders accept the approach to executive compensation as disclosed in the "*Statement of Executive Compensation*" section in the management information circular of the Company dated April 3, 2017."

Unless otherwise directed, it is the intention of management to vote proxies in favor of the Say on Pay Resolution.

### **Appointment of Auditors**

Unless otherwise directed, it is management's intention to vote the proxies in favour of an ordinary resolution to appoint the firm of PricewaterhouseCoopers LLP, Chartered Professional Accountants, Calgary, Alberta, to serve as auditors of the Company until the next annual general meeting of shareholders and to authorize the directors to fix their remuneration as such. PricewaterhouseCoopers LLP have been the auditors of the Company since September 29, 2009.

Certain information regarding the Company's Audit Committee, including the fees paid to the Company's auditors in the last two fiscal years, that is required to be disclosed in accordance with National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators is contained in the Company's annual information form for the year ended December 31, 2016, an electronic copy of which is available on the internet on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

### **Other Matters**

Management knows of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Annual General and Special Meeting. However, if any other matter properly comes before the Meeting, the accompanying proxy will be voted on such matter in accordance with the best judgement of the person or persons voting the proxy.

### **Matters Considered at the Company's 2016 Shareholders Meeting**

At the 2016 Shareholders Meeting, the vote on the appointment of directors of the Company was conducted by ballot in accordance with the Company's majority voting policy and the policies of the TSX and over 98.87% of the Common Shares represented at the 2016 Shareholders Meeting were voted in favour of the appointment of each of the directors.

## **LETTER TO SHAREHOLDERS**

Dear Fellow Parex Shareholder:

I am writing as Chair of the Corporate Governance, Compensation and Human Resources Committee (the "**CG&HR Committee**"), on behalf of the Parex Board of Directors, to provide you with our 2016 compensation, discussion and analysis and to provide context for our strategy regarding executive compensation. Stewardship and oversight of executive compensation design is an important duty for the Board and it is our belief that Executive compensation must be viewed in the context of planning and results.

## 2016 Business Results

In 2016, Parex had another year of strong execution and share performance notwithstanding the price of Brent oil averaged approximately 15% less than 2015. On a year over year basis the Company increased oil production, oil reserves and working capital. On a benchmark basis within the oil and gas sector Parex' total shareholder return was 66% compared to the 34% average for the TSX Capped Energy Index. Our strong performance in 2016 sustained and built on our performance in 2015. Over the prior two years Parex' total shareholder return was 123% versus the TSX Capped Energy Index return of 6%. We believe that our strong share price performance reflected the following:

- **Production Growth:** In 2016 production grew by 8 percent from 27,434 barrels of oil equivalent per day ("**boed**") in 2015 to 29,715 boed in 2016. Further we have provided our 2017 outlook whereby we expect to grow production to 34,000 – 36,000 boed self-funded from funds flow;
- **Reserves Growth:** Our proved plus probable reserves increased by 37% from 82 million barrels of oil equivalent ("**mmboe**") as at December 31, 2015 to 112 mmboes (98 % crude oil) as at December 31, 2016;
- **Self Funded:** This growth in reserves and production was achieved within our internally generated funds flow from operations. Funds flow for the year before non-cash changes in working capital was \$144 million and capital expenditures were \$112 million. The excess funds flow increased working capital which we can deploy in the future for additional growth opportunities;
- **Adding Value at the Bottom of the Price Cycle:** FD&A for the year based upon the GLJ Report was \$6.99/boe for proved reserves and \$3.40/boe for proved plus probable reserves including FDC; which combined with the fourth quarter 2016 cash margin of \$18.70/bbl, generated a recycle ratio of 5.5 times on a proved plus probable basis. On a two-year basis in the new lower oil price environment our FD&A for proved reserves was \$5.23/boe and \$3.46/boe for proved plus probable reserves;
- **Balance Sheet:** The Company exited 2016 with no bank debt and working capital of \$93 million. It is well positioned for the future; and
- **Corporate Social Responsibility:** We maintained a robust and impactful community social program in Colombia in our area of operation in 2016 investing approximately \$4.5 million on infrastructure and community development. These programs allow us to have continued access to our areas of operation and maintain our capital plans.

Please see our December 31, 2016 Management's Discussion and Analysis and the audited consolidated financial statements for the years ended December 31, 2016 and 2015 for a further discussion of the operational and financial results of the Company and the definitions of any abbreviated terms used in this letter, which documents are available on our SEDAR profile at [www.sedar.com](http://www.sedar.com). See also "*Advisories*" in this Information Circular.

As part of the Company's focus on long term planning, in 2015 the Company also made significant improvements to its business process, finance and information systems to ensure that, looking forward, Parex is now positioned to embark on the next leg of our growth from 30,000 boe/d to 50,000 boe/d. See "*Advisory on Forward Looking Statements*" in the Management's Discussion and Analysis for the year end December 31, 2016, which is available on our SEDAR profile at [www.sedar.com](http://www.sedar.com).

## Compensation Discussion

Parex' compensation framework is reviewed annually for effectiveness and overall cost as compared to our peer group. The CG&HR Committee engaged Lane Caputo Compensation Inc. ("**Lane Caputo**"), a third party consultant firm, to provide compensation advice and the peer group analysis used for bench marking Parex' compensation practices and costs. A further description of the compensation plans, a three-year history of total compensation for Named Executive Officers (as defined herein), and the Board's philosophy on executive compensation can be found in the "*Statement of Executive Compensation*" section of this Information Circular.

The Board is of the view that the Option Plan will remain a component of long term incentive compensation at this time but with greatly reduced emphasis, narrower participation and therefore less potential dilution. Grants under the Option Plan have been reduced significantly over the last two years as we have implemented the less dilutive RSU plan. Further, in 2016 shareholders approved modifications to the RSU Plan to allow for the award of performance-based RSUs ("**Performance RSUs**" or "**PSUs**") which provide a performance multiplier on the base grant of 0-2 depending upon corporate performance versus a peer group. See "*Statement of Executive Compensation – RSU Plan*" in this Information Circular. In 2017, PSUs were awarded to Executives and Vice-Presidents along with reduced Option and RSU awards. The Board views the introduction of a PSU as a significant

enhancement to the long term incentive program. It is expected that the Company will continue to reduce its emphasis on grants of Options and RSUs to Executives and will instead use PSUs as a significant part of executive compensation.

For the purpose of setting short term incentive compensation for 2016, the CG&HR Committee approved a corporate scorecard in February 2016. In February 2017 the CG&HR Committee reviewed the 2016 operating results against the goals set out in that scorecard. With the excellent operational and financial performance, Parex' bonus plan paid out above target. This reflected the achievement of key targets such as reserve growth at best in class costs, cost management, and achieving key milestones of expanding our portfolio of appraisal and development opportunities in Colombia and commencing operations at the Aguas Blancas field.

In 2015 we implemented a DSU Plan for non-management directors in place of Option awards or RSU awards. The DSU Plan originally had a limit of 0.5 percent of the outstanding Common Shares, but in keeping with best practice we have recently revised the DSU Plan to be cash settled and not Common Share settled. The non-management directors only receive DSU grants which vest upon their retirement and no other forms of stock based incentive compensation.

The aggregate award limit under all the stock based compensation plans at Parex was previously limited at 10 percent of the outstanding Common Shares. However, in 2017 we reduced the aggregate award limit for all stock based compensation plans to 9 percent with the expectation to reduce it further to 7 percent by 2019 upon the expiry of our 2013 Option grant, for a total reduction of 30 percent. The commitment to decrease the aggregate award limit is in line with our transformation from a start-up exploration company in late 2009 to an intermediate producer included in the TSX Composite Index.

At December 31, 2016 there were 10.6 million Options, RSUs and DSUs outstanding, representing approximately 6.9 percent of Common Shares outstanding. Approximately 5.7 million, or more than half of the total, are vested and in the money Options. Historically the Parex executive have not as a whole exercised their awards at the time of vesting and they have taken the view that having incremental vested and in the money awards provides further alignment with the Shareholder. As those Options approach expiry and are exercised the continued use of Options by the Company will be evaluated in future years. Please note that the Option Plan is subject to re-approval by the Shareholders at the Meeting. As you may recall during the last three years since the current Option Plan was approved by shareholders the Parex total shareholder return was 157 percent versus the average loss for the TSX Capped Energy Index of 11 percent.

I would like to make a comment on our historical Option and RSU granting practices. For 2014 we issued 1.89 million Options and 789,000 RSU/DSUs which as a function of the average weighted outstanding Common Shares in 2014 was 2.2 percent (routinely referred to as the "burn rate"). For 2015 our burn rate was reduced to 2.1 percent. For 2016 our burn rate was further reduced to 1.4 percent. The burn rate has been steadily reduced for the past 3 years, while at the same time continuing to motivate and retain our Executives and employees and maintaining reasonable cash costs. The 2017 awards were completed in March 2017 and the burn rate was less than 1%.

When reviewing the burn rate and the aggregate limit or cap on the stock based compensation plans please note there are no other plans in place for our staff other than the mix of Options and RSU/PSUs. We have a cash share appreciation rights plan for our Colombian staff. There is no savings plan, pension plan, share award incentive plan, etc. These factors are not reflected in the analysis completed by the corporate governance advisors, nor is the consistent above average performance of Parex' share price versus the TSX Capped Energy Index.

## **CEO Compensation**

Mr. Foo's compensation for 2016 was \$2,505,122 vs \$2,445,460 in 2015, an increase of 2.4%. The increase of his total compensation is primarily a result of the increase in Mr. Foo's salary in 2016 to bring it in line with the representative peer group. Mr. Foo's cash compensation and benefits in 2016 were \$911,622 or 36 percent of his total compensation, while non-cash or at risk compensation was the majority of his compensation at 64 percent. The CG&HR Committee considers CEO compensation by working with advisors to determine a representative peer group and conducting competitive benchmarking. The CG&HR Committee recommended and the Board approved all aspects of the CEO compensation in 2016 and have done so since inception of the Company.

The Board approved salary increases effective January 1, 2017 for one executive officer, excluding Mr. Foo, as outlined in the Information Circular. Mr. Foo declined a salary increase in 2017 due to his scheduled retirement from the CEO role in 2017. Note

that overall Parex executive costs decreased in 2016 due to the reduction of one executive position with the retirement of the Chief Operating Officer in 2015 and the absorption of his duties within the existing executive. This reduction in executive compensation was fully recognized in 2016 with the significant reduction in Calgary head office costs as outlined in the 2016 MD&A.

### **Retirement of our CEO Wayne Foo**

As more fully described in our press release dated February 6, 2017, Parex' founding CEO is retiring from that position and will remain as a director taking over the Chairman role from our founding Chairman, Norm McIntyre. Dave Taylor our President since November 2015 and prior to that our Executive VP Business Development and Exploration since inception of Parex in 2009, will become President & CEO effective May 11, 2017. It is worthwhile to note the orderly succession aligns with this message on our compensation practices as it speaks to the core of the Company's governance practice. We have been able to effect the change of our CEO without the requirement to hire from outside of Parex and the assumption of the transition risk that can be a result. Further, we have been planning for this succession for many years and signaled it to our shareholders with the appointment of Mr. Taylor to President. We have also been using this time to groom our next level of management to assume more senior roles and maintain Parex' momentum towards its long term goal of producing in excess of 50,000 boe/d. Our compensation policies play a key factor in retaining the people that have played important roles in our success.

### **Say on Pay**

In 2016 we adopted an advisory vote on compensation. At the 2016 Shareholders Meeting, the "say on pay" vote results were 97% in favor. It is the view of the Board that a "say on pay" is another communication avenue for our shareholders regarding executive compensation and in line with best practices.

### **Conclusion**

I hope this discussion provides you with some further insight into our performance and compensation practices. We are committed to strong two-way communication with our Shareholders. To that end we would be pleased to answer in person any questions you may have at the Meeting.

On behalf of the CG&HR Committee and the Board of Directors

(signed) "*Robert Engbloom*"

Robert Engbloom  
Chairman, Corporate Governance, Compensation and Human Resources Committee

## **STATEMENT OF EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

The Company was incorporated in August 2009 and in September 2009 the CG&HR Committee reviewed all aspects of compensation to be provided to the Company's executive officers, including the Chief Executive Officer ("**CEO**"), Chief Financial Officer ("**CFO**") and the three most highly compensated executive officers of the Company (including the Company's subsidiaries), other than the CEO and CFO, earning over \$150,000 (collectively, the "**NEOs**" and in this Information Circular collectively referred to as the "**Executives**").

At the recommendation of the CG&HR Committee, the Board approved an executive compensation program, based on the following guiding principles and key objectives:

#### ***Guiding Principles***

- executive compensation must be directly linked to the Company's business model, strategy and goals;
- executive compensation aligns the CEO and executive incentives with the interests of shareholders; and

- the executive compensation program is founded on sound governance practices for the development and administration of executive compensation.

### ***Key Objectives***

- rewarding of performance according to the achievement of business and personal objectives and overall job performance;
- competitiveness with an external comparator group representative of the market in which the Company competes for talent; and
- attraction, engagement and retention of leadership focused on managing the Company's operations, finances and assets.

The executive compensation program is designed to focus Executives' efforts and to reward the attainment of individual and Company performance goals and sustained performance, as measured by overall job performance and long term growth and profitability.

### ***Key Components***

The key components of the executive compensation program are base salary, incentive bonus, Options and RSUs. Fixed annual base salary compensates Executives for the roles they perform and provides a competitive foundation for each Executive's total compensation. Annual variable compensation in the form of a cash incentive bonus is intended to motivate and reward the accomplishment of specific business and operating objectives within a one-year time period. Long-term at-risk compensation, which is provided in the form of Options and RSUs, focuses Executives' performance on long-term strategic priorities, the creation of shareholder value and acts to link Executive and shareholder interests. In addition to these key components, the Company provides group benefits on a competitive level with peer comparator companies. Perquisites are also provided to Executives in the form of taxable paid monthly parking.

The value of Executive compensation is assessed as a total compensation package, based on the competitiveness of each key component, individually and in the aggregate. Total compensation levels are targeted at the median of the Company's peer comparator group when actual overall Executive and corporate performance is satisfactory. Results and recommendations from a competitive compensation study initiated by the CG&HR Committee and conducted by Lane Caputo in autumn 2016, which compared Parex Executive and other employee compensation against a peer comparator group of companies, was used in planning for the annual long-term incentive compensation grants in 2016 to Executives and for compensation planning for 2016 for Executives, including base salaries. The results and recommendations from the Lane Caputo compensation study were supplemented by the results of the 2016 Mercer Total Compensation Survey, being a third party compensation survey used to compare pay levels and practices for similar positions across the Canadian energy industry, including executive positions. See *"Statement of Executive Compensation – Changes to Executive Compensation"*. Total compensation is targeted to be comparable to above-median compensation when actual overall Executive and corporate performance is exceptional and/or exceeds objectives. When overall Executive and corporate performance is below satisfactory or falls short of threshold objectives, total compensation is targeted to be below the median of the peer comparator group.

### **Comparator Group**

The Company's comparator group is comprised of oil and natural gas exploration, development and production companies based principally in Calgary, Canada and with several of the companies having a significant operational focus outside of Canada. The companies in the comparator group are approved by the CG&HR Committee, upon management's recommendation. The composition of the group is reviewed annually by the CG&HR Committee for its ongoing business relevance to Parex. For 2016, the peer comparator group of seventeen companies that were good comparisons to Parex' current and growth plan metrics were Africa Oil Corp., Bellatrix Exploration Ltd., Birchcliff Energy Ltd., Bonavista Energy Corp., Canacol Energy Ltd., Crew Energy Inc., Enerplus Corp., Gran Tierra Energy Inc., NuVista Energy Ltd., Paramount Resources Ltd., Pengrowth Energy Corp., Penn West Petroleum Ltd., Raging River Exploration Inc., TransGlobe Energy Corporation, Trilogy Energy Corp., Vermilion Energy Inc. and Whitecap Resources Inc. Compensation data from the comparator group was used as the main factor in the review and consideration of appropriate levels and composition of compensation for the Company's executives, supplemented by data from the 2016 Mercer Total Compensation Survey for the Canadian energy industry for companies that met parameters typical of a mid-size exploration and production company with international operations similar to Parex.

## Compensation Risk

The CG&HR Committee reviews the Executive compensation program to be satisfied that it is structured to encourage decision making and outcomes that are in the best interest of Parex and its shareholders while accepting an appropriate level of risk consistent with the Company's business plan as determined by the Parex Board of Directors. The compensation structure rewards actions that result in a balance of the achievement of short-term goals and long-term strategies, and does not encourage sub-optimization or reward actions that could produce short term success at the cost of long term shareholder results. As well, annual budgets and quarterly and annual financial results are reviewed and approved by the Parex Board of Directors. The compensation framework is structured to align with Parex' short and long term strategic plans, such that corporate objectives are a key factor in assessing executive and employee performance. The CG&HR Committee's risk oversight of the Company's executive compensation program is accomplished in the following ways:

- a significant portion of executive compensation is at risk (it is not guaranteed) and is variable year over year. For example, annual bonuses and annual Stock Option and RSU grants are at the discretion of the Parex Board of Directors from year to year;
- bonus plan payouts are capped based on a percentage of salary and subject to overall maximum thresholds;
- the Stock Option Plan and the RSU Plan are designed to motivate long term performance, as Options and RSUs have a term of at least a five year period and vest over a three year period. These factors encourage long term sustainable share price appreciation;
- recommendations for annual Stock Option and RSU grants are reviewed by the CG&HR Committee for recommendation to the Parex Board of Directors for approval, with such recommendations being developed and reviewed relative to, amongst other things, executive retention needs and appropriate total compensation positioning compared to similar positions in the market;
- a balanced set of corporate performance goals is used to assess overall corporate results and to determine the corporate portion of the annual bonus program. These are also a major driver in determining the individual portions of the annual bonuses for Executives and employees;
- third party verifications, such as independent engineering evaluations, of appropriate elements of the corporate performance goals are incorporated before the results are finalized;
- threshold corporate performance goals must be met for each element of the analysis. If a minimum threshold for performance is not met, there will be a zero bonus payout for that element;
- recommendations for annual bonus payments are reviewed by the CG&HR Committee for recommendation to the Parex Board of Directors for approval, with such recommendations being developed and reviewed relative to, amongst other things, corporate performance goal results and performance assessments completed with executives;
- special awards may be paid to employees with outstanding performance and high potential and where significant contributions are made to the organization. Projects, key contributors and awards are recommended and ranked by the CG&HR Committee and approved by the Parex Board of Directors;
- compensation policies and practices in Parex' subsidiaries are substantially similar to those in Parex;
- compensation policies and practices are substantially similar for all Executives and employees; and
- the compensation expense for NEO's is not a significant percentage of Parex' revenue.

The CG&HR Committee did not identify any risks associated with Parex' compensation policies and practices for the year ended December 31, 2016 that were reasonably likely to have a material adverse effect on Parex. The CG&HR Committee intends to monitor compensation governance and risk assessment practices, as these continue to evolve.

## Executive Compensation Components

### Target Compensation Mix

The target mix of key compensation elements is designed to place a significant portion of the Executive's annual compensation at-risk, where the value received is contingent on meeting defined performance requirements. At-risk compensation consists of the annual incentive bonus and long-term incentives (Options and RSUs).

Position	Fixed Compensation Base Salary (% of Total Compensation)	At-Risk Compensation Incentive Bonus/Long-Term Incentives (% of Total Compensation)
Executives	18% - 33%	67% - 82%

### Base Salary

The base salary amounts for each Executive are targeted at the median of the Company's peer comparator group and are reviewed annually. The results of Lane Caputo's executive compensation studies in 2015 indicated the executive salaries lagged behind the comparable medians in the peer comparator group. These results were considered by the Board in determining a salary increase for Mr. Taylor when he was promoted to President in November 2015, and in determining salary increases for the remaining executives effective January 1, 2016. The results of Lane Caputo's executive compensation studies in 2016 indicated that due to the salary increases effective January 1, 2016, the salaries for executives were generally competitive with market data and that a general salary increase program was not required for 2017. Going forward, variance from the median could occur on the basis of an Executive's current and sustained performance, skills or potential, or based on material differences in the executive's responsibilities as compared to the peer comparator group. The base salary for the CEO is approved by the Parex Board of Directors, upon the recommendation of the CG&HR Committee. The base salary level for all other Executives is recommended by the CEO for consideration and approval by the CG&HR Committee. Decisions for all positions are based upon comprehensive analyses of market data for similar positions, including the peer comparator group and the noted industry compensation survey.

### Incentive Bonus

The target annual incentive bonus varies by executive position level and is set as 70 percent of base salary for the CEO and 60 percent of base salary for the Company's other Executives, other than for the President of Parex Colombia, which is set at 50 percent of base salary.

Payment levels are weighted based on individual and corporate performance goals. The incentive bonus is paid within a range of between 50 percent and 150 percent of the target incentive bonus, provided minimum (threshold) performance is achieved, and subject to Parex Board of Directors approval for a payment of greater than 150 percent for outstanding results against individual and corporate goals, as follows:

Position	Performance Weighting Corporate/Individual	Target Incentive Bonus (% Base Salary)	Incentive Bonus Range (Payment as % of Target Incentive Bonus)	
			Threshold	Exceptional
CEO	75% / 25%	70%	50%	150%
CFO	75% / 25%	60%	50%	150%
President	75% / 25%	60%	50%	150%
Vice President Corporate Services	75% / 25%	60%	50%	150%
President Parex Colombia	50% / 50%	50%	50%	150%

The CEO evaluates the performance of each Executive (other than the CEO). Based on the Executive's achievement of performance goals, the CEO recommends the incentive bonus for each Executive to the CG&HR Committee for approval. The CG&HR Committee evaluates the performance of the CEO and recommends the incentive bonus level for all Executives to the Parex Board of Directors for approval.

The incentive bonus is paid during the first quarter of the year following the performance year, so that performance goal achievements relating to full year performance results can be verified.

### ***Incentive Bonus Performance Goals***

The Parex Board of Directors approves corporate performance goals, based on business and performance measures commonly used in the oil and natural gas industry. Corporate goals for 2016 were approved in early 2016 for each of the performance areas. These goals were subjective, based on the view of the Parex Board of Directors of key performance requirements for the Company, and included oil and gas reserve additions, finding, development & acquisition costs, exit oil and gas production rate, safety record, pre-tax cash flow and the achievement of certain key progress milestones. The oil and gas reserve additions and finding, development & acquisition cost goals had the highest single weightings of the 2016 corporate goals.

### ***Long-Term Incentives***

Long-term incentives are granted by the Parex Board of Directors in order to attract and retain high quality Executives in a competitive market environment, using criteria of retention requirements, past performance, individual potential, annual strategic planning by the Company and total Executive compensation. In 2016 these incentives were provided in the form of Options and RSUs and in 2017 RSU awards were partially replaced by Performance RSUs. The annual long-term incentive grants of Options and RSUs are calculated to target the Executive's total compensation at the median of similar positions in the Company's peer comparator group and are based on the expected value of the Option and RSU awards with reference to the Executive's base salary and incentive bonus.

#### *Options*

The Stock Option Plan is administered by the Parex Board of Directors. For a summary of the Stock Option Plan see "*Statement of Executive Compensation - Stock Option Plan*" in this Information Circular. Under the Stock Option Plan, grants to Executives other than the CEO are recommended by the CEO, reviewed by the CG&HR Committee and approved by the Parex Board of Directors. The Parex Board of Directors approves Option grants for the CEO, upon the recommendation of the CG&HR Committee. As of the date hereof, Options to purchase an aggregate of 7,772,717 Common Shares are issued and outstanding.

The number of Options granted to Executives takes into consideration Company and individual performance as well as the mix of all elements of the Executive's compensation. When setting grant levels, the Company considers competitive market information on Options and other forms of long-term incentives. In addition, the Stock Option Plan's dilutive impact on shareholders and number of Common Shares available for issuance are factored into the determination of Option grant levels. The Stock Option Plan provides for the issuance of Options to a maximum of 9.0% of the issued and outstanding Common Shares of the Company, provided that the maximum number of Common Shares issuable pursuant to outstanding Options and all other security based compensation arrangements (as defined in the TSX Company Manual), shall not exceed 9.0% of the Common Shares outstanding from time to time.

Under the Stock Option Plan, the exercise price of each Option is to be determined at the discretion of the Parex Board of Directors at the time of the granting of the Option, as are the term and vesting policies, provided that the exercise price shall not be less than the closing trading price per Common Share on the TSX (or if the Common Shares are not listed on the TSX, on such stock exchange as the Common Shares are then traded) on the last trading day preceding: (i) the issuance of news release in respect of the Option grant; or (ii) if a news release is not issued announcing the Option grant, the date of grant, or, if the Common Shares are not listed on any stock exchange, a price determined by the Parex Board of Directors, and provided that no Option shall have a term exceeding five years.

Options are normally granted to each Executive at the time of hire and are also granted annually. Replacement grants are not awarded. Any grant of Options is subject to the restrictions of the Stock Option Plan.

With respect to annual Option grant awards, the timing of the 2016 awards coincided with the Company's long-term planning cycle and approval of strategic goals for the near and longer term. In 2016, updated strategic goals for the Company were approved in late September and Options were awarded to the executives and all qualifying employees on November 14, 2016. In March 2017, the Board approved Management's recommendation, based on Lane Caputo's proposal, to change the timing of annual long term incentive grants to the first quarter of the year, starting in 2017. This recommendation had been made to align

the timing of Board approval for annual long term incentive grants with Board approval for potential salary changes and annual performance bonuses, and to be consistent with competitive practice. Awarding long term incentive grants following the release of the Company's year-end results also further aligns the interests of Executives and employees with those of Shareholders. See "*Statement of Executive Compensation – Changes to Executive Compensation.*"

### *RSUs*

The RSU Plan is administered by the Parex Board of Directors or a committee thereof. For a summary of the RSU Plan see "*Statement of Executive Compensation – RSU Plan*" in this Information Circular. Under the RSU Plan, grants of RSUs and Performance RSUs to Executives other than the CEO are recommended by the CEO, reviewed by the CG&HR Committee and approved by the Parex Board of Directors. The Parex Board of Directors approves RSU and Performance RSU grants for the CEO, upon the recommendation of the CG&HR Committee. As of the date hereof, 3,017,837 RSUs and 103,500 Performance RSUs are issued and outstanding exercisable for an aggregate of 3,121,337 Common Shares. Any grant of RSUs is subject to the restrictions of the RSU Plan.

The number of RSUs granted to Executives takes into consideration Company and individual performance as well as the mix of all elements of the Executive's compensation. When setting grant levels, the Company considers competitive market information on RSUs and other forms of long-term incentives. In addition, the RSU Plan's dilutive impact on shareholders and numbers of Common Shares available for issuance are factored into the determination of RSU grant levels. The RSU Plan provides for the issuance of RSUs to a maximum of 4.0% of the issued and outstanding Common Shares of the Company, provided that the maximum number of Common Shares issuable pursuant to outstanding RSUs and all other security based compensation arrangements (as defined in the TSX Company Manual), shall not exceed 9.0% of the Common Shares outstanding from time to time.

The timing of 2016 annual RSU grant awards coincided with the Company's long-term planning cycle and approval of strategic goals for the near and longer term. In 2016, updated strategic goals for the Company were approved in late September and RSUs were awarded to the Executives and all qualifying employees on November 14, 2016. In March 2017, the Board approved Management's recommendation, based on Lane Caputo's proposal, to change the timing of annual long term incentives grants to the first quarter of the year, starting in 2017. This recommendation had been made to align the timing of Board approval for annual long term incentive grants with Board approval for potential salary changes and annual performance bonuses, and to be consistent with competitive practice. Awarding long term incentive grants following the release of the Company's year-end results also further aligns the interests of Executives and employees with those of Shareholders. See "*Statement of Executive Compensation – Changes to Executive Compensation*".

## **Compensation Governance**

### ***CG&HR Committee***

The CG&HR Committee of the Parex Board of Directors is responsible for reviewing all aspects of compensation to be provided to the Company's executive officers. The members of the CG&HR Committee are Curtis Bartlett, Lisa Colnett and Robert Engbloom. Following the Meeting it is expected that these same three Directors will form the CG&HR Committee. The skills and experience that enable the members of the CG&HR Committee to make decisions on the suitability of the Company's compensation policies and practices and the independence of each member is summarized in the table below:

<b>CG&amp;HR Committee Member</b>	<b>Independent</b>	<b>Skills and Experience Relevant to CG&amp;HR Committee</b>
Robert Engbloom, Q.C. CG&HR Committee Chairman	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. His broad experience spans a range of businesses both public and private, operating nationally and internationally, primarily in the energy industry.

<b>CG&amp;HR Committee Member</b>	<b>Independent</b>	<b>Skills and Experience Relevant to CG&amp;HR Committee</b>
Curtis Bartlett	Yes	Co-founder and Partner at Lorem Partners, a private equity investment firm. Over 30 years of experience as an entrepreneur and manager, private equity and investment banker. Director of several private companies. Member of the Institute of Corporate Directors having completed the Directors Education Program.
Lisa Colnett	Yes	Currently a Director and Chair of the Human Resources and Governance Committee of Parkland Fuel Corporation, an independent marketer of fuels across Canada. Also a Director and Chair of the Human Resources and Compensation Committee at 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, Human Resources and Chief Information Officer of Celestica Inc., Senior Vice President, Human Resources, also of Celestica Inc. and Senior Vice President, Human Resources, of Kinross Gold Corporation. Member of the Institute of Corporate Directors having completed the Directors Education Program.

### ***Mandate of the CG&HR Committee***

The CG&HR Committee of the Parex Board of Directors is responsible for oversight of the Company's corporate governance, board development, executive appointments and compensation, human resources, Stock Option Plan, RSU Plan, DSU Plan disclosures and performance assessment functions.

In particular, the CG&HR Committee's responsibilities include, but are not limited to:

- overseeing that the Company's corporate governance system is effective and meets regulatory requirements;
- assessing and making recommendations regarding Board and Committee mandates and performance;
- providing ongoing training and development for directors as required;
- establishing a process for identifying, recruiting, appointing, and electing directors and officers of the Company;
- monitoring, assessing and making recommendations regarding compensation, benefits, short and long term incentive programs and employee retention programs, to ensure that the Company's compensation programs are competitive and that the Company is in a position to attract, motivate and retain the quality of personnel required to meet its business objectives;
- encouraging alignment between the tactical performance of the officers and the Company and the strategic objectives and goals of the Company;
- assessing the adequacy of the Company's corporate governance, code of conduct, anti-bribery and corruption, whistleblower and all other significant policies and procedures which govern the Company's operations;
- taking the steps necessary to address and resolve all complaints reported to the Company and/or the Committee in accordance with the Company's whistleblower policy;
- periodically reviewing and evaluating the size, composition, compensation and charter of the Parex Board of Directors and Committees, the structure and mandates of the Committees, and position descriptions for the Chairman's thereof and overall director qualifications;
- reviewing and recommending to the Parex Board of Directors:
  - appointments of the officers of the Company;
  - the approval of terminations, and severance arrangements for officers;

- approval of officers' annual compensation and benefits package and related terms of employment based on the officers' annual performance evaluations;
- approval of annual compensation and benefits packages for the employees of the Company, employment contracts and other related terms of employment, including the forms of incentive compensation payable; and
- overall budget salary increases for the Company's employees and directors, including cash compensation consisting of salary and bonuses, and the number of new Options, RSUs and DSUs;
- reviewing annually the adequacy and form of directors' compensation to ensure it reflects the responsibilities and risks of membership on the Parex Board of Directors and its Committees and make recommendations relating to the directors' compensation;
- reviewing overall human resource policies and procedures including recruitment, performance management, compensation, benefit programs, resignations/terminations, training and development, succession planning and organizational planning and design; and
- recommending to the Parex Board of Directors approval of the terms of the Stock Option Plan, RSU Plan and DSU Plan of the Company and any amendments thereto and approval of corporate performance measures and targets used to calculate Stock Option Plan, RSU Plan and DSU Plan annual grants and other compensation plans.

The CG&HR Committee's responsibilities include the Company having in place a process to provide for the orderly succession of management, including the CEO role. The Board reviews the succession plan for the CEO as well as for other management positions at least once per year, including the annual Board strategic planning meeting. In 2016, succession planning for the CEO and for other management positions was reviewed at the Board's strategic planning meeting held on September 29, 2016. At such time, the Board was satisfied that appropriate succession plans were in place for the CEO and for other management positions.

#### Compensation Consultants

Consultant	Date Retained	Mandate	Executive Compensation-Related Fees (includes GST)
Lane Caputo	October 14, 2016, 2016	Update 2015 review of and recommendations for Executive, Vice President and independent director compensation for Parex against the Company's peer group of companies.	\$10,962
Lane Caputo	July 11, 2016	Recommend a re-design of the Company's long term incentive programs to ensure alignment with the Company's business strategy and competitive practices.	\$38,614
Lane Caputo	June 13, 2016	Recommend treatment of long term incentives upon retirement.	\$4,812
Lane Caputo	January 4, 2016	Prepare final recommendations for 2016 Executive compensation and recommendations for metrics for performance vested long term incentives.	\$7,312
Lane Caputo	September 8, 2015	Review of and recommendations for Executive, Vice President and independent director compensation for Parex against the Company's peer group of companies.	\$33,600

In each of 2015 and 2016, the CG&HR Committee retained Lane Caputo to review and recommend Executive, vice president and independent director compensation against the Company's peer group of companies. In 2016, the Committee also retained Lane Caputo to recommend a re-design of the Company's long term incentive programs, including the treatment of long term incentives upon retirement, to ensure alignment with the Company's business strategy and competitive practices. See "*Statement of Executive Compensation – Changes to Executive Compensation*" and "*Statement of Executive Compensation – Director Compensation*".

## **Other Information Concerning Executive Compensation**

### ***Clawback Policy***

The Board has made it a priority to ensure that appropriate checks and balances are in place to govern responsible and ethical behaviors amongst the Company's executive officers. All executive officers are required to annually confirm compliance with the Company's Code of Business Conduct.

At the recommendation of the CG&HR Committee, the Board adopted an Executive Compensation Clawback Policy (the "**Clawback Policy**") on April 1, 2016 applicable to the President, Chief Executive Officer, Chief Financial Officer and Vice President, Corporate Services of the Company (the "**Executive Managers**"), which Clawback Policy has been agreed to by each of the current Executive Managers. If, in the opinion of the independent directors of the Board, Parex' financial results are restated due in whole or in part to intentional fraud or misconduct by one or more of the Executive Managers, the independent directors have the discretion to use their best efforts to remedy the fraud or misconduct and prevent its recurrence. Parex' independent directors may, based upon the facts and circumstances surrounding the restatement, direct that Parex recover all or a portion of any bonus or incentive compensation paid, or cancel all, or part of, the equity-based awards granted, to an Executive Manager. In addition, the independent directors may also seek to recover any gains realized with respect to equity-based awards, including Stock Options, RSUs, or other incentive payments made or required to be made by Parex under any discretionary, non-discretionary, targeted or other compensation plan of Parex, regardless of when issued or required to be issued at a future date.

The remedies that may be sought by the independent directors are subject to a number of conditions, including, that: (a) the bonus or incentive compensation to be recovered was based on the achievement of objective financial or other similar criteria or factors and was calculated based upon the financial results that were restated; (b) the Executive Manager in question engaged in the intentional misconduct; (c) the bonus or incentive compensation calculated or to be calculated under the restated financial results is less than the amount actually paid or awarded or to be paid or awarded; and (d) no remedy, action or proceeding for the recovery of any amount from an Executive Manager that is provided for in the policy may be commenced after a period of three years from the date such Executive Manager's employment is terminated for whatever reason.

### ***Hedging Policies***

Pursuant to the Company's Disclosure, Confidentiality, Insider Trading and Blackout Period Policy and Procedures, no employee, insider, associate or affiliate of the Company shall, at any time, enter into a sale of Common Shares, Options, RSUs or DSUs where such person does not own or has not fully paid for the securities being sold (i.e. a "short sale"). This prohibition is also included in the Company's Securities Hedging Policy, pertaining to directors and officers.

Pursuant to the Company's Securities Hedging Policy, directors and officers of the Company shall not, directly or indirectly, buy or sell a call or put in respect of a security of the Company, including, for greater certainty, a director or officer of the Company shall not purchase financial instruments, such as prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by such director or officer

Notwithstanding these prohibitions, directors and officers of the Company may sell a security which such person does not own if such person owns another security convertible into such security or an option or right to acquire such security sold and, within 10 days after the sale, such person: (i) exercises the conversion privilege, option or right and delivers the securities so associated to the purchaser; or (ii) transfers the convertible security, option or right, if transferable to the purchaser.

### **Changes to Executive Compensation**

The CG&HR Committee retained Lane Caputo in September 2015 to conduct an update of their October 2014 review of and recommendations for Executive, Vice President and independent director compensation against an updated peer group of companies. Lane Caputo made several recommendations in their 2015 report regarding increases to base salaries for Executive and Vice President positions in Parex, as well as recommended levels of annual grants of long term incentives for these positions, to help ensure that the Company's compensation practices were competitive against the peer group of companies.

The CG&HR Committee reviewed Lane Caputo's recommendations in early November 2015 and directed Management to use these recommendations in the planning for the annual long term incentive grants to be made later in November that year, as well as in salary and other compensation planning for 2016 that would be prepared for CG&HR Committee and Board approval in February 2016.

The CG&HR Committee met in January and February 2016 to review management's recommendations for salary and other compensation planning for 2016, in preparation for the Board meeting in February 2016.

In February 2016 the Board considered the 2015 Lane Caputo report recommendations, including that executive compensation had significantly lagged behind the peer group for at least the past two years, and the new streamlined organization which did not include a COO position, in determining salary actions for the remaining executives. The Board approved annual salary increases for Mr. Foo, Mr. Pinsky and Mr. DiStefano to the median base salaries of similar positions in the peer group. The salary increases, which were effective January 1, 2016, were also in recognition of each executive's significant contributions to the Company's excellent performance and results, including Parex being the top performing company in the TSX Energy Index in 2015, and addressed the need to compensate executives competitively compared to similar positions in the peer group of companies. As well, the executives had not received salary increases in 2015.

Aggregate 2016 salaries for Executives, including the salary increases, are less than in 2015 because of the elimination of the COO position in December 2015.

The CG&HR Committee retained Lane Caputo in October 2016 to update their 2015 review of and recommendations for Executive compensation. The report indicated that due to the compensation actions approved by the Board for 2016 Executive compensation, Executive salaries were generally positioned appropriately against salary data in the Company's peer group for similar positions, with the exception of the CFO. Therefore, in February 2017, the Board approved an annual salary increase for Mr. Pinsky, effective January 1, 2017. There were no other Executive salary increases.

The GG&HR Committee retained Lane Caputo in July 2016 to recommend a re-design of the Company's long term incentive programs to ensure alignment with the Company's business strategy and competitive practices.

The CG&HR Committee reviewed Lane Caputo's recommendations in August 2016 and directed Management to consider these recommendations in planning for the Company's annual long term incentive grants to be made in November of that year, as well as in the initial planning for annual long term incentive grants in 2017.

The CG&HR Committee met in November 2016 and approved Management's recommendations for the November 14, 2016 annual long term incentive grant to Executives and employees. The CG&HR Committee also reviewed Management's initial proposal for revisions to the long term incentive program in 2017, based on Lane Caputo's recommendations, in preparation for the Board meetings in February and March 2017.

The Board approved amendments to the Company's long term incentive program at its meeting in March 2017, which amendments did not require Shareholder approval. See "*Statement of Executive Compensation – Stock Option Plan-Amendments to Option Plan*" and "*Statement of Executive Compensation – RSU Plan- Amendments to RSU Plan in 2016 and 2017*".

The Board also approved Management's recommendation, based on Lane Caputo's proposal, to change the timing of annual long term incentive grants to the first quarter of the year, commencing in 2017. This recommendation had been made to align the timing of Board approval for annual long term incentive grants with Board approval for potential salary changes and annual performance bonuses, and to be consistent with competitive practice. Awarding long term incentives grants following the release of the Company's year-end results also further aligns the interests of Executives and employees with those of Shareholders.

The Board approved 2017 annual long term incentive awards to Executives and employees with a grant date of March 9, 2017. The grants to Executives included Performance RSUs as well as Stock Options and RSUs. The 2017 annual long term incentive grants to all Executives and employees represents a burn rate of 0.85%, calculated by dividing the total grant amount by the number of outstanding Common Shares of the Company at December 31, 2016. This reduced burn rate compared to previous years reflects the Company's undertaking to significantly reduce the number of outstanding Common Shares that may be used for equity-based long term incentives grants. The Board approved in March 2017 that the maximum number of Common Shares issuable pursuant to all equity-based compensation arrangements shall not exceed 9.0% of the Common Shares outstanding from

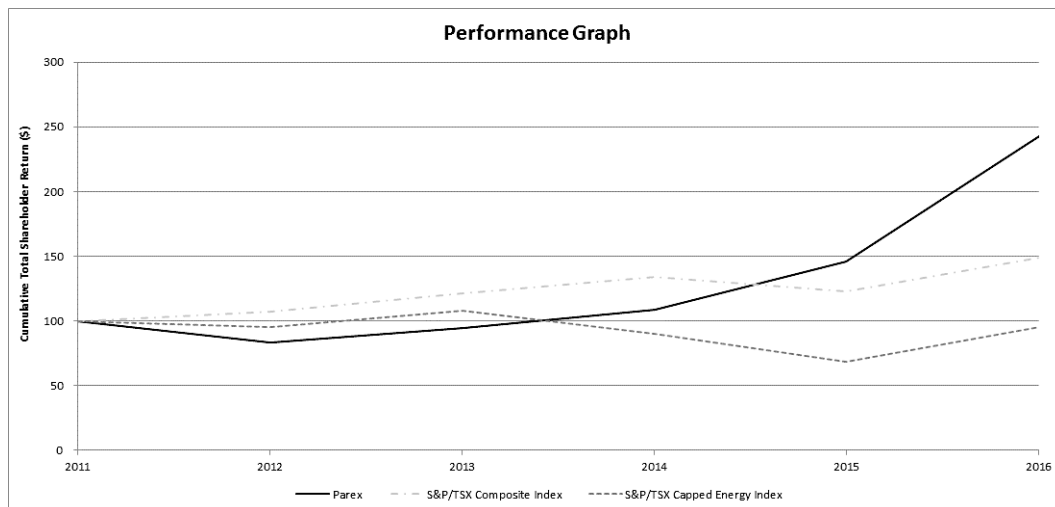
time to time. The previous limit was 10%. The Company's intent is to reduce this limit further to 7% by 2019. This would be a total reduction to the limit of 30%. See "Statement of Executive Compensation – Executive Compensation Components – Long Term Incentives".

The reduced emphasis on Stock Options as a component of long term incentives compensation which started two years ago has continued with the 2017 annual grant.

The Board also approved Management's recommendations for performance metrics and vesting for grants of Performance RSUs that may be made under the terms of the RSU Plan.

### Performance Graph

The following graph shows the total cumulative shareholder return for \$100 invested in the Common Shares of the Company, from the closing price on December 31, 2011 to December 31, 2016. The Company's Common Shares began trading on the TSX Venture Exchange on November 12, 2009 and on the TSX on October 3, 2011. The Company's total shareholder return is compared with the cumulative total return of the S&P/TSX Capped Energy Index and of the S&P/TSX Composite Index.



	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Parex	100	83	94	109	146	242
S&P/TSX Composite Index	100	107	121	134	123	149
S&P/TSX Capped Energy Index	100	95	108	90	68	96

If \$100 was invested in the Commons Shares on December 31, 2011, it would have resulted in a cumulative shareholder return of 142% on December 31, 2016. In comparison, the same amount invested in the S&P/TSX Composite Index for the same period would have resulted in a cumulative shareholder return of 49%, and the same amount invested in the S&P/TSX Capped Energy Index would have resulted in a cumulative shareholder return of minus 4%.

From December 31, 2011 to December 31, 2016 the total compensation awarded to the four Parex NEO's who were NEO's for this time period, as reported in the NEO Summary Compensation Table in this document, increased by 99%. This analysis assumes a full year of total compensation for 2011 instead of the actual partial year which commenced on April 8, 2011 when the fourth NEO joined the Parex payroll, in order to accurately compare total compensation for 2011 against 2012, 2013, 2014, 2015, and 2016. The fifth NEO included in the NEO summary compensation table in this Information Circular became an NEO in 2016.

The increase in NEO total compensation has been largely due to the significant increase from 2011 to 2016 of the grant date fair value of the Company's option-based awards and to the significant increase from 2012 to 2016 of the grant date fair value of share-based awards (RSUs). The grant date fair values per Option and RSU awarded in 2016 as compared to 2011 have increased consistently with the increase in the price of the Common Shares, as the Black-Scholes methodology calculates a higher value per

Option or RSU for a higher Common Share price (all other assumptions remaining equal). The option and share-based awards in the NEO Summary Compensation Table are based on the grant date fair value, which has been calculated using the Black-Scholes methodology, a commonly accepted methodology for valuing compensation among the Company's peer comparator group. It is the same methodology used by the Company to determine the accounting fair value of Options and RSUs, in accordance with International Financial Reporting Standard 2 – Share Based Payments. The increase in the price of the Common Shares reflected the Company's excellent performance and growth in the period 2011 to 2016. Thus the increase in NEO total compensation is aligned with the increase in shareholder value. The increase in NEO total compensation has also been due to a lesser extent to the performance bonuses paid to the NEOs for 2016 that reflect excellent corporate performance against Parex goals that were established at the start of the year.

NEO total compensation is consistent with the benchmark set by the Board for compensation to target the 75<sup>th</sup> percentile of compensation for similar positions in the Company's peer comparator group of seventeen companies, for excellent performance and results.

### NEO Summary Compensation Table<sup>(1)</sup>

Name and principal position	Year	Salary (\$)	Share-based awards (RSUs) (\$) <sup>(2)</sup>	Option-based awards (\$) <sup>(3)</sup>	Non-equity incentive plan compensation (\$)	All other compensation <sup>(5)</sup> (\$)	Total compensation <sup>(6)</sup> (\$)
					Annual incentive plans <sup>(4)</sup>		
Wayne Foo Chief Executive Officer	2014	370,000	486,000	427,500	348,984	192,464	1,824,948
	2015	370,000	929,050	697,000	378,788	70,622	2,445,460
	2016	450,000	1,017,250	576,250	403,988	57,634	2,505,122
Kenneth Pinsky Chief Financial Officer and Corporate Secretary	2014	290,000	340,200	285,000	200,825	101,380	1,217,405
	2015	290,000	655,800	492,000	245,775	55,988	1,739,563
	2016	325,000	626,000	368,800	232,538	56,384	1,608,722
David Taylor President	2014	295,000	340,200	285,000	230,100	117,752	1,263,052
	2015	307,499 <sup>(7)</sup>	655,800	492,000	319,125	72,247	1,846,641
	2016	370,000	782,500	414,900	273,615	57,634	1,898,649
Stuart Davie Vice President Corporate Services	2014	225,000	340,200	285,000	161,438	62,055	1,073,693
	2015	225,000	573,825	430,500	190,688	47,055	1,467,068
	2016	250,000	547,750	276,600	177,375	44,241	1,295,966
Lee DiStefano <sup>(8)</sup> President Parex Colombia	2014	316,992	194,400	171,000	182,003	168,540	1,032,935
	2015	366,987	360,690	270,600	264,545	183,493	1,446,315
	2016	397,440	352,125	207,450	244,426	198,720	1,400,161

#### Notes:

- (1) The Company does not provide long-term non-equity incentive plan or pension plan compensation.
- (2) The grant date fair value of share-based awards (RSUs) has been calculated using the Black-Scholes methodology, a commonly accepted methodology for valuing compensation among the Company's peer comparator group. It is the same methodology used by the Company to determine the accounting fair value of the RSUs, in accordance with International Financial Reporting Standard 2 – Share Based Payments. The following assumptions were used for calculating the grant date fair value of share-based awards granted to the NEOs:

Assumption	RSU Grant Date		
	November 10, 2014	November 9, 2015	November 14, 2016
Expected life of RSUs	3.0 years	4.0 years	4.0 years
Risk-free interest rate	1.23%	0.77%	0.76%
Expected volatility	39%	47.5%	46.7%
Expected dividend yield	0%	0%	0%
Grant date fair value per RSU	\$9.72	\$10.93	\$15.65

- (3) The grant date fair value of option-based awards (Options) has been calculated using the Black-Scholes methodology, a commonly accepted methodology for valuing compensation among the Company's peer comparator group. It is the same methodology used by the Company to determine the accounting fair value of the Options, in accordance with International Financial Reporting Standard 2 – Share Based Payments. The following assumptions were used for calculating the grant date fair value of Option-based awards granted to the NEOs:

Assumption	Option Grant Date		
	November 10, 2014	November 9, 2015	November 14, 2016
Expected life of Options	3.0 years	4.0 years	4.0 years
Risk-free interest rate	1.23%	0.77%	0.53%
Expected volatility	39%	47.5%	42%
Expected dividend yield	0%	0%	0%
Grant date fair value per Option	\$2.85	\$4.10	\$4.61

- (4) Incentive plan bonuses for 2014 were paid in February 2015. Incentive plan bonuses for 2015 were paid in February 2016. Incentive plan bonuses for 2016 were paid in February 2017.
- (5) All other compensation for Mr. Foo, Mr. Pinsky, Mr. Taylor and Mr. Davie include the value of paid parking and benefits payments equal to 15% of the officer's base salary, capped at \$50,000 per year, and foreign travel premium, as well as the special payment in lieu of a salary increase in 2015, paid in February 2015 and included in the 2014 all other cash compensation and perquisites amount. The foreign travel premium was based on the actual amount of international business trips outside of Canada and the United States conducted each year by the NEO and was only paid if a certain minimum threshold of number of days was reached each year. The foreign travel premium policy was discontinued by the Company effective January 1, 2016. All other cash compensation and perquisites for Mr. DiStefano include benefits payments equal to 20% of his base salary and a foreign service premium and location allowance related to his expatriate assignment in Colombia, as well as the special payment in lieu of a salary increase in 2015, paid in February 2015 and included in the 2014 all other compensation amount.
- (6) Total compensation equals salary plus all other cash compensation and perquisites and the grant date fair value of option and share based awards.
- (7) Reflects salary of \$295,000 January 1 to October 31, 2015 and salary increase to \$370,000 effective November 1, 2015.
- (8) Mr. DiStefano's salary, annual incentive plan and all other cash compensation and perquisites are paid in USD\$ but for purposes of this table, they have been converted to CAN\$ using average foreign exchange rates for each year of employment of, 1.1045 for 2014, 1.2787 for 2015 and 1.3248 for 2016.

## NEO Incentive Plan Awards

### Outstanding Option-based and Share-based awards (as at December 31, 2016)

Name	Grant Date	Option-Based Awards			Value of unexercised in-the-money Options (\$) <sup>(1)</sup>
		Number of securities underlying unexercised Options (#)	Option exercise price (\$/Common Share)	Option expiration date	
Wayne Foo	October 16, 2013	267,800	6.07	October 16, 2018	2,900,274
	November 10, 2014	150,000	10.23	November 10, 2019	667,000
	November 9, 2015	170,000	10.94	November 9, 2020	337,729
	November 14, 2016	125,000	15.66	November 14, 2021	155,000
Kenneth Pinsky	October 16, 2013	275,000	6.07	October 16, 2018	2,978,250
	November 10, 2014	100,000	10.23	November 10, 2019	444,662
	November 9, 2015	120,000	10.94	November 9, 2020	238,400
	November 14, 2016	80,000	15.66	November 14, 2021	99,200
David Taylor	August 16, 2012	30,000	4.45	August 16, 2017	373,500
	October 16, 2013	269,000	6.07	October 16, 2018	2,913,270
	November 10, 2014	100,000	10.23	November 10, 2019	444,662
	November 9, 2015	120,000	10.94	November 9, 2020	238,400
	November 14, 2016	90,000	15.66	November 14, 2021	111,600
Stuart Davie	October 16, 2013	70,000	6.07	October 16, 2018	758,100
	November 10, 2014	100,000	10.23	November 10, 2019	444,662
	November 9, 2015	105,000	10.94	November 9, 2020	208,600
	November 14, 2016	60,000	15.66	November 14, 2021	74,400

## Option-Based Awards

Name	Grant Date	Number of securities underlying unexercised Options (#)	Option exercise price (\$/Common Share)	Option expiration date	Value of unexercised in-the-money Options (\$) <sup>(1)</sup>
Lee DiStefano	August 16, 2012	100,000	4.45	August 16, 2017	1,245,000
	October 16, 2013	222,000	6.07	October 16, 2018	2,404,260
	November 10, 2014	60,000	10.23	November 10, 2019	266,800
	November 9, 2015	66,000	10.94	November 9, 2020	131,120
	November 14, 2016	45,000	15.66	November 14, 2021	55,800

**Note:**

- (1) Based on the difference between the market price of the Common Shares at December 30, 2016 of \$16.90 and the exercise price of the Options.

## Share-Based Awards (RSUs)

Name	Grant Date	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$) <sup>(1)</sup>	Market or payout value of vested share-based awards not paid out or distributed (\$) <sup>(2)</sup>
Wayne Foo	October 19, 2012	Nil	Nil	Nil
	October 16, 2013	Nil	Nil	1,098,500
	November 10, 2014	16,668	281,689	563,311
	November 9, 2015	56,667	957,672	478,828
	November 14, 2016	65,000	1,098,500	Nil
Kenneth Pinsky	October 19, 2012	Nil	Nil	Nil
	October 16, 2013	Nil	Nil	76,050
	November 10, 2014	11,668	197,189	394,311
	November 9, 2015	40,000	676,000	338,000
	November 14, 2016	40,000	676,000	Nil
David Taylor	October 19, 2012	Nil	Nil	202,800
	October 16, 2013	Nil	Nil	566,150
	November 10, 2014	11,668	197,189	394,311
	November 9, 2015	40,000	676,000	338,000
	November 14, 2016	50,000	845,000	Nil
Stuart Davie	October 19, 2012	Nil	Nil	Nil
	October 16, 2013	Nil	Nil	150,410
	November 10, 2014	11,668	197,187	394,311
	November 9, 2015	35,000	591,500	295,750
	November 14, 2016	35,000	591,500	Nil
Lee DiStefano	October 19, 2012	Nil	Nil	101,400
	October 16, 2013	Nil	Nil	478,270
	November 10, 2014	6,668	112,689	225,311
	November 9, 2015	22,000	371,800	185,900
	November 14, 2016	22,500	380,250	Nil

**Notes:**

- (1) Based on multiplying the market price of the Common Shares at December 30, 2016 of \$16.90 by the number of Common Shares issuable pursuant to RSUs that were not vested as at December 31, 2016.
- (2) Based on multiplying the market price of the Common Shares at December 30, 2016 of \$16.90 by the number of Common Shares issuable pursuant to RSUs that were vested but not exercised as at December 31, 2016.

The following table sets forth for each NEO, the value of option-based awards and share-based awards which vested during the year ended December 31, 2016 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2016.

Name	Option-based awards – Value vested during the year <sup>(1)</sup> (S)	Share-based awards (RSUs) Value vested during the year (S) <sup>(2)</sup>	Non-equity incentive plan compensation – Value earned during the year <sup>(3)</sup> (S)
Wayne Foo	1,545,904	1,067,674	403,988
Kenneth Pinsky	1,378,406	693,603	232,538
David Taylor	1,378,406	693,603	273,615
Stuart Davie	1,102,182	605,139	177,375
Lee DiStefano	1,013,120	434,859	244,426 <sup>(4)</sup>

**Notes:**

- (1) Based on multiplying the difference between the market price of the Common Shares on the vesting date and the exercise price of the Options on the vesting date by the number of Options that vest on such date.
- (2) Based on multiplying the market price of the Common Shares on the vesting date by the number of RSUs that vest on such date.
- (3) Incentive plan bonuses for 2016 were paid in February 2017.
- (4) Mr. DiStefano's non-equity incentive plan compensation is paid in USD\$ but for purposes of this table has been converted to CAN\$ using the average foreign exchange rate for 2016 of 1.3248.

**Stock Option Plan**

The Company has a "rolling" stock option plan reserving a maximum of 9% of the issued and outstanding Common Shares for issuance pursuant to Options, provided that the maximum number of Common Shares issuable pursuant to outstanding Options and all other security based compensation arrangements (as defined in the TSX Company Manual), shall not exceed 9.0% of the Common Shares outstanding from time to time.

The purpose of the Stock Option Plan is to provide directors, officers and employees of Parex an incentive to achieve the longer-term objectives of Parex; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of Parex; and to attract and retain in the employ of Parex or any of its subsidiaries, persons of experience and ability by providing them with the opportunity to acquire an increased proprietary interest in Parex.

***Description of the Option Plan***

*Eligibility*

The Stock Option Plan provides for the granting of Options to purchase Common Shares of Parex to directors, officers and key employees of Parex and its subsidiaries.

*Administration*

The Stock Option Plan is administered by the Parex Board of Directors and the Parex Board of Directors may, subject to applicable law, delegate its powers to administer the Stock Option Plan to a committee of the Parex Board of Directors. Options may be granted at the discretion of the Parex Board of Directors, in such number that may be determined at the time of grant, subject to the limits set out in the Stock Option Plan.

*Exercise Price*

The exercise price of Options granted under the Stock Option Plan will be fixed by the Parex Board of Directors at the time of grant, provided that the exercise price shall be not less than the closing trading price per Common Share on the TSX (or if the Common Shares are not listed on the TSX, on such stock exchange as the Common Shares are then traded) on the last trading day preceding: (i) the issuance of news release in respect of the Option grant, or (ii) if a news release is not issued announcing the Option grant, the date of grant, or, if the Common Shares are not listed on any stock exchange, a price determined by the Parex Board of Directors.

*Maximum Percentage of Common Shares Reserved*

The aggregate maximum number of Common Shares that may be issued pursuant to the exercise of Options awarded under the Stock Option Plan and all other share compensation arrangements of Parex is 9.0% of the Common Shares outstanding from time to time, subject to the following limitations:

1. the aggregate number of Common Shares reserved for issuance to any one person under the Stock Option Plan, together with all other share compensation arrangements of Parex, within a 12-month period, must not exceed 5% of the outstanding issue of Common Shares (on a non diluted basis);
2. the aggregate number of Common Shares reserved for issuance to any one insider (as defined in the Stock Option Plan) pursuant to the Stock Option Plan, together with all other share compensation arrangements of Parex, must not exceed 5% of the outstanding issue of Common Shares;
3. the aggregate number of Common Shares issued to insiders pursuant to the Stock Option Plan, together with all other share compensation arrangements of Parex, within a 12-month period, must not exceed 9.0% of the outstanding issue of Common Shares;
4. the aggregate number of Common Shares reserved for issuance to Insiders pursuant to the Stock Option Plan, together with all other share compensation arrangements, at any time, must not exceed 9.0% of the issue of Common Shares;
5. the aggregate number of Common Shares reserved for issuance pursuant to the Stock Option Plan to any one participant employed to provide investor relations activities (as defined in the Stock Option Plan) within a 12-month period, must not exceed 2% of the outstanding issue of Common Shares;
6. the aggregate number of Common Shares reserved for issuance to all non-management directors pursuant to the Stock Option Plan cannot exceed 1.0% of the outstanding issue of Common Shares; and
7. the aggregate value of all Options (calculated as of the date of grant) granted pursuant to the Stock Option Plan to any non-management director, after March 14, 2014, cannot exceed \$100,000 in any 12 month period.

Non-management directors were not granted any Options in 2015 or 2016.

*Transferability*

The Options are not assignable or transferable by an optionee, except for a limited right of assignment in the event of the death of the optionee.

*Term and Vesting*

The term of Options granted shall be determined by the Parex Board of Directors in its discretion, to a maximum of five years from the date of the grant of the Option. The vesting period or periods within this period during which an Option or a portion thereof may be exercised shall be determined by the Parex Board of Directors. In the absence of any determination by the Parex Board of Directors as to vesting, vesting shall be as to one-third on each of the first, second and third anniversaries of the date of grant. Further, the Parex Board of Directors may, in exceptional circumstances and in its sole discretion at any time or in the Option agreement in respect of any Options granted, accelerate or provide for the acceleration of vesting of Options previously granted.

*Early Expiration*

Unless otherwise provided in an agreement evidencing the grant of Options, Options shall terminate at the earlier of (the "**Termination Date**"): (a) the close of business 90 days after the optionee ceasing (other than by reason of death or Retirement (as defined below) but including termination with or without cause) to be at least one of an officer, director or employee (in active employment carrying out regular and normal duties) of Parex or a subsidiary of Parex, as the case may be; (b) the close of business 90 days after the optionee has been provided with written notice of dismissal related to (a) above; and (c) the original

expiry date of the Option. If before the expiry of an Option in accordance with the terms thereof a participant ceases to be an employee, officer or director by reason of the death of the participant, any unvested portion of such Option shall immediately vest. In addition, such Option may, subject to the terms thereof and any other terms of the Stock Option Plan, be exercised by the legal personal representative(s) of the participant's estate or at any time before 5:00 p.m. (Calgary time) up to one year after the date of death of the participant, or until the original expiry date of the Option, if earlier.

If before the expiry of an Option in accordance with the terms thereof an optionee ceases to be an employee or officer of the Company or a subsidiary of the Company, as the case may be, as a result of the optionee's Retirement, then the terms, including, with restriction, the Termination Date (as defined below), of all Options held by such optionee will not change as a result of such Retirement, subject to the terms of the Retirement Agreement (as defined below) entered into by the optionee and the Company.

For the purposes of the Option Plan, "**Retirement**" means: (a) the date that an optionee who is an officer or bona fide employee of the Company or a subsidiary reaches the age of sixty (60) and voluntarily ceases to be an officer or bona fide employee of the Company or a subsidiary, provided that the optionee: (i) has, at such time, provided continuous services to Company or a subsidiary for a minimum of ten (10) years or since November 2, 2009; (ii) has provided the Company with six (6) months prior written notice of the optionee's intention to retire; and (iii) is offered by the Company the opportunity to and enters into an agreement (which shall include non-competition and non-solicitation covenants and the consequences of breaching such covenants including the immediate termination of all outstanding Options notwithstanding the provisions noted above in respect of such Retirement) with the Company respecting such optionee's retirement from any employment with the Company or a subsidiary in a form that is acceptable to the Company (a "**Retirement Agreement**"); or (b) such other meaning as the Chief Executive Officer of the Company in the case of an optionee who is not an officer of the Company or a subsidiary, and the Board in all other cases, may determine from time to time.

#### *Change of Control and Take-Over Acceleration Right*

In the event of a Change of Control (as defined in the Stock Option Plan) occurring, all Options which have not otherwise vested in accordance with their terms shall immediately vest and be exercisable, notwithstanding the other terms of the Options for a period of time ending on the earlier of the expiry time of the Option and the thirtieth (30th) day following the Change of Control.

If approved by the Parex Board of Directors, Options may provide that, whenever the Company's shareholders receive a Take-over Proposal (as defined in the Stock Option Plan), such Option may be exercised as to all or any of the Common Shares in respect of which such Option has not previously been exercised (including in respect of Options not otherwise vested at such time) by the holder of such Option (the "**Take-over Acceleration Right**"), but any such Option not otherwise vested and deemed only to have vested in accordance with the foregoing may only be exercised for the purposes of tendering to such Take-Over Proposal. If for any reason any such Common Shares are not so tendered or, if tendered, are not, for any reason taken up and paid for by the offeree pursuant to the Take-Over Proposal, any such Common Shares so purchased by the participant shall be and shall be deemed to be cancelled and returned to the treasury of the Company, and shall be added back to the number of Common Shares, if any, remaining unexercised under the Option (and shall thus be available for exercise of the Option in accordance with the terms thereof) and upon presentation to the Company of share certificates representing such Common Shares properly endorsed for transfer back to the Company, the Company shall refund to the participant all consideration paid by him or her in the initial purchase thereof. The Take-over Acceleration Right shall commence at such time as is determined by the Parex Board of Directors, provided that, if the Parex Board of Directors approves the Take-over Acceleration Right but does not determine commencement and termination dates regarding same, the Take-over Acceleration Right shall commence on the date of the Take-over Proposal and end on the earlier of the expiry time of the Option and the tenth (10th) day following the expiry date of the Take-over Proposal. Notwithstanding the foregoing, the Take-over Acceleration Right may be extended for such longer period as the Parex Board of Directors may resolve.

#### *Voluntary Black-Out Periods*

Pursuant to the Stock Option Plan, the expiration of the term of any Options that would fall during a voluntary black-out period or within 10 business days following the termination of a voluntary black-out period will be extended for a period of 10 business days following the expiry of such black-out period such that all optionees will always have a maximum of 10 business days following a voluntary black-out period to exercise Options. This provision applies to all optionees.

### *Adjustments in Shares*

Appropriate adjustments in the number of Common Shares subject to the Stock Option Plan and, as regards Options granted or to be granted, in the number of Common Shares optioned and in the exercise price, shall be made by the Parex Board of Directors to give effect to adjustments in the number of Common Shares resulting from subdivisions, consolidations or reclassifications of the Common Shares, the payment of stock dividends by the Company (other than dividends in the ordinary course) or other relevant changes in the authorized or issued capital of the Company, which changes occur subsequent to the approval of the Stock Option Plan by the Parex Board of Directors.

### *Amendments to Options*

The Stock Option Plan provides that the Stock Option Plan and any Options granted pursuant to the Stock Option Plan may be amended, modified or terminated by the Board without approval of the shareholders subject to any required approval of the TSX. Notwithstanding the foregoing, the Stock Option Plan or any Options may not be amended without shareholder approval to: (a) increase the number of Common Shares reserved for issuance under the Stock Option Plan or the Stock Option Plan maximum; (b) reduce the exercise price of any Option granted pursuant to the Stock Option Plan; (c) extend the term of any outstanding Options beyond the original expiry date of the Option, other than as permitted pursuant to the Stock Option Plan; (d) amend the Stock Option Plan to increase the entitlements of non-management directors under the Stock Option Plan; (e) permit an optionee to transfer or assign Options to a new beneficial holder, other than for estate settlement purposes; (f) any amendment to increase the number of Common Shares that may be issued to insiders above the restrictions contained in the Stock Option Plan; or (g) amend the amendment provisions in the Stock Option Plan.

In addition, no amendment to the Plan or Options granted pursuant to the Plan may be made without the consent of the Participant, if it adversely alters or impairs the rights of any Participant in respect of any Option previously granted to such Participant under the Plan.

### *Amendments to Option Plan*

On March 7, 2017, the Parex Board of Directors approved the following amendments to the Option Plan, which amendments did not require Shareholder approval:

- a reduction in the maximum number of Common Shares issuable pursuant to the exercise of Options awarded under the Option Plan and all other share compensation arrangements of the Company from 10.0% to 9.0%;
- a reduction in the aggregate number of Common Shares issuable to insiders pursuant to the Option Plan, together with all other share compensation arrangements of the Company, within a 12-month period, from 10.0% to 9.0% of the outstanding issue of Common Shares;
- a reduction in the aggregate number of Common Shares reserved for issuance to insiders pursuant to the Option Plan, together with all other share compensation arrangements, at any time, from 10.0% to 9.0% of the issue of Shares; and
- an amendment to provide for a definition of "Retirement" and to provide that if before the expiry of an Option in accordance with the terms thereof an optionee ceases to be an employee or officer of the Company or a subsidiary of the Company, as the case may be, as a result of the optionee's Retirement, then the terms, including, with restriction, the Termination Date, of all Options held by such optionee will not change as a result of such Retirement, subject to the terms of the Retirement Agreement entered into by the optionee and the Company.

On April 3, 2017, the Parex Board of Directors approved an amendment to the Option Plan to provide that the Option Plan or any Options may not be amended without shareholder approval to cancel any Options and issue the holder of such Options a new Option or other entitlement in replacement thereof or to amend such provision in the Option Plan. Such amendment did not require Shareholder approval.

As previously described in "*Statement of Executive Compensation – Changes to Executive Compensation*", the Company has an undertaking from the Board to further reduce the maximum number of Common Shares that may be used for all security-based compensation arrangements from 9% to 7% by 2019, following the expiry of the 2013 Option grants.

## RSU Plan

On October 16, 2012, the Parex Board of Directors approved the adoption by Parex of the RSU Plan, which RSU Plan was approved by shareholders on May 22, 2013. The RSU Plan allows the Parex Board of Directors to grant RSUs, each of which is a unit that is equivalent in value to a Common Share and that upon vesting and exercise results in the holder thereof being issued a Common Share for a nominal exercise price.

### *Amendments to RSU Plan in 2016 and 2017*

On April 1, 2016, the Parex Board of Directors approved the following amendments to the RSU Plan, which amendments did not require shareholder approval:

- a reduction of the maximum number of Common Shares issuable under the RSU Plan at any time from 10.0% to 4.0% of the aggregate number of issued and outstanding Common Shares, with the maximum number of Common Shares issuable pursuant to outstanding RSUs and all other security based compensation arrangements (including the Stock Option Plan and the DSU Plan), remaining at 10.0% of the Common Shares outstanding from time to time;
- a provision that effective April 1, 2016, non-management directors are not be eligible to receive new grants of RSUs pursuant to the RSU Plan;
- an amendment to the limitation on grants of RSUs to non-management directors to reflect that the number of Common Shares issuable to non-management directors under all security based compensation arrangements of the Company is limited to 1.0% of the issued and outstanding Common Shares (the "**Non-Management Director Limitation**"). Previously the RSU Plan provided that the number of Common Shares issuable to non-management directors under the RSU Plan only could not exceed 1.0% of the issued and outstanding Common Shares;
- the removal of the annual equity value for new grants of RSUs to non-management directors due to the ineligibility of non-management directors to receive new grants of RSUs under the RSU Plan after April 1, 2016; and
- certain other "housekeeping" amendments.

At the 2016 Shareholders Meeting, the shareholders approved the following amendments to the RSU Plan:

- amendments to the amending provisions in the RSU Plan to provide that: (i) the Board of Directors cannot amend the RSU Plan without shareholder approval to: (A) allow for the grant of RSUs to non-management directors after April 1, 2016; and (B) to amend the Non-Management Director Limitation; and (ii) any amendments to the RSU Plan will be subject to any required approval of the TSX; and
- amendments to the RSU Plan to allow for the grant of Performance RSUs pursuant to the RSU Plan.

On March 7, 2017, the Parex Board of Directors approved the following amendments to the RSU Plan, which amendments did not require Shareholder approval:

- a reduction in the maximum number of Common Shares issuable pursuant to outstanding RSUs and all other security based compensation Arrangements, from 10.0% to 9.0% of the Common Shares outstanding from time to time; and
- an amendment to provide for a definition of "Retirement" and to provide that if a Participant shall cease to be an officer of or be in the employ of, or other Service Provider (as defined below) to, any of the entities comprising the Parex Group as a result of the Participant's Retirement, then the terms of all RSUs held by such Participant, including, with restriction, the term during which such RSUs may be outstanding, will not change as a result of such Retirement, subject to the terms of the Retirement Agreement entered into by the Participant and the Company.

## *Description of the Plan*

### *Purpose of the Plan*

The purpose of the RSU Plan is to aid in attracting, retaining and motivating the directors, officers, and employees (collectively, "**Service Providers**") of the Company and any entity that is a subsidiary of the Company from time to time, and any other entity designated by the Parex Board of Directors from time to time (and, for greater certainty, including any successor entity of any of the aforementioned entities) (collectively, the "**Parex Group**") in the growth and development of the Parex Group by providing them with the opportunity through RSUs to acquire Common Shares.

The Parex Board of Directors believes that RSUs align the interests of Service Providers with the interests of Shareholders, thereby creating a strong link between compensation and the long term corporate performance of Parex and the creation of Shareholder value. The Parex Board of Directors will not grant RSUs according to a prescribed formula or target. For RSUs, other than Performance RSUs, the Parex Board of Directors will take into account the individual's position, scope of responsibility, ability to affect Shareholder value, the individual's historic and recent performance, and the value of the proposed RSU grant in relation to other elements of the Services Provider's total compensation. When considering the grant of RSUs under the RSU Plan, the Parex Board of Directors will take into consideration the number of RSUs that were previously granted to the Service Provider and the number of Options held by the Service Provider.

### *Administration of the Plan*

The Parex Board of Directors administers the RSU Plan. Among other things, the Parex Board of Directors has the authority to: (a) determine the individuals to whom RSUs may be granted; and (b) grant RSUs on such terms and conditions as it determines including, without limitation: the time or times at which RSUs may be granted; the time or times when each RSU shall vest and the term of each RSU; whether restrictions or limitations are to be imposed on the Common Shares issued pursuant to an RSU and the nature of such restrictions or limitations, if any; any acceleration or waiver of termination or forfeiture regarding any RSU; in each case, based on such factors as the Parex Board of Directors may determine appropriate, in its sole discretion. In addition, the Parex Board of Directors has the discretion to determine which Service Providers will be eligible to participate in the RSU Plan (each such Service Provider a "**Participant**"); provided that after April 1, 2016, non-management directors will not be eligible to receive new grants of RSUs pursuant to the RSU Plan. The Parex Board of Directors may delegate to a committee (the "**Committee**") of the Parex Board of Directors all or any of the powers conferred on the Parex Board of Directors under the RSU Plan. The Parex Board of Directors or the Committee may also delegate or sub-delegate to any director or officer of the Company the whole or any part of the administration of the RSU Plan. Since the RSU Plan was approved and implemented in 2012, RSU grants have been significantly smaller components of long-term incentive compensation than have Option grants.

### *Limits on Issuances*

The RSU Plan provides that:

- (a) the maximum number of Common Shares issuable pursuant to outstanding RSUs at any time shall be limited to 4.0% of the aggregate number of issued and outstanding Common Shares, provided that the maximum number of Common Shares issuable pursuant to outstanding RSUs and all other security based compensation arrangements (as defined in the TSX Company Manual), shall not exceed 9.0% of the Common Shares outstanding from time to time;
- (b) the number of Common Shares reserved for issuance to any one Participant under all security based compensation arrangements will not exceed 5.0% of the issued and outstanding Common Shares;
- (c) the number of Common Shares issuable to insiders, at any time, under all security based compensation arrangements, shall not exceed 10.0% of the issued and outstanding Common Shares;
- (d) the number of Common Shares issued to insiders, within any one year period, under all security based compensation arrangements, shall not exceed 10.0% of the issued and outstanding Common Shares; and

- (e) the number of Common Shares issued to non-management directors, in aggregate, at any time, under all security based compensation arrangements, shall not exceed 1.0% of the issued and outstanding Common Shares.

A grant of RSUs is made, and the number of such RSUs granted is credited to each Service Provider's account (the "**Participant's Account**"), effective as of a particular date determined by the Parex Board of Directors (the "**Grant Date**"). The number of RSUs to be offered to each Participant is determined by the Parex Board of Directors, or the Committee delegated by the Parex Board of Directors to do so. The Parex Board of Directors or the Committee may, in its sole discretion, determine: (a) the time during which RSUs shall vest and whether there shall be any other conditions or performance criteria to vesting; (b) the method of vesting; or (c) that no vesting restriction shall exist. In the absence of any determination by the Parex Board of Directors or the Committee to the contrary, RSUs will vest and be exercisable as to one-third of the total number of RSUs granted on each of the first, second and third anniversaries of the Grant Date (computed in each case to the nearest whole Common Share). Notwithstanding the foregoing, the Parex Board of Directors or the Committee may, at its sole discretion at any time or in the agreement in respect of any RSUs granted, accelerate or provide for the acceleration of vesting of RSUs previously granted. Prior to a vesting date in respect of any Performance RSU, the Parex Board of Directors will assess the performance of Parex for the applicable period based upon the performance measures, as determined by the Parex Board of Directors. The corporate performance measures considered by the Board include, but are not limited to: (a) total shareholder return, absolute or relative; (b) the market price of the Common Shares from time to time; (c) the financial performance or results of Parex; (d) other operational or performance criteria relating to Parex; (e) activities related to the growth of Parex; (f) health and safety performance of Parex; (g) the execution of Parex' strategic plan as determined by the Board; and (h) such additional or other measures as the Board will consider appropriate in the circumstances. The weighting of individual measures comprising the performance measures will be determined by the Parex Board of Directors in its sole discretion having regard to the principal purposes of the RSU Plan and upon such assessment, the Parex Board of Directors will determine the applicable payout multiplier, which will not be less than 0 and not more than 2 (the "**Payout Multiplier**"). Upon determination of the Payout Multiplier, the number of Common Shares issuable pursuant to a vested Performance RSU will be adjusted by multiplying the number of vested Performance RSUs by the applicable Payout Multiplier. Except as required by law and the terms of the RSU Plan, the rights of a Participant under the RSU Plan are not capable of being assigned, transferred, alienated, sold, encumbered, pledged, mortgaged or charged and are not capable of being subject to attachment or legal process for the payment of any debts or obligations of the Participant.

#### *Term of RSUs*

The term during which an RSU may be outstanding is, subject to the provisions of the RSU Plan requiring or permitting the acceleration or the extension of the term, such period, not in excess of five years, as is determined from time to time by the Parex Board of Directors or the Committee, but subject to the rules of any stock exchange or other regulatory body having jurisdiction, and in the absence of any determination to the contrary will be the date that is five years from the Grant Date. In addition, unless otherwise determined by the Parex Board of Directors or the Committee, or unless the Company and a Participant agree otherwise in an RSU agreement or other written agreement (including an employment or consulting agreement), each RSU shall provide that if a Participant shall cease to be a director or officer of or be in the employ of any of the entities comprising the Parex Group for any reason whatsoever including, without limitation, resignation, involuntary termination (with or without cause) or death, as determined by the Parex Board of Directors in its sole discretion, before all of the grants respecting RSUs credited to the Participant's Account have vested or are forfeited pursuant to any other provision of the RSU Plan: (a) such Participant shall cease to be a participant in the RSU Plan as of the Forfeiture Date (as defined in the RSU Plan); (b) the former Participant shall forfeit all unvested grants respecting RSUs in the Participant's Account effective as at the Forfeiture Date; (c) any Common Shares corresponding to any remaining vested grant of RSUs shall be delivered to the former Participant in accordance with the RSU Plan as soon as practicable after the Forfeiture Date (or, in the case of death, to the legal representative of the deceased former Participant's estate as soon as practicable after receipt of satisfactory evidence of the Participant's death from the authorized legal representative of the deceased Participant) and upon payment of the exercise price of \$0.01 per RSU; and (d) the former Participant shall not be entitled to any further issuance of Common Shares or any payment in respect of the RSU Plan.

Notwithstanding the preceding paragraph, if a Participant ceases to be a director or officer of or be in the employ of, or other Service Provider to, any of the entities comprising the Parex Group due to the death of the Participant, any unvested grants respecting RSUs in the deceased Participant's Account effective as at the time of the Participant's death are deemed to have vested immediately prior to the Forfeiture Date with the result that the deceased Participant shall not forfeit any unvested grants respecting RSUs. In respect of Performance RSUs, if a Participant's death occurs within 90 days of the next vesting date applicable to unvested Performance RSUs (with such vesting date having been determined at the time of grant of the Performance

RSUs), the vesting date for such unvested Performance RSUs shall be deemed to be that vesting date, and the Payout Multiplier for such unvested Performance RSUs shall be determined as of such vesting date. Otherwise, the unvested Performance RSUs shall be deemed to have vested immediately prior to the Forfeiture Date and the Payout Multiplier will be deemed to be 1.

Notwithstanding the foregoing or anything else contained in the RSU Plan to the contrary, if a Participant shall cease to be an officer of or be in the employ of, or other Service Provider to, any of the entities comprising the Parex Group as a result of the Participant's Retirement, then the terms of all RSUs held by such Participant, including, with restriction, the term during which such RSUs may be outstanding, will not change as a result of such Retirement, subject to the terms of the Retirement Agreement entered into by the Participant and the Company.

For the purposes of the RSU Plan, "**Retirement**" means: (a) the date that a Participant who is an officer or employee of the Parex Group reaches the age of sixty (60) and voluntarily ceases to be a Service Provider, provided that the Participant: (i) has, at such time, provided continuous services to the Parex Group for a minimum of ten (10) years or since November 2, 2009; (ii) has provided the Company with six (6) months prior written notice of the Participant's intention to retire; and (iii) is offered by the Company the opportunity to and enters into an agreement (which shall include non-competition and non-solicitation covenants and the consequences of breaching such covenants including the immediate termination of all outstanding RSUs notwithstanding the above provisions in respect of such Retirement) with the Company respecting such Participant's retirement from any employment with the Parex Group in a form that is acceptable to the Company (a "**Retirement Agreement**"); or (b) such other meaning as the Chief Executive Officer of the Company in the case of a Participant who is not an officer of the Company or the Parex Group, and the Board in all other cases, may determine from time to time.

If Common Shares may not be issued pursuant to any RSUs due to any Black-Out Period at any time (as defined below) (the "**Restricted RSUs**") and the expiry date of a RSU occurs during or within the three business day period prior to the Black-Out Period, the expiry date of such Restricted RSU shall be extended to a date which is seven business days following the end of the Black-Out Period (or such longer period as permitted by the Exchange and approved by the Board or the Committee). For greater certainty, no Restricted RSUs may be exercised during a Black-Out Period. For the purposes of the RSU Plan, "**Black-Out Period**" means the period of time when, pursuant to any policies of the Company, any securities of the Company may not be traded by certain persons as designated by the Company, including any Participant that holds an RSU.

#### *Exercise of RSUs*

The Company will, as soon as practicable after the vesting and exercise of any RSUs, issue from treasury to the Participant the number of Common Shares required to be delivered upon the vesting of such Participant's RSUs. The Participant may exercise any vested RSU by delivering to the Company a notice of exercise in writing stating the Participant's intention to exercise a particular RSU together with payment of the exercise price of \$0.01 per RSU so exercised. Upon receipt of the exercise notice and aggregate exercise price from the Participant, the Company will cause the Common Shares in respect of which the RSU has been exercised to be issued to the Participant.

#### *Adjustments in Connection with an Alteration of the Common Shares*

In the event: (a) of any change in the Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise; or (b) that any rights are granted to all or substantially all shareholders to purchase Common Shares at prices substantially below Fair Market Value as the Grant Date; or (c) that, as a result of any recapitalization, merger, consolidation or other transaction, the Common Shares are converted into or exchangeable for any other securities or property; then the Parex Board of Directors may make such adjustments to the RSU Plan, to any RSUs and to any RSU agreements outstanding under the RSU Plan as the Parex Board of Directors may, in its sole discretion, and if applicable, subject to TSX approval, consider appropriate in the circumstances to prevent dilution or enlargement of the rights granted to Participants thereunder and/or to provide for the Participants to receive and accept such other securities or property in lieu of Common Shares, and the Participants shall be bound by any such determination.

#### *Adjustment in Connection with Certain Corporate Events*

Except in the case of a transaction that is a Change of Control (as defined below), in the event of the sale by the Company of all or substantially all of the property and assets of the Company as an entirety (an "**Asset Sale**") prior to the expiry date of an RSU, such RSU may be exercised, as to all or any of the Common Shares in respect of which such RSU has not previously been

exercised (including in respect of the right to purchase Common Shares not otherwise vested at such time) by the Participant (the "**Sale Acceleration Right**"). The Sale Acceleration Right shall commence at such time as determined by the Parex Board of Directors (the "**Asset Sale Accelerated Vesting Date**"), provided that if the Parex Board of Directors approves the Sale Acceleration Right but does not determine commencement and termination dates regarding same, the Asset Sale Accelerated Vesting Date will be, and the Sale Acceleration Right shall commence on the day following the closing of the Asset Sale and end on the earlier of the expiry time of the RSU and the thirtieth day following the closing of the Asset Sale. Notwithstanding the foregoing, the Sale Acceleration Right may be extended for such longer period as the Parex Board of Directors may resolve. With respect to any unvested Performance RSUs, the Payout Multiplier in respect of such Performance RSUs shall be determined as of the Asset Sale Accelerated Vesting Date.

In addition, if approved by the Parex Board of Directors, whenever the Company's shareholders receive a Take-over Proposal, (as defined below) RSUs may be exercised as to all or any of the Common Shares in respect of which an RSU has not previously been exercised (including in respect of Common Shares not otherwise vested at such time) by the Participant (the "**Take-over Acceleration Right**"), but any such RSU not otherwise vested and deemed only to have vested in accordance with the foregoing may only be exercised for the purposes of tendering to such Take-Over Proposal. If for any reason any such Common Shares are not so tendered or, if tendered, are not, for any reason taken up and paid for by the offeree pursuant to the Take-Over Proposal, any such Common Shares so purchased by the Participant shall be and shall be deemed to be cancelled and returned to the treasury of the Company, and shall be added back to the number of Common Shares, if any, remaining unexercised under the RSU (and shall thus be available for exercise of the RSU in accordance with the terms thereof) and upon presentation of the Company of share certificates representing such Common Shares properly endorsed for transfer back to the Company, the Company shall refund to the Participant all consideration paid by him or her in the initial purchase thereof. The Take-over Acceleration Right shall commence at such time as is determined by the Parex Board of Directors (the "**Take-over Proposal Accelerated Vesting Date**"), provided that, if the Parex Board of Directors approves the Take-over Acceleration Right but does not determine commencement and termination dates regarding same, the Take-over Proposal Accelerated Vesting Date will be, and the Take-over Acceleration Right shall commence on the date of the Take-over Proposal and end on the earlier of the expiry time of the RSU and the tenth day following the expiry date of the Take-over Proposal. Notwithstanding the foregoing, the Take-over Acceleration Right may be extended for such longer period as the Parex Board of Directors may resolve. With respect to any unvested Performance RSUs, the Payout Multiplier in respect of such Performance RSUs shall be determined as of the Take-over Proposal Accelerated Vesting Date.

A "**Take-over Proposal**" is defined in the RSU Plan as: (i) any proposal or offer by a third party, whether or not subject to a due diligence condition and whether or not in writing, to acquire in any manner, directly or indirectly, beneficial ownership of or control or direction over more than 50% of the Company's outstanding Common Shares whether by way of arrangement, amalgamation, merger, consolidation or other business combination, including any single or multi-step transaction or series of related transactions that is structured to permit such third party to acquire in any manner, directly or indirectly, more than 50% of its outstanding Common Shares; or (ii) any proposal, offer or agreement for a merger, consolidation, amalgamation, arrangement, recapitalization, liquidation, dissolution, reorganization or similar transaction or other business combination involving the Company.

#### *Change of Control*

Notwithstanding any other provision in the RSU Plan or the terms of any RSU agreement, in the event of a Change of Control occurring, if so approved by the Parex Board of Directors or the Committee, all RSUs which have not otherwise vested in accordance with their terms shall immediately vest (the "**Change of Control Accelerated Vesting Date**") and be exercisable, notwithstanding the other terms of the RSUs for a period of time ending on the earlier of the expiry time of the RSU and the thirtieth day following the Change of Control. With respect to unvested Performance RSUs, the Payout Multiplier will be determined as of the Change of Control Accelerated Vesting Date.

A "**Change of Control**" is defined in the RSU Plan as: (i) the purchase or acquisition of any Common Shares or any securities convertible or exchangeable into Common Shares or carrying the right or obligation to acquire Common Shares ("**Convertible Securities**") by a Holder (as defined in the RSU Plan) which results in the Holder beneficially owning, or exercising control or direction over, Common Shares or Convertible Securities such that, assuming only the conversion of Convertible Securities beneficially owned or over which control or direction is exercised by the Holder, the Holder would beneficially own, or exercise control or direction over, Common Shares carrying the right to cast more than 50% of the votes attaching to all Common Shares, but excluding any issue or sale of Common Shares of the Company to an investment dealer or group of investment dealers as underwriters or agents for distribution to the public either by way of prospectus or private placement; or (ii) the Company

completes an amalgamation, arrangement, merger or other consolidation or combination of the Company with another corporation which requires approval of the shareholders of the Company pursuant to its statute of incorporation and pursuant to which the shareholders of the Company immediately thereafter do not own shares of the successor or continuing corporation, which would entitle them to cast more than 50% of the votes attaching to all shares in the capital of the successor or continuing corporation, which may be cast to elect directors of that corporation; or (iii) the election at a meeting of the Company's shareholders of that number of persons which would represent a majority of the Parex Board of Directors, as directors of the Company who are not included in the slate for election as directors proposed to the Company's shareholders by the Company; or (iv) the liquidation, dissolution or winding-up of the Company; or (v) the sale, lease or other disposition of all or substantially all of the assets of the Company; or (vi) the completion of any transaction or the first of a series of transactions which would have the same or similar effect as any transaction or series of transactions referred to in subsections (i), (ii), (iii), (iv) and (v) referred to above; or (vii) a determination by the Parex Board of Directors that there has been a change, whether by way of a change in the holding of the Common Shares of the Company, in the ownership of the Company's assets or by any other means, as a result of which any person or group of persons acting jointly or in concert is in a position to exercise effective control of the Company.

#### *Amendment or Discontinuance of the RSU Plan*

The Parex Board of Directors may amend or discontinue the RSU Plan or amend any RSU or RSU agreement at any time without the consent of a Participant, provided that such amendment shall not adversely alter or impair any RSU previously granted under the Plan or any related RSU agreement, except as otherwise permitted by the RSU Plan. In addition, the Parex Board of Directors may, by resolution, amend the RSU Plan and any RSU granted under it (together with any related RSU agreement) without shareholder approval, provided however, that at any time while the Common Shares are listed for trading on the TSX, the Parex Board of Directors will not be entitled to amend the RSU Plan or any RSU granted under it without shareholder and, if applicable, TSX approval: (a) to increase the maximum number of Common Shares issuable pursuant to the RSU Plan; (b) to reduce the exercise price of an RSU or cancel an RSU and subsequently issue the holder of such RSU a new RSU in replacement thereof; (c) to extend the term of an RSU; (d) to permit the assignment or transfer of an RSU other than as provided for in the RSU Plan; (e) to add to the categories of persons eligible to participate in the RSU Plan; (f) to remove or amend the restrictions on RSUs held by insiders; (g) to remove or amend the matters described in this paragraph; or (h) in any other circumstances where TSX and shareholder approval is required by the TSX. Without limitation of the foregoing, the Parex Board of Directors may correct any defect or supply any omission or reconcile any inconsistency in the RSU Plan in the manner and to the extent deemed necessary or desirable, may establish, amend, and rescind any rules and regulations relating to the RSU Plan, and may make such determinations as it deems necessary or desirable for the administration of the RSU Plan.

On termination of the RSU Plan, any outstanding grants of RSUs will immediately vest and the number of Common Shares corresponding to the RSUs that have been granted will be delivered to the Participant in accordance with and upon compliance with the terms of the RSU Plan. The RSU Plan will finally cease to operate for all purposes when: (a) the last remaining Participant receives delivery of all Common Shares corresponding to RSUs credited to the Participant's Account; or (b) all unexercised RSUs expire in accordance with the terms of the RSU Plan and the relevant RSU agreements.

#### **Termination and Change of Control Benefits and Payments**

The Company recognizes that its Executives are critical to Parex's ongoing business. It is therefore vital for the Company to retain the services of each Executive, support them in the event of employment interruption caused by a change in control of the Company, and to treat them in a fair and equitable manner. In prior years, the Company has accordingly entered into an employment agreement (the "**Employment Agreements**") with each of Mr. Foo, Mr. Pinsky, Mr. Taylor and Mr. Davie, and an employment contract (the "**Employment Contract**") with Mr. DiStefano.

The Employment Agreements for Mr. Foo, Mr. Pinsky, Mr. Taylor and Mr. Davie provide for payment of compensation in the event of termination of the Executive's employment by the Company without cause, upon resignation of employment by the Executive for good reason, or upon resignation of employment by the Executive for good reason in the event of a change of control of the Company, as shown in the chart below. The Employment Contract for Mr. DiStefano provides for payment of compensation in the event of termination of the Executive's employment by the Company without cause or upon resignation of employment by the Executive in the event of a change of control of the Company

Termination without cause refers to termination of the Executive's employment by the Company for reasons other than for just cause, mutual agreement or the death of the Executive.

For Mr. Foo, Mr. Pinsky, Mr. Taylor, Mr. Davie and Mr. DiStefano a change of control includes any acquisition of Common Shares or other securities of the Company that carry the right to cast more than 50% of the votes attaching to all Common Shares in the capital of the Company. For Mr. Foo, Mr. Pinsky, Mr. Taylor and Mr. Davie, a triggering change of control is such a change of control as described above that results from an unsolicited offer in response to which the Parex Board of Directors publishes a circular recommending rejection of the offer and continues to recommend rejection of the offer up to the closing date of such transaction.

Resignation for good reason refers to the resignation of employment by the Executive due to circumstances constituting constructive dismissal at common law, any material reduction in benefits or remuneration paid by the Company to the Executive, a material change in the Executive's position, duties, responsibilities, title or office, or a material breach of the applicable Employment Agreement and Employment Contract, as applicable, by the Company.

<b>Termination Event</b>	<b>Name</b>	<b>Incremental Compensation</b>
Termination Without Cause	Mr. Foo Mr. Pinsky Mr. Taylor Mr. Davie	Retiring allowance equal to the sum of: (i) the Executive's annual base salary; plus (ii) the average of any cash bonuses paid in the two years preceding the termination date; plus (iii) an amount equal to the lesser of fifteen percent of the Executive's annual base salary or \$50,000 to compensate for loss of benefits times a multiplier of one (1) times should the Executive's employment be terminated prior to the second anniversary of the effective date of the Employment Agreement, or two (2) times should the Executive's employment be terminated on or following the second anniversary of the effective date. The second anniversary of the effective date of the Employment Agreements for Mr. Foo, Mr. Pinsky and Mr. Taylor was November 2, 2011. The second anniversary of the effective date of the Employment Agreement for Mr. Davie was June 26, 2014.
	Mr. DiStefano	Severance payment of twelve (12) months of annual base salary plus an incentive compensation payment as determined by the Company, pro-rated for actual Company service in that calendar year.
Change of Control	Mr. Foo Mr. Pinsky Mr. Taylor Mr. Davie	All applicable incremental payments for Mr. Foo, Mr. Pinsky, Mr. Taylor and Mr. Davie are calculated as specified above for termination without cause.
	Mr. DiStefano	Retiring allowance equal to two (2) times the Executive's annual base salary plus a payment in lieu of cash incentive compensation for the portion of the calendar year worked up to the termination date, calculated by averaging the cash incentive compensation paid to the Executive in the two (2) years prior to the termination date and prorating it for the number of days worked in the calendar year in which termination of employment occurs.
Triggering Change of Control	Mr. Foo Mr. Pinsky Mr. Taylor Mr. Davie	All applicable incremental payments for Mr. Foo, Mr. Pinsky, Mr. Taylor and Mr. Davie are calculated as specified above for termination without cause, with the additional provision that the multiplier will be two (2) times regardless of the date of termination of employment.
Resignation For Good Reason	Mr. Foo Mr. Pinsky Mr. Taylor Mr. Davie	All applicable incremental payments for Mr. Foo, Mr. Pinsky, Mr. Taylor and Mr. Davie are calculated as specified above for termination without cause.
	Mr. DiStefano	All applicable incremental payments for Mr. DiStefano are calculated as specified above for change of control.

Under the Employment Agreements for Mr. Foo, Mr. Pinsky, Mr. Taylor and Mr. Davie, in the event of a change of control or a triggering change of control, the Executive, at the Company's request, agrees to remain employed by the Company for up to one month following the change of control to assist with the orderly transition of management.

The Company has attempted to remain abreast of trends in employment law, such that changes in the Employment Agreements and Employment Contracts, which are made from time to time, reflect what the Company believes to be competitive terms, as at the time of each Executive's hiring.

In exchange for payments received upon termination of employment, the Executive agrees to sign and provide to the Company a full and final release (releasing the Company and its affiliates) in a form that is satisfactory to the Company.

**Estimated Incremental Compensation on  
Termination Without Cause, Resignation For Good Reason, or Upon a Change of Control  
(based on hypothetical termination as at December 31, 2016)**

Name	Severance Period (months)	Compensation Components					TOTAL (\$)
		2X Annual Base Salary (\$)	2X Average of Last 2 Incentive Bonus Payments <sup>(1)</sup> (\$)	2X Annual Benefits (\$)	Options (\$) <sup>(2)</sup>	RSUs <sup>(3)</sup> (\$)	
Wayne Foo	24	900,000	782,776	100,000	Nil	Nil	1,782,776
Kenneth Pinsky	24	650,000	478,314	97,500	Nil	Nil	1,225,814
David Taylor	24	740,000	592,740	100,000	Nil	Nil	1,432,740
Stuart Davie	24	500,000	368,064	75,000	Nil	Nil	943,064
Lee DiStefano <sup>(4)(5)</sup>	24	794,880	248,873 <sup>(6)</sup>	N/A	Nil	Nil	1,043,753

**Notes:**

- (1) The annual incentive plan bonuses for 2016 were not paid until February 2017, as previously disclosed in Note (4) to the NEO Summary Compensation Table. However, the 2016 bonus amounts are included in the incentive bonus calculations for the above table based on the assumption that they would have been included in the NEO's incremental compensation should there have been a termination on December 31, 2016 due to termination without cause, resignation for good reason or a change of control. Mr. DiStefano's incentive bonus, should there have been a termination on December 31, 2016 due to termination without cause or resignation for good reason due to a change of control, would have been the average of the cash incentive compensation paid to the Executive in the two (2) years prior to the Termination Date. Mr. DiStefano's incentive bonus, should there have been a termination on December 31, 2016 due to termination without cause not related to a change of control, would have been as determined by the Company for the year 2016.
- (2) Pursuant to the Employment Agreements for Mr. Foo, Mr. Pinsky, Mr. Taylor and Mr. Davie, if the Executive's employment is terminated by the Company with or without cause, or the Executive elects to terminate his employment for good reason, the Executive may exercise any Options that were vested by the date of termination of employment for up to ninety (90) days following that date or the expiration date of the Options, whichever occurs first. All other Options would be terminated. Pursuant to the Employment Contract for Mr. DiStefano, if the Executive's employment is terminated by the Company with or without cause, the Executive may exercise any Options that were vested by the date of termination of employment for up to ninety (90) days following that date or the expiration date of the Options, whichever occurs first. In accordance with the Stock Option Plan, in the event of a change in control of the Company, all unvested Options for each Executive shall vest and all issued and outstanding Options will immediately be exercisable for up to 30 days after the occurrence of such change of control, or at such earlier time as may be established by the Parex Board of Directors. Based on a hypothetical termination as at December 31, 2016 due to a change of control and based on the market value of Common Shares on December 30, 2016 of \$16.90, the incremental compensation from Options for Mr. Foo would have been \$1,163,971, for Mr. Pinsky would have been \$798,338, for Mr. Taylor would have been \$810,738, for Mr. Davie would have been \$713,938 and for Mr. DiStefano would have been \$451,440.
- (3) Pursuant to the Employment Agreements for Mr. Foo, Mr. Pinsky, Mr. Taylor and Mr. Davie, if the Executive's employment is terminated by the Company with or without cause, or the Executive elects to terminate his employment for good reason, any Common Shares corresponding to any remaining vested grant of RSUs shall be delivered to the Executive as soon as practicable and upon payment by the Executive of the exercise price of \$0.01 per RSU. All other RSUs would be terminated. Pursuant to the Employment Contract for Mr. DiStefano, if the Executive's employment is terminated by the Company with or without cause, any Common Shares corresponding to any remaining vested grant of RSUs shall be delivered to the Executive as soon as practicable and upon payment by the Executive of the exercise price of \$0.01 per RSU. In accordance with the RSU Plan, in the event of a change in control of the Company, all RSUs which have not otherwise vested in accordance with their terms shall immediately vest and be exercisable, notwithstanding the other terms of the RSUs for a period of time ending on the earlier of the expiry date of the RSU and the thirtieth day following the change of control. Based on a hypothetical termination as at December 31, 2016 due to a change of control and based on the market value of Common Shares on December 31, 2016 of \$16.90, the incremental compensation from RSUs for Mr. Foo would have been \$2,336,477, for Mr. Pinsky would have been \$1,745,312, for Mr. Taylor would have been \$1,914,212, for Mr. Davie would have been \$1,576,412, and for Mr. DiStefano would have been \$976,817.

- (4) Compensation for Mr. DiStefano is paid in USD\$ except for long-term incentive compensation which is paid in CAN\$. For the purposes of this table, the compensation to be paid in USD\$ has been converted to CAN\$ using the average foreign exchange rate of 1.3248 for 2016.
- (5) In the event of termination without cause, the amount for Mr. DiStefano would have been USD\$300,000, which for purposes of this document is converted to CAN\$397,440 using the average foreign exchange rate of 1.3248 for 2016.
- (6) Represents average of last two incentive bonus payments to Mr. DiStefano.

**Estimated Incremental Compensation  
Upon a Triggering Change of Control  
(based on hypothetical termination as at December 31, 2016)**

Compensation Components							
Name	Severance Period (months)	2X Annual Base Salary (\$)	2X Average of Last 2 Incentive Bonus Payments <sup>(1)</sup> (\$)	2X Annual Benefits (\$)	Options (\$) <sup>(2)</sup>	RSUs <sup>(3)</sup> (\$)	TOTAL (\$)
Wayne Foo	24	900,000	782,776	100,000	1,163,971	2,337,862	5,284,609
Kenneth Pinsky	24	650,000	478,314	97,500	798,338	1,746,345	3,770,497
David Taylor	24	740,000	592,740	100,000	810,738	1,915,345	4,158,823
Stuart Davie	24	500,000	368,064	75,000	713,938	1,577,345	3,234,347
Lee DiStefano <sup>(4)</sup>	24	794,880	248,873	N/A	451,440	977,395	2,472,588

**Notes:**

- (1) The annual incentive plan bonuses for 2016 were not paid until February 2017, as previously disclosed in Note (3) to the NEO Summary Compensation Table. However, the 2016 bonus amounts are included in the incentive bonus calculations for the above table, based on the assumption that they would have been included in the NEO's incremental compensation should there have been termination on December 31, 2016 due to a triggering change of control. Mr. DiStefano's incentive bonus, should there have been a termination on December 31, 2016 due to a triggering change of control, would have been the average of the cash incentive compensation paid to the Executive in the two (2) years prior to the termination date.
- (2) In accordance with the Stock Option Plan, in the event of a change in control of the Company, all unvested Options for each Executive shall vest and all issued and outstanding Options will immediately be exercisable for up to 30 days after the occurrence of such change of control, or at such earlier time as may be established by the Parex Board of Directors. Options calculations are based on the market value of Common Shares at December 30, 2016 of \$16.90.
- (3) In accordance with the RSU Plan, in the event of a change in control of the Company, all RSUs which have not otherwise vested in accordance with their terms shall immediately vest and be exercisable, notwithstanding the other terms of the RSUs for a period of time ending on the earlier of the expiry date of the RSU and the thirtieth day following the change of control. RSU calculations are based on the market value of Common Shares at December 30, 2016 of \$16.90.
- (4) Compensation for Mr. DiStefano is paid in USD\$ except for long term incentive compensation which is paid in CAN\$. For the purpose of this table, the salary and bonus USD\$ amounts used in the calculation of estimated incremental compensation have been converted to CAN\$ using an average foreign exchange rate for 2016 of 1.3248, to result in a total estimated incremental compensation in CAN\$.

**Director Compensation**

**General**

Due to the Company's transition from a junior company to an intermediate exploration and production company, as reflected in the significant production and reserves growth from 2013 to 2014 and in the Company's long term business plan as approved by the Board in 2014, the Board approved in October 2014 an expanded peer comparator group of companies that were good comparisons to Parex' current and growth plan metrics. Following the approval of the new peer comparator group, the CG&HR Committee retained Lane Caputo in October 2014 to conduct a review of and to make recommendations for Executive, Vice President and independent director compensation against the new peer group of companies. To help ensure competitive independent director compensation against the peer group, Lane Caputo recommended implementing a cash-settled deferred share unit program to deliver equity-based incentives to independent directors and increasing the annual base retainer for Board membership from \$25,000 to \$35,000.

The Board reviewed Lane Caputo's recommendations in November 2014 and directed Management to prepare a DSU Plan for independent directors, to be brought forward for Board and shareholder approval in 2015. The DSU Plan was approved by the

Board on April 1, 2015 and by shareholders on May 12, 2015. DSU grants were made to independent directors on November 9, 2015 and on November 14, 2016.

The Board reviewed Lane Caputo's recommendation regarding the base retainer for directors again in August 2015 and decided for the competitive reasons put forward by Lane Caputo to increase the annual base retainer for Board membership from \$25,000 to \$35,000 effective August 1, 2015.

Directors who are also NEOs are not eligible to receive the following payments with respect to their services as directors. The current directors compensation program is as follows:

1. Directors are entitled to the following annual retainers to be paid in cash in quarterly instalments:
  - (a) \$35,000 with respect to serving as a director;
  - (b) additional \$60,000 with respect to serving as the Chairman of the Parex Board of Directors;
  - (c) additional \$5,000 with respect to serving as the Vice-Chairman of the Parex Board of Directors (there was no director in this position during 2016);
  - (d) \$5,000 with respect to each standing committee of the Parex Board of Directors on which they serve as a member;
  - (e) \$7,500 with respect to serving as Chairman of the Finance and Audit Committee; and
  - (f) \$2,500 with respect to serving as Chairman of a standing committee of the Parex Board of Directors other than the Finance and Audit Committee.
2. Directors are entitled to a payment of \$1,500 for attendance in person or by telephone at each Parex Board of Directors meeting or committee meeting of which they are a member. Where a director is not a committee member, the director will receive a payment of \$1,500 for attending a meeting of such committee, when requested to do so by the committee's chairman.
3. Non-management directors are also eligible to receive long-term incentive compensation in the form of participation in the Stock Option Plan and the DSU Plan and prior to April 1, 2016 were eligible to participate in the RSU Plan. The number of Options and DSUs granted, if any, is to be reviewed each year by the CG&HR Committee. Non-management directors did not receive Stock Option grants in 2014, 2015 or 2016 and did not receive RSU grants in 2015 or 2016.

Directors are reimbursed for miscellaneous out-of-pocket expenses, if any, incurred in carrying out their duties as directors.

### ***DSU Plan***

The DSU Plan allows the Parex Board of Directors or the CG&HR Committee to grant DSUs, each of which is a unit that is equivalent in value to a Common Share. DSUs will be fully vested upon grant and a DSU Participant (as defined below) will have the right to receive, at the election of the Company, either a cash payment or Common Shares on the Separation Date (as defined below) or such later date as the DSU Participant may elect by written notice delivered to the Chief Financial Officer of the Company prior to the Separation Date. See "*Election by DSU Participant and Payment*" below.

On March 7, 2017, the Board approved certain amendments to the DSU Plan to provide that all DSUs granted pursuant to the DSU Plan will be settled through a cash payment, rather than the issuance of Common Shares, which amendments did not require shareholder approval.

At the Meeting, the Proposed DSU Plan Amendment is being placed before shareholders for approval. For a summary of the Proposed DSU Plan Amendment see "*Matters to be Acted Upon at the Meeting – Amendment to DSU Plan*" in this Information Circular. Also see a copy of the Amended DSU Plan attached hereto as Appendix C.

### *Purpose of the DSU Plan and Eligibility*

The purpose of the DSU Plan is to provide non-employee directors of the Company with the opportunity to acquire DSUs in order to allow them to participate in the long-term success of the Company and to promote a greater alignment of their interests with the interests of shareholders. Any individual who is a member of the Board (an "**Eligible Director**") but who is not also an employee of the Company or any entity that is a subsidiary of the Company from time to time, any entity that is related to the Company for purposes of the *Income Tax Act* (Canada), and any other entity designated by the Board from time to time as a member of the "Parex Group" for the purposes of the DSU Plan (and, for greater certainty, including any successor entity of any of the aforementioned entities) (the "**Parex Group**") is eligible to participate in the DSU Plan.

### *Grants of DSUs*

The DSU Plan is administered by the CG&HR Committee, which, from time to time in its sole discretion, will grant DSUs to Eligible Directors ("**DSU Participants**"). In respect of each grant of DSUs, the CG&HR Committee will determine, among other things, the number of DSUs allocated to the DSU Participant and such other terms and conditions of the DSUs applicable to each grant.

### *Vesting and Term*

Deferred Share Units will be fully vested upon being granted and credited to an account maintained by the Company for each DSU Participant by means of a book-keeping entry ("**Account**").

The term during which a DSU may be outstanding will, subject to the provisions of the DSU Plan which require or permit the acceleration or the extension of the term, be such period as may be determined from time to time by the Board or the CG&HR Committee.

### *Limits on Issuances*

Notwithstanding any other provision of the DSU Plan: (i) the number of Common Shares issuable to Insiders (as defined in the TSX Company Manual), at any time, under all security based compensation arrangements, may not exceed 10.0% of the issued and outstanding Common Shares; (ii) the number of Common Shares issued to Insiders (as defined in the TSX Company Manual), within any one year period, under all security based compensation arrangements, may not exceed 10.0% of the issued and outstanding Common Shares; and (iii) the aggregate value of all DSUs (calculated as of the date of grant) granted pursuant to the DSU Plan to any non-management director cannot exceed \$150,000 in any 12 month period (excluding any DSU's granted in a one time initial grant to a non-management director upon appointment to the Board provided the value of the DSU's granted in any such initial grant is not in excess of \$150,000).

If the acquisition of Common Shares by the Company for cancellation should result in the foregoing tests no longer being met, this will not constitute non-compliance with the above limitations for any awards outstanding prior to such purchase of Common Shares for cancellation.

### *DSU Cash Payment*

A DSU Participant will receive a Cash Payment (as defined below) in respect of DSUs recorded in the Participant's Account, on one of the following dates (the "**Distribution Date**"): (i) the date on which the DSU Participant ceases to be a director of any member of, and is not at that time an employee or officer of any member of, the Parex Group (the "**Separation Date**"); or (ii) such later date as the DSU Participant may elect by written notice delivered to the CFO of the Company prior to the Separation Date, provided that in no event will a DSU Participant be permitted to elect a date which is later than December 1 of the calendar year following the calendar year in which the Separation Date occurs.

A DSU Participant (or in the event of the DSU Participant's death, his beneficiary or legal representative) will receive a payment (the "**Cash Payment**") equal in value to the number of DSUs recorded in the Participant's Account on the Distribution Date multiplied by the Fair Market Value (as defined below) per Common Share (the "**Distribution Value**") on the Distribution Date, less any applicable withholding taxes, within ten (10) business days after the Distribution Date. Upon payment in full of the Cash

Payment less any withholding taxes, the DSUs will be cancelled and no further payments will be made to the DSU Participant under the DSU Plan.

For the purposes of the DSU Plan, "**Fair Market Value**" with respect to a Common Share, as at any date, means the weighted average of the prices at which the Common Shares traded on the TSX (or, if the Common Shares are not then listed and posted for trading on the TSX or are then listed and posted for trading on more than one stock exchange, on such stock exchange on which the majority of the trading volume and value of the Common Shares occurs) for the five (5) trading days on which the Common Shares traded on the said exchange immediately preceding such date. In the event that the Common Shares are not listed and posted for trading on any stock exchange, the Fair Market Value shall be the fair market value of the Common Shares as determined by the Board in its sole discretion, acting reasonably and in good faith.

#### *Death of DSU Participant*

Upon the death of a DSU Participant prior to the distribution of the DSUs credited to the Account of such DSU Participant under the DSU Plan, a Cash Payment shall be made to the estate of such DSU Participant on or about the thirtieth (30th) day after the Company is notified of the death of the DSU Participant or on a later date elected by the DSU Participant's estate in the form prescribed for such purposes by the Company and delivered to the CFO of the Company not later than twenty (20) days after the Company is notified of the death of the DSU Participant, provided that such elected date is no later than the last business day of the calendar year following the calendar year in which the DSU Participant dies so that payment can be made on or before such last business day. Such Cash Payment shall be equivalent to the amount which would have been paid to the DSU Participant pursuant to and subject to applicable withholding taxes, calculated on the basis that the day on which the DSU Participant dies, or the date elected by the estate, as applicable, is the Distribution Date.

#### *Amendment of the DSU Plan*

The Board may amend, suspend or discontinue the DSU Plan or amend any DSU or agreement in respect of a DSU ("**DSU Agreement**") at any time without the consent of a DSU Participant, provided that such amendment shall not adversely alter or impair the rights of any DSU Participant in respect of any DSU previously granted to such DSU Participant under the Plan, except as otherwise permitted under the DSU Plan. In addition, the Board may, by resolution, amend the DSU Plan and any DSU granted under it (together with any related DSU Agreement) without shareholder approval, provided however, that at any time while the Common Shares are listed for trading on the TSX, the Board will not be entitled to amend the DSU Plan or any DSU granted under it (together with any related DSU Agreement) without shareholder and, if applicable, TSX approval: (i) to increase the maximum number of Common Shares issuable pursuant to the DSU Plan; (ii) to extend the term of a DSU; (iii) to permit the assignment or transfer of a DSU other than as provided for in the DSU Plan; (iv) to add to the categories of persons eligible to participate in the DSU Plan; (v) to remove or amend the limits on issuances to Insiders or non-management directors under the DSU Plan; (vi) to remove or amend the amendment provisions in the DSU Plan; or (vii) in any other circumstances where TSX and shareholder approval is required by the TSX.

Without limitation of the above, the Board may correct any defect or supply any omission or reconcile any inconsistency in the DSU Plan in the manner and to the extent deemed necessary or desirable, may establish, amend, and rescind any rules and regulations relating to the DSU Plan, and may make such determinations as it deems necessary or desirable for the administration of the DSU Plan.

#### *Termination or Suspension of the DSU Plan*

If the Board terminates or suspends the DSU Plan, previously credited DSUs may, at the CG&HR Committee's election, be distributed to DSU Participants or may remain outstanding and in effect in accordance with the terms of the DSU Plan. The Board will not require the consent of any affected DSU Participant in connection with a termination of the DSU Plan in which Payment Shares are issued to the DSU Participant in respect of all such DSUs. The DSU Plan will terminate on the date upon which no further DSUs remain outstanding.

### *Transferability*

Except as required by law, the rights of a DSU Participant under the DSU Plan are not capable of being assigned, transferred, alienated, sold, encumbered, pledged, mortgaged or charged and are not capable of being subject to attachment or legal process for the payment of any debts or obligations of the DSU Participant.

### **Summary of Director Compensation**<sup>(1)</sup>

<b>Name</b>	<b>Fees earned (\$)<sup>(2)</sup></b>	<b>Share-based awards (DSUs)<sup>(3)</sup> (\$)</b>	<b>Option-based awards<sup>(4)</sup> (\$)</b>	<b>All other compensation (\$)</b>	<b>Total (\$)</b>
Norman McIntyre	115,000	148,770	Nil	Nil	263,770
Curtis Bartlett	58,000	109,620	Nil	Nil	167,620
John Bechtold	68,500	109,620	Nil	Nil	178,120
Lisa Colnett	69,000	109,620	Nil	Nil	178,620
Robert Engbloom	71,500	109,620	Nil	Nil	181,120
Bob (G.R.) MacDougall <sup>(5)(6)</sup>	13,000	124,758	Nil	Nil	137,758
Glenn McNamara <sup>(5)(6)</sup>	13,000	124,758	Nil	Nil	137,758
Ron Miller	55,000	109,620	Nil	Nil	164,620
Paul Wright	62,500	109,620	Nil	Nil	172,120

#### **Notes:**

- (1) The Company does not provide non-equity incentive plan or pension plan compensation.
- (2) See "*Statement of Executive Compensation - Director Compensation*".
- (3) The grant date fair value of share-based awards (DSUs) is \$15.66, being the weighted average of the prices at which the Common Shares traded on the TSX for the five trading days immediately preceding the grant date of November 14, 2016, as per the terms of the DSU plan and a commonly accepted methodology for valuing compensation among the Company's peer comparator group. It is the same methodology used by the Company to determine the accounting fair value of the DSUs in accordance with International Financial Reporting Standard 2 – Share Based Payments.
- (4) Directors were not granted option-based awards (Options) in 2016.
- (5) Mr. MacDougall and Mr. McNamara received a pro-rated DSU grant on October 6, 2016 upon joining the Board of Directors, based on the grant to directors on November 9, 2015. The grant fair value of the October 6, 2016 DSU grant was \$16.82, the weighted average of the prices at which the Common Shares traded on the TSX for the five trading days immediately preceding the grant date of October 6, 2016, as per the terms of the DSU plan and a commonly accepted methodology for valuing compensation among the Company's peer comparator group. It is the same methodology used by the Company to determine the accounting fair value of the DSUs in accordance with International Financial Reporting Standard 2 – Share Based Payments.
- (6) Mr. MacDougall and Mr. McNamara joined the Board on October 4, 2016.

### **Director Fees**

Fees were paid to directors in 2016 in accordance with the schedule of annual retainers and meeting fees outlined under "*Statement of Executive Compensation – Director Compensation*" above. The number of meetings attended by each director is outlined under the "*Corporate Governance*" section of this Information Circular.

### **Incentive Plan Awards – Directors**

In accordance with the directors' compensation program, incentive plan awards in the form of DSUs were provided to directors in 2016. No non-equity incentive bonus compensation was provided.

The intent is for the timing of annual incentive plan awards to coincide with the Company's long-term planning cycle and the setting of strategic goals for the near and longer term. Directors have not been granted options-based awards (Options) since 2013.

**Outstanding Option-based and Share-based Awards – Independent Directors  
(as at December 31, 2016)**

Option-Based Awards					
Name	Grant Date	Number of securities underlying unexercised Options (#)	Option exercise price (\$/Common Share)	Option expiration date	Value of unexercised in-the-money Options (\$) <sup>(1)</sup>
Norman McIntyre	August 16, 2012	15,000	4.45	August 16, 2017	186,750
	October 16, 2013	86,000	6.07	October 16, 2018	931,380
Curtis Bartlett	October 16, 2013	16,834	6.07	October 16, 2018	182,312
John Bechtold	October 16, 2013	16,834	6.07	October 16, 2018	182,312
Lisa Colnett	N/A	Nil	Nil	N/A	Nil
Robert Engbloom	October 16, 2013	15,500	6.07	October 16, 2018	167,865
Bob (G.R.) MacDougall	N/A	Nil	Nil	N/A	Nil
Glenn McNamara	N/A	Nil	Nil	N/A	Nil
Ron Miller	October 16, 2013	17,000	6.07	October 16, 2018	184,110
Paul Wright	October 16, 2013	30,000	6.07	October 16, 2018	324,900

**Note:**

(1) Based on the difference between the market price of the Common Shares at December 30, 2016 of \$16.90 and the exercise price of the Options.

Share-Based Awards (RSUs)					
Name	Grant Date	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested <sup>(1)</sup> (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$) <sup>(2)</sup>	
Norman McIntyre	October 19, 2012	Nil	Nil	126,750	
	October 16, 2013	Nil	Nil	185,900	
	November 10, 2014 <sup>(3)</sup>	Nil	Nil	253,500	
Curtis Bartlett	October 19, 2012	Nil	Nil	Nil	
	October 16, 2013	Nil	Nil	37,180	
	November 10, 2014 <sup>(3)</sup>	Nil	Nil	Nil	
John Bechtold	October 19, 2012	Nil	Nil	Nil	
	October 16, 2013	Nil	Nil	111,540	
	November 10, 2014 <sup>(3)</sup>	Nil	Nil	169,000	
Lisa Colnett	N/A	Nil	Nil	Nil	
Robert Engbloom	October 19, 2012	Nil	Nil	84,500	
	October 16, 2013	Nil	Nil	111,540	
	November 10, 2014 <sup>(3)</sup>	Nil	Nil	169,000	
Bob (G.R.) MacDougall	N/A	Nil	Nil	Nil	
Glenn McNamara	N/A	Nil	Nil	Nil	

## Share-Based Awards (RSUs)

Name	Grant Date	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested <sup>(1)</sup> (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$) <sup>(2)</sup>
Ron Miller	October 19, 2012	Nil	Nil	84,500
	October 16, 2013	Nil	Nil	111,540
	November 10, 2014 <sup>(3)</sup>	Nil	Nil	169,000
Paul Wright	October 19, 2012	Nil	Nil	Nil
	October 16, 2013	Nil	Nil	111,540
	November 10, 2014 <sup>(3)</sup>	Nil	Nil	169,000

## Notes:

- (1) Based on multiplying the market price of the Common Shares at December 30, 2016 of \$16.90 by the number of Common Shares issuable pursuant to RSUs that were not vested as at December 31, 2016.
- (2) Based on multiplying the market price of the Common Shares at December 30, 2016 of \$16.90 by the number of Common Shares issuable pursuant to RSUs that were vested but not exercised as at December 31, 2016.
- (3) In October 2014, Lane Caputo recommended that a DSU Plan be put in place for grants to independent directors of the Company. A DSU Plan was approved by shareholders at the Company's Annual General Meeting on May 12, 2015. As a transition from the RSUs granted to directors in 2012 and 2013 with three year vesting, to the planned DSU grants to directors commencing in late 2015 with immediate vesting upon grant date, the RSUs granted to directors on November 10, 2014 provided for full vesting three months from the date of grant. Such RSUs became fully vested on February 10, 2015.

Share-Based Awards (DSUs)<sup>(1)</sup>

Name	Grant Date	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested <sup>(2)</sup> (\$)	Market or payout value of vested share-based awards not paid out or distributed <sup>(3)</sup> (\$)
Norman McIntyre	November 9, 2015	Nil	Nil	229,840
	November 14, 2016	Nil	Nil	160,550
Curtis Bartlett	November 9, 2015	Nil	Nil	169,000
	November 14, 2016	Nil	Nil	118,300
John Bechtold	November 9, 2015	Nil	Nil	169,000
	November 14, 2016	Nil	Nil	118,300
Lisa Colnett	May 14, 2015	Nil	Nil	84,500
	November 9, 2015	Nil	Nil	169,000
	November 14, 2016	Nil	Nil	118,300
Robert Engbloom	November 9, 2015	Nil	Nil	169,000
	November 14, 2016	Nil	Nil	118,300
Bob (G.R.) MacDougall	October 6, 2016	Nil	Nil	15,210
	November 14, 2016	Nil	Nil	118,300
Glenn McNamara	October 6, 2016	Nil	Nil	15,210
	November 14, 2016	Nil	Nil	118,300
Ron Miller	November 9, 2015	Nil	Nil	169,000
	November 14, 2016	Nil	Nil	118,300
Paul Wright	November 9, 2015	Nil	Nil	169,000
	November 14, 2016	Nil	Nil	118,300

## Notes:

- (1) On March 7, 2017, the Board approved certain amendments to the DSU Plan to provide for the cash settlement of all DSUs (including the DSUs noted in the above table) rather than the settlement through the issuance of Common Shares. See "*Director Compensation – DSU Plan*".
- (2) Based on multiplying the market price of the Common Shares at December 30, 2016 of \$16.90 by the number of Common Shares issuable pursuant to DSUs that were not vested as at December 31, 2016.
- (3) Based on multiplying the market price of the Common Shares at December 30, 2016 of \$16.90 by the number of Common Shares issuable pursuant to DSUs that were vested but not paid out or distributed as at December 31, 2016.

The following table sets forth for each independent director, the value of option-based awards and share-based awards which vested during the year ended December 31, 2016 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2016.

Name	Option-based awards – Value vested during the year <sup>(1)</sup> (\$)	Share-based awards (RSUs) – Value vested during the year <sup>(2)</sup> (\$)	Share-based awards (DSUs) – Value vested during the year <sup>(3)</sup> (\$)	Non-equity incentive plan compensation – Value earned during the year <sup>(4)</sup> (\$)
Norman McIntyre	311,037	62,009	151,050	N/A
Curtis Bartlett	182,649	37,202	111,300	N/A
John Bechtold	182,649	37,202	111,300	N/A
Lisa Colnett	Nil	Nil	111,300	N/A
Robert Engbloom	182,649	37,202	111,300	N/A
Bob (G.R.) MacDougall	Nil	Nil	126,654	N/A
Glenn McNamara	Nil	Nil	126,654	N/A
Ron Miller	182,649	37,202	111,300	N/A
Paul Wright	182,649	37,202	111,300	N/A

**Notes:**

- (1) Based on multiplying the difference between the market price of the Common Shares on the vesting date and the exercise price of the Options on the vesting date by the number of Options that vest on such date.
- (2) Based on multiplying the market price of the Common Shares on the vesting date by the number of RSUs that vest on such date less \$0.01. In October 2014, Lane Caputo recommended that a DSU Plan be put in place for grants to independent, non-employee directors of the Company. As a transition from the RSUs granted to directors in 2012 and 2013 with three year vesting, to the planned DSU grants to directors commencing in late 2015 with immediate vesting upon grant date, the RSUs granted to directors on November 10, 2014 provided for full vesting three months from the date of grant. Such RSUs became fully vested on February 10, 2015. On March 7, 2017, the Board approved certain amendments to the DSU Plan to provide for the cash settlement of all DSUs granted pursuant to the DSU Plan.
- (3) Based on multiplying the market price of the Common Shares on the vesting date by the number of DSUs that vest on such date.
- (4) The Company did not provide non-equity incentive plan compensation to independent directors during the year ended December 31, 2016.

**Securities Authorized for Issuance Under Equity Compensation Plans**

The following sets forth information in respect of securities authorized for issuance under the Company's equity compensation plans as at December 31, 2016. The only equity compensation plans as at December 31, 2016 were the Stock Option Plan, the RSU Plan and the DSU Plan.

Plan Category	Number of securities to be issued upon exercise of outstanding Options, RSUs, DSUs, warrants and rights <sup>(6)</sup> (a)	Weighted average exercise price of outstanding Options, RSUs, DSUs, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) <sup>(1)(2)(3)(5)</sup>
Equity compensation plans approved by security holders			
Stock Option Plan	7,741,774 <sup>(4)</sup>	9.68	See Note 5
RSU Plan	2,588,146	0.01	See Note 5
DSU Plan	145,900	-	See Note 5
Equity compensation plans not approved by security holders	-	-	-
<b>Total</b>	10,475,820	7.16	4,790,815 <sup>(5)</sup>

**Notes:**

- (1) As at December 31, 2016, the Stock Option Plan provided for the issuance of Options to a maximum of 10 percent of the issued and outstanding Common Shares of the Company, provided that the maximum number of Common Shares issuable pursuant to outstanding Options and all other security based compensation arrangements (as defined in the TSX Company Manual) shall not exceed 10 percent of the Common Shares outstanding from time to time. On March 7, 2017, the Board approved an amendment to the Option Plan to reduce the maximum number of Common Shares issuable pursuant to outstanding Options and all other security based compensation arrangements (as defined in the TSX Company Manual) from 10 percent to 9 percent of the Common Shares outstanding from time to time.
- (2) As at December 31, 2016, the RSU Plan provided for the issuance of RSUs to a maximum of 4 percent of the issued and outstanding Common Shares of the Company, provided that the maximum number of Common Shares issuable pursuant to outstanding RSUs and all other security based compensation arrangements (as defined in the TSX Company Manual) shall not exceed 10 percent of the Common Shares outstanding from time to time. Pursuant to the RSU Plan, the holder is required to pay \$0.01 upon exercise of each RSU. On March 7, 2017, the Board approved an amendment to the RSU Plan to reduce the maximum number of Common Shares issuable pursuant to outstanding RSUs and all other security based compensation arrangements (as defined in the TSX Company Manual) from 10 percent to 9 percent of the Common Shares outstanding from time to time.
- (3) As at December 31, 2016, the DSU Plan provided for the issuance of DSUs to a maximum of 0.5 percent of the issued and outstanding Common Shares of the Company, provided that the maximum number of Common Shares issuable pursuant to outstanding DSUs and all other security based compensation arrangements (as defined in the TSX Company Manual) shall not exceed 10 percent of the Common Shares outstanding from time to time. On March 7, 2017, the Board approved amendments to the DSU Plan to provide that all DSUs granted pursuant to the DSU Plan will be cash settled.
- (4) Of the 7,741,774 outstanding Options as of December 31, 2016, 7,741,774 were in-the-money as of that date, based on the market value of the Common Shares at December 30, 2016 of \$16.90.
- (5) The total number of securities remaining available for future issuance under equity compensation plans as at December 31, 2016 was equal to 10% of the number of Common Shares outstanding as at December 31, 2016 less the number of Options outstanding under the Stock Option Plan as at December 31, 2016, less the number of RSUs outstanding under the RSU Plan as at December 31, 2016 and less the number of DSUs outstanding under the DSU Plan as at December 31, 2016. As at December 31, 2016, there were 7,741,774 Options outstanding, 2,588,146 RSUs outstanding and 145,900 DSUs outstanding leaving 4,790,815 Common Shares available for issuance under the Stock Option Plan, the RSU Plan and/or the DSU Plan, subject to the applicable limitations contained in each of such plans.
- (6) During the year ended December 31, 2016, 1,179,235 Common Shares were issued on exercise of Options and 321,958 Common Shares were issued on exercise of RSUs.

## **CORPORATE GOVERNANCE**

National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("**NI 58-101**") requires reporting issuers to disclose their corporate governance practices with reference to a series of guidelines for effective corporate governance (the "**Corporate Governance Guidelines**") set forth in National Policy 58-201 *Corporate Governance Guidelines*.

Set out below is a description of the corporate governance practices of the Company, in accordance with the Corporate Governance Guidelines.

### **Director Independence**

The Company currently has ten directors, a majority of which are independent directors within the meaning of NI 58-101. Curtis Bartlett, John Bechtold, Lisa Colnett, Robert Engbloom, Bob (G.R.) MacDougall, Norman McIntyre, Glenn McNamara, Ron Miller, and Paul Wright are all independent directors of the Company within the meaning of NI 58-101, and Wayne Foo is not independent as he is the Chief Executive Officer of the Company. Mr. Dave Taylor, a nominee director at the Meeting, is not independent as he is the President of the Company. On at least an annual basis, the Parex Board of Directors conducts an analysis and makes a determination as to the "independence" of each member of the Parex Board of Directors. The mandate of the Parex Board of Directors is attached as Appendix A hereto.

In accordance with the written mandates of the Parex Board of Directors and its Committees, each of the Parex Board of Directors and Committee meetings have scheduled in-camera sessions during which non-independent directors and members of management are not in attendance. From January 1, 2015 to January 1, 2016, six such meetings have been held. The independent directors also hold meetings as required at which non-independent directors and members of management are not in attendance. The Finance and Audit Committee and CG&HR Committee and Operations and Reserves Committee of the Parex Board of Directors are all comprised entirely of independent directors.

The Chairman of the Parex Board of Directors is an independent director, Mr. Norman McIntyre. Following the Meeting, it is expected that Mr. Wayne Foo, a non-independent director, will retire as Chief Executive Officer of the Company and will be appointed to the role of Chairman of the Parex Board of Directors. The Company has adopted a written description for the Chairman of the Parex Board of Directors detailing the roles and responsibilities of the position which include the following:

- determining the schedules and agendas of the meetings of the Parex Board of Directors and the shareholders;
- enabling the design and implementation of effective committees of the Parex Board of Directors including the selection of members;
- enhancing the Parex Board of Directors effectiveness through guiding the Parex Board of Directors composition and its succession planning, orientation of new directors and annual assessments of the Parex Board of Directors and Committee effectiveness;
- working with management to provide counsel and guidance regarding the strategic management process and definition of significant business challenges;
- monitoring and evaluating the performance of the Chief Executive Officer and senior officers of the Company; and
- facilitating communication between the Parex Board of Directors, management and shareholders.

As Mr. Foo is not an independent director, it is expected that following the Meeting, Mr. Robert Engbloom will be appointed as Lead Director. Mr. Engbloom is an independent director within the meaning of NI 58-101. The Board will establish a position description for the Lead Director.

### Director Attendance

The attendance record of each of the directors for all Board and Committee meetings held since January 1, 2016 are as follows:

<u>Name</u>	<u>Board Meetings Attended / Held</u>	<u>Finance and Audit Committee Meetings Attended / Held</u>	<u>CG&amp;HR Committee Meetings Attended / Held</u>	<u>Operations and Reserves Committee Meetings Attended/ Held</u>
Curtis Bartlett <sup>(2)</sup>	8/8	n/a	8/8	n/a
John Bechtold <sup>(1)(3)</sup>	8/8	7/7	n/a	5/5
Lisa Colnett <sup>(2)(3)</sup>	8/8	n/a	8/8	5/5
Robert Engbloom <sup>(1)(2)</sup>	8/8	7/7	8/8	n/a
Wayne Foo	8/8	n/a	n/a	n/a
Bob (G.R.) MacDougall <sup>(3)(4)</sup>	3/3	n/a	n/a	2/2
Norman McIntyre <sup>(3)</sup>	8/8	n/a	n/a	5/5
Glenn McNamara <sup>(3)(4)</sup>	3/3	n/a	n/a	2/2
Ron Miller <sup>(1)</sup>	8/8	7/7	n/a	n/a
Paul Wright <sup>(1)</sup>	8/8	7/7	n/a	n/a

#### Notes:

- (1) Member of the Finance and Audit Committee.
- (2) Member of the CG&HR Committee.
- (3) Member of the Operations and Reserves Committee.
- (4) Mr. MacDougall and Mr. McNamara joined the Board on October 4, 2016 and attended all meetings from October 4, 2016 to December 31, 2016.

### **Director Participation with Other Reporting Issuers**

Certain of our directors are presently directors of other issuers that are reporting issuers (or the equivalent). Mr. Bechtold and Ms. Colnett are directors of Parkland Fuel Corporation, Ms. Colnett is also a director of Detour Gold Corporation, Mr. Foo is a director of Pengrowth Energy Corporation. Mr. MacDougall is a director of Transglobe Energy Corporation. Mr. McNamara is a director of Whitecap Resources Inc.

### **Other Board Committees and Position Descriptions**

The Company has established the Finance and Audit Committee, the CG&HR Committee and an Operations and Reserves Committee of the Board, each comprised entirely of independent directors, in accordance with National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**") guidelines. The Parex Board of Directors has also developed mandates for each of the Committees of the Parex Board of Directors which detail the composition, duties and responsibilities of the Committees. Certain information regarding the Finance and Audit Committee, including the mandate of the Finance and Audit Committee is contained in the Company's annual information form for the year ended December 31, 2016, an electronic copy of which is available on the internet on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com) and see "*Compensation Governance – Mandate of the CG&HR Committee*" in this Information Circular for a description of the mandate of the CG&HR Committee.

The Operations and Reserves Committee is responsible for:

- assisting management in fulfilling its responsibilities under NI 51-101 with respect to the oil and natural gas reserves evaluation process;
- reviewing any public disclosure and regulatory filings with respect to any reserves evaluation and related oil and natural gas activities;
- acting as the steward of the Company's operational performance;
- reviewing the Company's operating, development and portfolio management strategies, capital allocation, budgeting and forecasting and ensuring that the Company has in place an adequate process to review all material capital investments; and
- reviewing and monitoring the adequacy of the Company's Health, Safety and Environmental emergency response policies, plans, reporting and resources.

The Parex Board of Directors has developed a written position description for the Chairman of the Parex Board of Directors and the Chairman of each Board Committee. See "*Board of Directors*" above for a summary of the written position description for the Chairman of the Parex Board of Directors. Each of the Company's written Committee mandates provide that the Committee shall appoint one member as Committee Chairman who will lead the Committee meetings including determining agendas and schedules of the meetings, meeting with independent external consultants, and reporting Committee activity and recommendations to the Parex Board of Directors as a whole.

The Parex Board of Directors has also developed a mandate for the CEO which details the duties and responsibilities of the CEO such as the following:

- leading and managing the Company within the parameters established by the Parex Board of Directors;
- directing and monitoring the activities of the Company in a manner that safeguards and optimizes the assets of the Company in the best interest of the Shareholders;
- developing and recommending to the Parex Board of Directors the overall corporate organizational structure;
- establishing and maintaining an annual plan approved by the Parex Board of Directors for the appointment, development and succession of senior management;

- meeting all reporting requirements to the relevant authorities and to the Company's shareholders; and
- fostering a corporate culture that promotes ethical practices and encourages individual integrity and social responsibility.

### **Orientation of Directors**

The Chairman of the Parex Board of Directors, in conjunction with the CG&HR Committee, is mandated to facilitate the recruitment of new directors and ensure adequate orientation in order for new directors to fully understand the role the Parex Board of Directors and its Committees play in the organization. All new directors are provided with comprehensive background information about the Company and its operations to allow for informed decision making. The Company has an online secure site that provides the directors with regular information about the Company. The Company coordinates an annual offsite strategic planning session for all directors and management to review the strategic planning, operations, and organizational development of the Company.

### **Education of Directors**

All members of the Parex Board of Directors are members of the Institute of Corporate Directors. Five directors, namely Norman McIntyre, Ron Miller, Paul Wright, Lisa Colnett and Curtis Bartlett, have completed the Directors Education program. The Parex Board of Directors has agreed to pay the tuition for any director of the Company who enrolls in one of the continuing education programs of the Institute of Corporate Directors.

All directors have significant experience in the oil and natural gas industry and the majority are members of professional organizations such as the Association of Professional Engineers, Geologists and Geophysicists of Alberta, the Canadian Institute of Chartered Accountants, the Institute of Chartered Accountants of Alberta, the Law Society of Alberta and the Canadian Bar Association. Each of those organizations have continuing education standards that apply to their members.

Mr. Bechtold and Mr. Engbloom attended the Company's office in Bogota, Colombia in January 2017 in their role as members of the Finance and Audit Committee of the Parex Board of Directors. They were accompanied by the Company's PricewaterhouseCoopers audit partner for meetings with management of the finance department and other key personnel of the Bogota office. They also toured the Company's field operations in Colombia.

### **Ethical Business Conduct**

The Company has had a code of conduct since the inception of the Company in 2009. The code of conduct was most recently reviewed and amended in 2015. A copy of the code of conduct can be obtained on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com) or upon written request to the Company.

As discussed above, the Parex Board of Directors conducts an annual assessment process, a part of which focuses on the ethical business conduct of the Parex Board of Directors and the organization as a whole. In addition, the Company has implemented a Whistleblower program throughout the organization.

The Company has not filed any material change reports since its inception that pertains to any conduct of a director or executive officer that constitutes a departure from the code of conduct.

### **Conflicts of Interest**

To address conflicts of interest, the members of the Parex Board of Directors and executive officers are required to declare the nature and extent of any material interest in any transactions or agreements and may not vote in relation to any such matter. In certain cases an independent committee may be formed to deliberate on such matters in the absence of the interested party.

The majority of the Parex Board of Directors is comprised of independent directors. In any situation where a potential conflict may arise, a director must disclose such conflict and absent him or herself from consideration of the particular transaction or agreement and voting as a result. As members of the Institute of Corporate Directors, the directors of the Company also subscribe to the statement of ethics of that organization.

## Board Assessments

The CG&HR Committee, in conjunction with the Chairman of the Parex Board of Directors, has responsibility for assessing the performance of the Board as a whole, the Committees of the Board and the individual directors. The small size of the Parex Board of Directors allows for significant and consistent communication amongst the directors and management with respect to matters of effectiveness. As well, the Directors Annual Evaluation Form, completed by each director, includes assessments of the performance of the Board as a whole, the committees of the Board and the individual directors.

## Nomination of Directors

The CG&HR Committee of the Parex Board of Directors is comprised entirely of independent directors and is responsible for oversight of the Company's corporate governance, board development, executive appointments and compensation, human resources, equity based compensation plans, disclosures and performance assessment functions. See "*Statement of Executive Compensation – Compensation Governance*" in this Information Circular.

While the CG&HR Committee is responsible for the functions of a nominating committee, all members of the Parex Board of Directors are encouraged to:

- identify skill sets that they deem most important in filling any director vacancies; and
- become actively involved in identifying suitable candidates to fill such vacancies.

When deemed appropriate to ensure that a reasonable number of suitably qualified candidates are identified and considered for any director vacancies, the Board will retain an experienced third party search firm for this purpose.

## Director Term Limits

As disclosed above, to ensure adequate board renewal, the CG&HR Committee is responsible for conducting annual assessments of the Board as a whole, the Committees of the Board and the individual directors. These assessments evaluate the tenure and performance of individual directors and review the composition and effectiveness of the Board and its committees. See "*Board Assessments*".

Parex does not currently have a policy regarding term limits for directors. Board composition is assessed by the CG&HR Committee as required to ensure that the Board has the right mix of skills and experience that will enable the Board to provide strong stewardship for the Company. Board renewal is facilitated by the Director Retirement Policy. See "*Other Matters Related to the Meeting – Director Retirement Policy*" in this Information Circular.

## Diversity

Parex recognizes the benefits of diversity at all levels within its organization and the Parex Board of Directors approved a Board and Management Diversity policy in August 2016. The policy reflects the Parex Board of Directors belief that Board nominations and executive officer ("**Management**") appointments should be made on the basis of the skills, knowledge, experience and character of individual candidates and the requirements and needs of the Board and Management at the applicable time. The Company is committed to a meritocracy and believes that considering the broadest group of individuals who have the skills, knowledge, experience and character required to provide the good governance, guidance and leadership needed to achieve the Company's business objectives, without reference to their age, gender, race, ethnicity or religion, is in the best interest of the Company and all of its stakeholders. The Board recognizes the benefit of diversity within the Board and Management but will not compromise the principles of a meritocracy by imposing quotas or targets.

Parex does not currently have any targets, rules or formal policies that specifically require the identification, consideration, nomination or appointment of female board nominees or candidates for executive management positions or that would otherwise force the composition of the Board or the Company's executive management team. Currently, Parex does not have any women on its executive management team and 10 percent (1 out of 10) of the Company's directors are women.

While the emphasis in filling Board vacancies has been finding the best qualified candidates given the needs and circumstances of the Board, a nominee's diversity of age, gender, race, ethnicity, religion, experience and other attributes has and will be considered favourably in the assessment of director nominees. Moreover, as to gender, the Board is receptive to increasing the

representation of women on the Board as turnover occurs, taking into account the skills, background, experience and knowledge desired at that particular time by the Board. Parex did consider the level of representation of women on the Board in the recruitment for a new director for nomination to the Board in 2015. Ms. Colnett was nominated based upon her broad range of experience and expertise and was elected to the Board at the Company's annual meeting of Shareholders held in 2015. Further, when the Board was looking to add two additional directors in 2016, the Board did identify and consider a number of qualified female candidates for such positions. The Board encourages the consideration of women who have the necessary skills, knowledge, experience and character for promotion or hiring into a Management position within the Company.

### **Compensation**

The CG&HR Committee of the Parex Board of Directors is comprised entirely of independent directors and is responsible for the functions of a compensation committee. See "*Statement of Executive Compensation – Compensation Governance*" in this Information Circular.

The CG&HR Committee of the Parex Board of Directors reviews competitive market data from third-party sources for compensation for directors and officers of the Company and makes recommendations regarding the format and quantum of such compensation to the Parex Board of Directors for approval. As part of this process, external consultants may be engaged by the CG&HR Committee from time to time to conduct a competitive review of and to make specific recommendations on compensation for directors and officers of the Company. See "*Statement of Executive Compensation – Compensation Governance*" in this Information Circular.

### **INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS**

As at the date hereof there is no indebtedness outstanding by directors, executive officers or former directors and executive officers of the Company to the Company or its subsidiaries and there has been no such indebtedness at any time since incorporation.

### **INTEREST OF CERTAIN PERSONS AND COMPANIES IN MATTERS TO BE ACTED UPON**

Management of the Company is not aware of any material interest, direct or indirect, by way of beneficial ownership or otherwise, of any director or executive officer or anyone who has held office as such since the beginning of the Company's last financial year, any proposed nominee for election as a director of the Company or of any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting, other than the election of directors or the appointment of auditors or as disclosed herein.

### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

There are no material interests, direct or indirect, of any informed person of the Company (as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations*), any proposed director of the Company or any associate or affiliate of any informed person or proposed director of the Company in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries, other than as disclosed herein.

### **ADDITIONAL INFORMATION**

Additional information respecting the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information respecting the Company is provided in the Company's comparative annual financial statements and management's discussion and analysis for its most recently completed financial year. Shareholders can access this information on the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) or by request to the Chief Financial Officer of the Company at 2700 Eighth Avenue Place, West Tower, 585 – 8<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 1G1 or Fax (403) 265-8216.

## APPENDIX A

### MANDATE OF THE BOARD OF DIRECTORS

#### 1. Purpose of the Mandate of the Board of Directors

- (a) The purpose of this Mandate is to assist the Board in the exercise of its duties. By virtue of approving this Mandate, the Board affirms its ongoing responsibility for the stewardship of Parex Resources Inc. (the "**Corporation**").

#### 2. Purpose of the Board of Directors

- (a) The primary responsibility of the Board of Directors (the "**Board**") is to foster the long-term success of the Corporation consistent with the Board's responsibilities to the shareholders.
- (b) The Board has the responsibility to oversee the conduct of the business of the Corporation and to oversee Management which is responsible for the day-to-day conduct of business. In performing its functions, the Board also considers the legitimate interests which other stakeholders such as employees, regulators, surface rights owners, aboriginals, industry associations, suppliers, customers and communities may have in the Corporation. In overseeing the conduct of the business, the Board, through the Chief Executive Officer, shall set the standards of conduct for the Corporation.
- (c) The Board has the statutory authority and obligation to protect and enhance the assets of the Corporation, and the Directors are charged with protecting the interests of all shareholders, both present and future, of the Corporation.

#### 3. General Legal Obligations of the Board

- (a) Alberta law identifies the following as legal requirements for the Board:
  - (i) To oversee the management of the business and affairs of the Corporation.
  - (ii) To act honestly and in good faith with a view to the best interests of the Corporation.
  - (iii) To exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.
- (b) The Board is responsible for directing Management to ensure that legal requirements have been met, and that documents and records have been properly prepared, approved and maintained.

#### 4. Procedures and Organization

The Board operates by delegating certain of its authorities, including spending authorizations, to management and by reserving certain powers to itself. The current spending authorizations have been put in place by the Board through passage of a resolution delegating authority to the Chief Executive Officer.

- (a) The Board retains the responsibility for managing its own affairs including:
  - (i) Selecting the Chair, or an acting Chair, if the Chair is absent from the meeting.
  - (ii) Nominating candidates for election to the Board.
  - (iii) Constituting committees to the Board.
  - (iv) Recommending director compensation.
- (b) Subject to the Articles of the Corporation and the *Business Corporations Act* (Alberta), the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

## **5. Expectations of Management**

- (a) The Board expects management to work diligently towards enhancing the Corporation's performance by ensuring that existing operations are managed prudently and that new business development opportunities are sought.
- (b) The Board expects management to provide the Board with all pertinent information regarding the operations and corporate development activities of the Corporation in order for the Board to properly assess whether the Corporation's goals are being met. Management is expected to provide as much information as is required or requested so that the Board can participate actively in important discussions on the Corporation's future, strategic planning and performance assessments. The Board expects management to be completely forthcoming with respect to its assessment of opportunities and performance to allow the Board to make reasoned decisions.

## **6. Board Size**

- (a) The Board shall consist of such number of directors within the range set forth in the Corporation's articles of incorporation as the Board deems appropriate in order to facilitate effective decision-making. The Board delegates to the Corporate Governance, Compensation and Human Resources Committee the responsibility of considering and making recommendations to the Board with respect to the appropriate Board size.

## **7. Independence**

- (a) In that the Board must develop and voice objective judgment on corporate affairs, independently of Management, practices promoting Board independence will be pursued. This includes constituting the Board with a majority of independent directors (as defined in National Instrument 52-110 – Audit Committees). Certain tasks suited to independent judgments will be delegated to specialized Board Committees that are comprised mainly of independent Directors wherever possible. The Board will develop broad standards to determine whether Directors are independent. The Board will disclose both the standards and the annual determinations as required by law.
- (b) The Board will be responsible for having the independent directors conduct a session without the presence of Management at all regularly scheduled Board meetings.

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

## **8. Nomination**

- (a) The Board shall, prior to nominating any directors on behalf of the Corporation:
  - (i) Consider what competencies and skills the Board, as a whole, should possess; and
  - (ii) Assess what competencies and skills each existing director possesses.

In carrying out these functions, the Board shall consider the advice and input of the Corporate Governance, Compensation and Human Resources Committee.

## **9. Duties and Responsibilities**

In keeping with generally accepted corporate governance practices and, as part of the overall stewardship responsibility, the Board explicitly assumes responsibility for the following:

### **(a) Selection of Management & Succession Planning**

The Board has the responsibility to:

- (i) Appoint and replace the Chief Executive Officer ("CEO"), to monitor CEO performance, to approve CEO compensation and to provide advice and counsel to the CEO in the execution of the CEO's duties.
- (ii) Be responsible for plans being made for management succession and development.

**(b) Oversight of Management**

- (i) Assess each Officer's contribution to the implementation and achievement of the Corporation's strategic plan measured by performance against objectives established by the Board.
- (ii) Establish a formal process for determining the Officers' compensation, in part, by using established criteria and objectives for measuring performance.
- (iii) Acting upon the advice of the CEO, and the recommendation of the Corporate Governance, Compensation and Human Resources Committee, the Board has the responsibility to approve the appointment and remuneration of all corporate officers.

**(c) Strategic Operating and Capital Plans**

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

The Board has the responsibility to:

- (1) Oversee the development and approval of the mission of the Corporation.
- (2) Review, with Management, and approve the strategic plan for the Corporation.
- (3) Approve the annual operating and capital plans and budgets.
- (4) Approve material or significant acquisitions.
- (5) Review progress in respect to the achievement of the goals and objectives established in the strategic, operating and capital plans.
- (6) Be responsible for Management ensuring it has identified the principal risks of the Corporation's business and has taken reasonable steps to ensure that Management has implemented appropriate systems to effectively monitor and manage these risks with a view to the long-term viability of the Corporation and its assets, and that it conduct an annual review of the associated risks.
- (7) Be responsible for congruence between the strategic plan, stakeholder expectations and Management's performance.

**(d) Policies and Procedures**

The Board has the responsibility to:

- (1) Approve and monitor compliance with all significant policies and procedures which govern the Corporation's operations.
- (2) Direct Management to implement systems which are designed to ensure that the Corporation operates at all times within applicable laws and regulations, and to the highest ethical, social and moral standards.

**(e) Monitoring and Acting**

The Board has the responsibility to:

- (1) Monitor the Corporation's progress towards its goals and objectives, and to revise and alter its direction through Management in light of changing circumstances.
- (2) Approve any payment of dividends and new financings.
- (3) Direct Management to ensure systems are in place for the implementation and integrity of the Corporation's internal control and management information systems.
- (4) Be responsible for having an audit process in place for the Corporation, which can inform the Board of the integrity of the financial data and compliance of the financial information with generally accepted accounting principles.
- (5) Implement adequate measures for receiving feedback from the Corporation's stakeholders.

**(f) Compliance Reporting and Corporate Communications**

The Board has the responsibility to:

- (1) Oversee that the financial performance of the Corporation is adequately reported to shareholders, other security holders and regulators on a timely and regular basis.
- (2) Oversee that the Corporation's financial results are reported fairly and in accordance with generally accepted accounting principles.
- (3) Oversee that procedures are in place to effect the timely reporting of any other developments that have a significant and material impact on the value of the Corporation.
- (4) Oversee that the corporate oil and gas reserve report fairly represents the quantity and value of corporate reserves in accordance with generally accepted engineering principles.
- (5) Report annually to shareholders on the Board's stewardship for the preceding year (the Annual Report).
- (6) Oversee that the Corporation has in place a policy to enable the Corporation to communicate effectively with its shareholders and the public generally.

**10. Meetings**

- (a) The Board shall meet at least once in each fiscal quarter, either in person or by round robin. Additional meetings can be scheduled as required, at the discretion of the Board. Each director has a responsibility to attend and participate in Board meetings. Telephonic attendance is permissible with approval from the Chairman.
- (b) At each Board meeting, there shall be a private session of the independent directors from which the non-independent directors will be excused.

**11. Legal Requirements**

The Board is responsible for overseeing adherence to routine legal requirements and that documents and records have been properly prepared, approved and maintained by the Corporation.

**12. Mandate Review**

The Board will 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.

**APPENDIX B**  
**OPTION PLAN**

**PAREX RESOURCES INC.  
STOCK OPTION PLAN**

**1. PURPOSE OF THE PLAN**

1.1 The purpose of the Plan is to provide certain directors, officers and employees of the Corporation or a Subsidiary with an opportunity to purchase Shares and to benefit from the appreciation thereof. This will provide an increased incentive for these directors, officers, employees to contribute to the future success and prosperity of the Corporation, thus enhancing the value of the Shares for the benefit of all the shareholders and increasing the ability of the Corporation to attract and retain individuals of exceptional skill.

**2. DEFINED TERMS**

2.1 Where used herein, the following terms shall have the following meanings, respectively:

- (a) **"Blackout Period"** means the period of time when, pursuant to any policies of the Corporation, any securities of the Corporation may not be traded by certain persons as designated by the Corporation, including any holder of an Option;
- (b) **"Board"** means the board of directors of the Corporation;
- (c) **"Change of Control"** means any of the following:
  - (i) the purchase or acquisition of any Voting Shares or Convertible Securities by a Holder which results in the Holder beneficially owning, or exercising control or direction over, Voting Shares or Convertible Securities such that, assuming only the conversion of Convertible Securities beneficially owned or over which control or direction is exercised by the Holder, the Holder would beneficially own, or exercise control or direction over, Voting Shares carrying the right to cast more than 50% of the votes attaching to all Voting Shares, but excluding any issue or sale of Voting Shares of the Corporation to an investment dealer or group of investment dealers as underwriters or agents for distribution to the public either by way of prospectus or private placement; or
  - (ii) the Corporation completes an amalgamation, arrangement, merger or other consolidation or combination of the Corporation with another corporation which requires approval of the shareholders of the Corporation pursuant to its statute of incorporation and pursuant to which the shareholders of the Corporation immediately thereafter do not own shares of the successor or continuing corporation, which would entitle them to cast more than 50% of the votes attaching to all shares in the capital of the successor or continuing corporation, which may be cast to elect directors of that corporation; or
  - (iii) the election at a meeting of the Corporation's shareholders of that number of persons which would represent a majority of the Board, as directors of the Corporation who are not included in the slate for election as directors proposed to the Corporation's shareholders by the Corporation; or
  - (iv) the liquidation, dissolution or winding-up of the Corporation; or
  - (v) the sale, lease or other disposition of all or substantially all of the assets of the Corporation; or
  - (vi) the completion of any transaction or the first of a series of transactions which would have the same or similar effect as any transaction or series of transactions referred to in subsections (i), (ii), (iii), (iv) and (v) referred to above; or
  - (vii) a determination by the Board that there has been a change, whether by way of a change in the holding of the Voting Shares of the Corporation, in the ownership of the Corporation's assets or by

any other means, as a result of which any person or group of persons acting jointly or in concert is in a position to exercise effective control of the Corporation;

- (d) **"Convertible Securities"** means any securities convertible or exchangeable into Voting Shares or carrying the right or obligation to acquire Voting Shares;
- (e) **"Corporation"** means Parex Resources Inc., and includes any successor corporation thereof;
- (f) **"Disinterested Shareholder Approval"** means approval by a majority of the votes cast by all shareholders of the Corporation at a meeting of shareholders of the Corporation, excluding votes attaching to Shares beneficially owned by: (i) Insiders to whom Options may be granted under this Plan; and (ii) Associates (as defined in the policies of the Exchange) of persons referred to in (i);
- (g) **"Effective Date"** has the meaning ascribed thereto in Article 21 hereof;
- (h) **"Exchange"** means the TSX or, if the Shares are not then listed and posted for trading on the TSX, on such stock exchange in Canada on which such shares are listed and posted for trading as may be selected for such purpose by the Board;
- (i) **"Exercise Price"** means the price per share at which Shares may be purchased under the Option, as the same may be adjusted in accordance with Articles 4 and 6 hereof;
- (j) **"Holder"** means a person, a group of persons or persons acting jointly or in concert or persons associated or affiliated, within the meaning of the *Business Corporations Act* (Alberta), with any such person, group of persons or any of such persons acting jointly or in concert;
- (k) **"Insider"** means an insider as defined in subsection 1(aa) of the *Securities Act* (Alberta) and includes an associate, as defined in subsection 1(c) of the *Securities Act* (Alberta), as such provisions are from time to time amended, varied or re enacted, of any insider;
- (l) **"Investor Relations Activities"** means any activities, by or on behalf of the Corporation or a shareholder of the Corporation, that promote or reasonably could be expected to promote the purchase or sale of securities of the Corporation, but does not include:
  - (i) the dissemination of information provided, or records prepared, in the ordinary course of business of the Corporation:
    - (A) to promote the sale of products or services of the Corporation; or
    - (B) to raise public awareness of the Corporation;that cannot reasonably be considered to promote the purchase or sale of securities of the Corporation;
  - (ii) activities or communications necessary to comply with the requirements of:
    - (A) applicable securities laws; or
    - (B) Exchange Requirements (as defined in the policies of the Exchange) or the by-laws, rules or other regulatory instruments of any other self regulatory body or exchange having jurisdiction over the Corporation;
  - (iii) communications by a publisher of, or writer for, a newspaper, magazine or business or financial publication, that is of general and regular paid circulation, distributed only to subscribers to it for value or to purchasers of it, if:

- (A) the communication is only through the newspaper, magazine or publication; and
  - (B) the publisher or writer receives no commission or other consideration other than for acting in the capacity of publisher or writer; or
- (iv) activities or communications that may be otherwise specified by the Exchange.
- (m) "**Market Price**" means the closing trading price per Share on the TSX (or if the Shares are not listed on the TSX, on such stock exchange as the Shares are then traded) on the last trading day preceding: (i) the issuance of a news release in respect of the Option grant, or (ii) if a news release is not issued announcing the Option grant, the date of grant, or, if the Shares are not listed on any stock exchange, a price determined by the Board;
- (n) "**Option**" means an option to purchase Shares granted by the Board to certain directors, officers, employees of the Corporation or a Subsidiary, subject to the provisions contained herein;
- (o) "**Participants**" means certain directors, officers, *bona fide* employees of the Corporation or a Subsidiary to whom Options are granted and which Options or a portion thereof remain unexercised, and where applicable, former directors, officers or *bona fide* employees of the Corporation or a Subsidiary deemed eligible to continue to participate in the Plan in accordance with Article 8 hereof;
- (p) "**Plan**" means the stock option plan of the Corporation, as the same may be amended or varied from time to time;
- (q) "**Retirement**" means:
- (i) the date that a Participant who is an officer or *bona fide* employee of the Corporation or a Subsidiary reaches the age of sixty (60) and voluntarily ceases to be an officer or *bona fide* employee of the Corporation or a Subsidiary, provided that the Participant: (A) has, at such time, provided continuous services to the Corporation or a Subsidiary for a minimum of ten (10) years or since November 2, 2009; (B) has provided the Corporation with six (6) months prior written notice of the Participant's intention to retire; and (C) is offered by the Corporation the opportunity to and enters into an agreement (which shall include non-competition and non-solicitation covenants and the consequences of breaching such covenants including the immediate termination of all outstanding Options notwithstanding the provisions of Section 8.3 in respect of such Retirement) with the Corporation respecting such Participant's retirement from any employment with the Corporation or a Subsidiary in a form that is acceptable to the Corporation (a "**Retirement Agreement**"); or
  - (ii) such other meaning as the Chief Executive Officer of the Corporation in the case of a Participant who is not an officer of the Corporation or a Subsidiary, and the Board in all other cases, may determine from time to time;
- (r) "**Shares**" means the common shares in the capital of the Corporation or, in the event of an adjustment contemplated by Article 6 hereof, such other Shares to which a Participant may be entitled upon the exercise of an Option as a result of such adjustment;
- (s) "**Subsidiary**" has the meaning ascribed thereto in the *Securities Act* (Alberta) as from time to time amended, supplemented or re-enacted;
- (t) "**Take-over Proposal**" means (i) any proposal or offer by a third person, whether or not subject to a due diligence condition and whether or not in writing, to acquire in any manner, directly or indirectly, beneficial ownership of or control or direction over more than 50% of the Corporation's outstanding Voting Shares whether by way of arrangement, amalgamation, merger, consolidation or other business combination, including any single or multi-step transaction or series of related transactions that is

structured to permit such third person to acquire in any manner, directly or indirectly, more than 50% of its outstanding Voting Shares, or (ii) any proposal, offer or agreement for a merger, consolidation, amalgamation, arrangement, recapitalization, liquidation, dissolution, reorganization into a royalty trust or income fund or similar transaction or other business combination involving the Corporation;

- (u) "TSX" means the Toronto Stock Exchange; and
- (v) "Voting Shares" means any securities of the Corporation ordinarily carrying the right to vote at elections of directors.

### **3. ADMINISTRATION OF THE PLAN**

3.1 The Plan shall be administered by the Board. The Corporation shall effect the grant of Options under the Plan, in accordance with determinations made by the Board pursuant to the provisions of the Plan as to:

- (a) the directors, officers and employees of the Corporation and, if applicable, any Subsidiaries to whom Options will be granted; and
- (b) the number of Shares which shall be the subject of each Option;

by the execution and delivery of instruments in writing in the form approved by the Board.

3.2 The Board may, from time to time, adopt such rules and regulations for administering the Plan as it may deem proper and in the best interests of the Corporation and may, subject to applicable law, delegate its powers hereunder to administer the Plan to a committee of the Board.

### **4. GRANTING OF OPTIONS**

4.1 The Board from time to time shall grant Options to certain directors, officers and employees of the Corporation or a Subsidiary. The grant of Options will be subject to the conditions contained herein and may be subject to additional conditions determined by the Board from time to time.

4.2 The aggregate maximum number of Shares that may be issued pursuant to the exercise of Options awarded under the Plan and all other share compensation arrangements of the Corporation is 9 % of the Shares outstanding from time to time, subject to the following limitations:

- (a) the aggregate number of Shares reserved for issuance to any one person under the Plan, together with all other share compensation arrangements of the Corporation, within a 12-month period, must not exceed 5% of the outstanding issue of Shares (on a non diluted basis);
- (b) the aggregate number of Shares reserved for issuance to any one Insider pursuant to the Plan, together with all other share compensation arrangements of the Corporation, must not exceed 5% of the outstanding issue of Shares;
- (c) the aggregate number of Shares issued to Insiders pursuant to the Plan, together with all other share compensation arrangements of the Corporation, within a 12-month period, must not exceed 9 % of the outstanding issue of Shares;
- (d) the aggregate number of Shares reserved for issuance to Insiders pursuant to the Plan, together with all other share compensation arrangements, at any time, must not exceed 9 % of the issue of Shares;
- (e) the aggregate number of Shares reserved for issuance pursuant to the Plan to any one Participant employed to provide Investor Relations Activities within a 12-month period, must not exceed 2% of the outstanding issue of Shares;

- (f) the aggregate number of Shares reserved for issuance to all non-management directors pursuant to the Plan cannot exceed 1.0% of the outstanding issue of Shares; and
- (g) the aggregate value of all Options (calculated as of the date of grant) granted pursuant to the Plan to any non-management director, after the Effective Date, cannot exceed \$100,000 in any 12 month period.

The Shares in respect of which Options are not exercised shall be available for subsequent Options. The "reloading" of Options (as described in the Toronto Stock Exchange Staff Notice #2004 0002) is permitted under the Plan. This prescribed maximum may be subsequently increased to any other specified amount, provided the change is authorized by a vote of the shareholders of the Corporation. If any Options granted under this Plan shall expire, terminate or be cancelled for any reason without having been exercised in full, any unpurchased Shares to which such Options relate shall be available for the purposes of the granting of further Options under this Plan. No fractional shares may be purchased or issued hereunder.

4.3 Subject to the policies of the TSX, the Exercise Price of any Option shall be fixed by the Board when such Option is granted, provided that such price shall not be less than the Market Price of the Shares. The Exercise Price as calculated above is intended to be the fair market value of the Shares at the date of grant and, subject to the approval of the Board, the Exchange and the shareholders of the Corporation (where required), the Exercise Price may be adjusted if necessary to achieve that result. Disinterested Shareholder Approval will be required for the reduction of the Exercise Price of any Options held by persons who are Insiders of the Corporation at the time of the proposed amendment.

4.4 The term of Options granted shall be determined by the Board in its discretion, to a maximum of five years from the date of the grant of the Option. The vesting period or periods within this period during which an Option or a portion thereof may be exercised by a Participant shall be determined by the Board. In the absence of any determination by the Board as to vesting, vesting shall be as to one-third on each of the first, second and third anniversaries of the date of grant. Further, the Board may, in its sole discretion at any time or in the Option agreement in respect of any Options granted, accelerate or provide for the acceleration of, vesting of Options previously granted. In the case of options granted on February 29th of any year, the "anniversary date" shall be deemed to be February 28th of each of the subsequent years.

4.5 If the original expiry date of any Option (the "**Restricted Options**") falls within any Blackout Period or within 10 business days (being a day other than a Saturday, Sunday or other than a day when banks in Calgary, Alberta are not generally open for business) following the end of any Blackout Period, then the expiry date of such Restricted Options shall, without any further action, be extended to the date that is 10 business days following the end such Blackout Period. The foregoing extension applies to all Options whatever the date of grant and shall not be considered an extension of the term of the Options as referred to in Section 10 hereof.

## **5. EXERCISE OF OPTION**

5.1 Subject to the Plan, an optionee (or his or her legal personal representative) may exercise an Option from time to time by the delivery to the Corporation, at its head office in Calgary, Alberta, or as otherwise directed by the Corporation, of a written notice of exercise ("**Exercise Notice**") specifying the number of Shares with respect to which the Option is being exercised and accompanied by payment in full in cash of the purchase price of the Shares then being purchased. Upon exercise of the Option, the Corporation will cause to be delivered to the optionee a certificate or certificates, representing such Shares in the name of the optionee or the optionee's legal personal representative or otherwise as the optionee may or they may in writing direct. Unless otherwise authorized by the Board and permitted by the Exchange, no financial assistance shall be provided by the Corporation to any optionee to facilitate the exercise of Options granted pursuant to the Plan.

## **6. ADJUSTMENTS IN SHARES**

6.1 Appropriate adjustments in the number of Shares subject to the Plan and, as regards Options granted or to be granted, in the number of Shares optioned and in the Exercise Price, shall be made by the Board to give effect to adjustments in the number of Shares resulting from subdivisions, consolidations or reclassifications of

the Shares, the payment of stock dividends by the Corporation (other than dividends in the ordinary course) or other relevant changes in the authorized or issued capital of the Corporation, which changes occur subsequent to the approval of the Plan by the Board.

6.2 Options granted to Participants hereunder are non-assignable and non-transferable, except in the case of the death of a Participant (which is provided for in Section 8), and are exercisable only by the Participant to whom the Option has been granted.

## **7. DECISIONS OF THE BOARD**

7.1 All decisions and interpretations of the Board respecting the Plan or Options granted thereunder shall be conclusive and binding on the Corporation and the Participants and their respective legal personal representatives and on all directors, officers and employees eligible under the provisions of the Plan to participate therein.

## **8. TERMINATION OF EMPLOYMENT/DEATH**

8.1 Unless otherwise provided in the agreement evidencing the grant of Options, Options shall terminate at the earlier of (the "**Termination Date**"): (i) the close of business 90 days after the optionee ceasing (other than by reason of death or Retirement but including termination with or without cause) to be at least one of an officer, director or employee of the Corporation or a Subsidiary of the Corporation, as the case may be; (ii) the close of business 90 days after the optionee has been provided with written notice of dismissal related to (i) above; and (iii) the original expiry date of the Option, provided that the number of Shares that the optionee shall be entitled to purchase until the Termination Date shall be the number of Shares which the optionee was entitled to purchase on the date the optionee ceased to be an officer, director or employee of the Corporation or a Subsidiary of the Corporation, as the case may be.

8.2 If before the expiry of an Option in accordance with the terms thereof a Participant ceases to be an employee, officer or director by reason of the death of the Participant, any unvested portion of such Option shall immediately vest. In addition, such Option may, subject to the terms thereof and any other terms of the Plan, be exercised by the legal personal representative(s) of the Participant's estate at any time before 5:00 p.m. Calgary time up to one year after the date of death of the Participant, or until the original expiry date of the Option, if earlier.

8.3 If before the expiry of an Option in accordance with the terms thereof a Participant ceases to be an employee or officer of the Corporation or a Subsidiary of the Corporation, as the case may be, as a result of the Participant's Retirement, then the terms, including, with restriction, the Termination Date, of all Options held by such Participant shall not change as a result of such Retirement, subject to the terms of the Retirement Agreement entered into by the Participant and the Corporation.

8.4 The Plan does not confer upon a Participant any right with respect to continuation of employment by the Corporation or any Subsidiary, nor does it interfere in any way with the right of the Participant, the Corporation or the Subsidiary to terminate the Participant's employment at any time.

8.5 Options shall not be affected by any change of employment of the Participant where the Participant continues to be employed by the Corporation or any of its Subsidiaries.

## **9. CHANGE OF CONTROL**

9.1 In the event of a Change of Control occurring, all Options which have not otherwise vested in accordance with their terms shall immediately vest and be exercisable, notwithstanding the other terms of the Options or the Plan for a period of time ending on the earlier of the expiry time of the Option and the thirtieth (30th) day following the Change of Control.

9.2 If approved by the Board, Options may provide that, whenever the Corporation's shareholders receive a Take-over Proposal, such Option may be exercised as to all or any of the Shares in respect of which such

Option has not previously been exercised (including in respect of Options not otherwise vested at such time) by the Participant (the "**Take-over Acceleration Right**"), but any such Option not otherwise vested and deemed only to have vested in accordance with the foregoing may only be exercised for the purposes of tendering to such Take-Over Proposal. If for any reason any such Shares are not so tendered or, if tendered, are not, for any reason taken up and paid for by the offeree pursuant to the Take-Over Proposal, any such Shares so purchased by the Participant shall be and shall be deemed to be cancelled and returned to the treasury of the Corporation, and shall be added back to the number of Shares, if any, remaining unexercised under the Option (and shall thus be available for exercise of the Option in accordance with the terms thereof) and upon presentation of the Corporation of share certificates representing such Shares properly endorsed for transfer back to the Corporation, the Corporation shall refund to the Participant all consideration paid by him or her in the initial purchase thereof. The Take-over Acceleration Right shall commence at such time as is determined by the Board, provided that, if the Board approves the Take-over Acceleration Right but does not determine commencement and termination dates regarding same, the Take-over Acceleration Right shall commence on the date of the Take-over Proposal and end on the earlier of the expiry time of the Option and the tenth (10th) day following the expiry date of the Take-over Proposal. Notwithstanding the foregoing, the Take-over Acceleration Right may be extended for such longer period as the Board may resolve.

## **10. AMENDMENT OR DISCONTINUANCE OF PLAN**

10.1 This Plan and any Options granted pursuant to the Plan may be amended, modified or terminated by the Board without approval of the shareholders subject to any required approval of the Exchange. Notwithstanding the foregoing, the Plan or any Options may not be amended without shareholder approval to:

- (a) increase the number of Shares reserved for issuance under the Plan or the Plan maximum pursuant to Section 4 hereof;
- (b) reduce the Exercise Price of any Option granted pursuant to the Plan;
- (c) extend the term of any outstanding Options beyond the original expiry date of the Option, other than as permitted pursuant to the Plan;
- (d) amend Section 4.2(f) or (g) to increase the entitlements of non-management directors under the Plan;
- (e) permit a Participant to transfer or assign Options to a new beneficial holder, other than for estate settlement purposes;
- (f) any amendment to increase the number of Shares that may be issued to Insiders above the restrictions contained in Section 4; or
- (g) amend this Section 10.1.

In addition, no amendment to the Plan or Options granted pursuant to the Plan may be made without the consent of the Participant, if it adversely alters or impairs the rights of any Participant in respect of any Option previously granted to such Participant under the Plan.

10.2 Notwithstanding any other provision in the Plan, the Plan or any Options may not be amended without shareholder approval to cancel any Options and issue the holder of such Options a new option or other entitlement in replacement thereof or to amend this Section 10.2.

## **11. GOVERNMENT REGULATION**

11.1 The Corporation's obligation to issue and deliver Shares under any Option is subject to:

- (a) the satisfaction of all requirements under applicable securities laws in respect thereof and obtaining all regulatory approvals as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;

- (b) the admission of such Shares to listing on any Exchange on which such Shares may then be listed; and
- (c) the receipt from the Participant of such representations, agreements and undertakings as to future dealings in such Shares as the Corporation determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

In this connection, the Corporation shall take all reasonable steps to obtain such approvals and registrations as may be necessary for the issuance of such Shares in compliance with applicable securities laws and for the listing of such Shares on any Exchange on which such Shares are then listed.

## **12. PARTICIPANTS' RIGHTS**

12.1 A Participant shall not have any rights as a shareholder of the Corporation until the issuance of a certificate for Shares upon the exercise of an Option or a portion thereof, and then only with respect to the Shares represented by such certificate or certificates.

## **13. OPTION AGREEMENT**

13.1 The Option agreement between the Corporation and each Participant to whom an Option is granted hereunder will be in writing and will set out the number of Shares subject to option, the Exercise Price, the vesting dates, the expiry date and any other terms approved by the Board, all in accordance with the provisions of this Plan. The agreement will be in such form as the Board may from time to time approve or authorize the officers of the Corporation to enter into and may contain such terms as may be considered necessary in order that the Option will comply with any provisions respecting options under the income tax or other applicable or relevant laws in force in any country or jurisdiction of which the person to whom the Option is granted may from time to time be a resident or citizen or the rules of any regulatory body having jurisdiction over the Corporation.

## **14. INDEPENDENT ADVICE**

14.1 Participants are encouraged to seek tax advice in respect of the grant and exercise of Options and the issuance of the resulting Shares.

## **15. HOLD PERIOD**

15.1 In addition to any resale restrictions imposed under applicable securities laws, if required by the Exchange or any other regulatory authority, Options granted under the Plan and Shares issued on exercise of such Options may be required to be legended evidencing that the Options and the Shares issued upon exercise of the Options are subject to a hold period or restricted period as required by the Exchange or other applicable regulatory authority and the optionee by accepting the Option agrees to comply therewith.

## **16. VOTING SHARES DULY ISSUED**

16.1 Shares issued upon the exercise of an Option granted hereunder will be validly issued and allotted as fully paid and non-assessable upon receipt by the Corporation of the Exercise Price therefore in accordance with the terms of the Option, and the issuance of Shares thereunder will not require a resolution or approval of the Board.

## **17. MERGERS, AMALGAMATION AND SALE**

17.1 If the Corporation shall become merged (whether by plan of arrangement or otherwise) or amalgamated in or with another corporation or entity or shall sell the whole or substantially the whole of its assets and undertakings for shares or securities of another corporation or other entity, the Corporation shall, subject to this Section 17, make provision that, upon exercise of an Option after the effective date of such merger, amalgamation or sale, the optionee shall receive such number of shares of the continuing successor corporation or other entity in such merger or amalgamation or the securities or shares of the purchasing corporation or other entity as the optionee would have received as a result of such merger, amalgamation or sale if the optionee had purchased the shares of the

Corporation immediately prior thereto for the same consideration paid on the exercise of the Option and had held such shares on the effective date of such merger, amalgamation or sale and, upon such provision being made, the obligation of the Corporation to the optionee in respect of the Shares subject to the Option shall terminate and be at an end and the optionee shall cease to have any further rights in respect thereof. Adjustments under this section or any determinations as to fair market value of any securities shall be made by the Board, and any reasonable determination made by the Board shall be binding and conclusive.

## **18. OPTIONS TO COMPANIES**

18.1 The provisions herein in respect of the grant of Options shall apply, with appropriate modifications, to the grant of Options to a company either: (i) wholly-owned by any person whom Options may otherwise be granted hereunder; or (ii) controlled by any person to whom Options may otherwise be granted hereunder (and the shares of which are held directly or indirectly by any such person and such person's spouse, minor children and/or minor grandchildren), subject to any requirements of any applicable regulatory authority having jurisdiction, including any Exchange.

## **19. TAX WITHHOLDING**

19.1 The Corporation shall have the power and the right to deduct or withhold, or require a Participant to remit to the Corporation, the required amount to satisfy federal, provincial, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of the Plan, including the grant or exercise of Options granted under the Plan. With respect to required withholding, the Corporation shall have the irrevocable right to, and the Participant consents to, the Corporation setting off any amounts required to be withheld, in whole or in part, against amounts otherwise owing by the Corporation to the Participant (whether arising pursuant to the Participant's relationship as a director, officer or employee of the Corporation or as a result of the Participant providing services on an ongoing basis to the Corporation or otherwise), or may make such other arrangements satisfactory to the Participant and the Corporation. In addition, the Corporation may elect, in its sole discretion, to satisfy the withholding requirement, in whole or in part, by withholding such number of Shares as it determines are required to be sold by the Corporation, as trustee, to satisfy the withholding obligation net of selling costs. The Participant consents to such sale and grants to the Corporation an irrevocable power of attorney to effect the sale of such Shares and acknowledges and agrees that the Corporation does not accept responsibility for the price obtained on the sale of such Shares.

## **20. NO GUARANTEES REGARDING TAX TREATMENT**

20.1 Participants (or their beneficiaries) shall be responsible for all taxes with respect to any Options under the Plan, whether arising as a result of the grant or exercise of Options or otherwise. The Board and the Corporation make no guarantees to any person regarding the tax treatment of Options or payments made under the Plan and none of the Corporation, nor any of its employees or representatives shall have any liability to a Participant with respect thereto.

## **21. EFFECTIVE DATE**

21.1 This Plan is effective as of October 30, 2009, as amended effective November 9, 2011, as further amended effective March 14, 2014 (the "**Effective Date**"), as further amended effective May 13, 2014, March 7, 2017 and April 3, 2017, and as amended from time to time thereafter.

**APPENDIX C**  
**AMENDED DSU PLAN**

**PAREX RESOURCES INC.**

**DEFERRED SHARE UNIT PLAN**

**ARTICLE 1  
INTRODUCTION**

**1.1 Purpose**

The purpose of this Deferred Share Unit Plan is to provide non-employee directors of Parex Resources Inc. (the "**Corporation**") with the opportunity to acquire Deferred Share Units (as defined herein) of the Corporation in order to allow them to participate in the long-term success of the Corporation and to promote a greater alignment of their interests with the interests of the Corporation's shareholders.

**ARTICLE 2  
INTERPRETATION**

**2.1 Definitions**

For purposes of the Plan:

- (a) "**Account**" means an account maintained by the Corporation for each Participant and which will be credited by means of a book-keeping entry with DSUs that are granted in accordance with the terms of this Plan and the DSU Agreements;
- (b) "**Applicable Withholding Amounts**" is defined in Section 4.7(a) of the Plan;
- (c) "**Board**" means the Board of Directors of the Corporation as may be constituted from time to time;
- (d) "**Cash Payment**" is defined in Section 4.7(a) of the Plan;
- (e) "**Committee**" means the Corporate Governance, Compensation and Human Resources Committee of the Board or such other committee of the Board as may be appointed by the Board to administer the Plan, provided, however, that if no such committee is in existence at any particular time and the Board has not appointed another committee of the Board to administer the Plan, all references in the Plan to "Committee" shall at such time be in reference to the Board;
- (f) "**Corporation**" means Parex Resources Inc. and includes any successor corporation;
- (g) "**Deferred Share Unit**" or "**DSU**" means a unit equivalent in value to a Share, credited by means of a bookkeeping entry in the books of the Corporation in accordance with Article 4;
- (h) "**Distribution Date**" is defined in Section 4.6 of the Plan;
- (i) "**Distribution Value**" means, with respect to each Deferred Share Unit credited to a Participant's Account, the Fair Market Value per Share;
- (j) "**Dividend Equivalents**" means a bookkeeping entry whereby each Deferred Share Unit is credited with the equivalent amount of the dividend paid on a Share in accordance with Section 4.3;

- (k) **"Dividend Market Value"** means the Fair Market Value per Share on the dividend record date;
- (l) **"DSU Agreement"** is defined in Section 5.11 of the Plan;
- (m) **"Eligible Director"** means an individual who is, at the relevant time, a member of the Board but who is not also an employee of the Parex Group;
- (n) **"Exchange"** means the TSX or, if the Shares are not then listed and posted for trading on the TSX, such stock exchange on which such Shares are listed and posted for trading and on which the majority of the trading volume and value of such Shares occurs;
- (o) **"Fair Market Value"** with respect to a Share, as at any date, means the weighted average of the prices at which the Shares traded on the TSX (or, if the Shares are not then listed and posted for trading on the TSX or are then listed and posted for trading on more than one stock exchange, on such stock exchange on which the majority of the trading volume and value of the Shares occurs) for the five (5) trading days on which the Shares traded on the said exchange immediately preceding such date. In the event that the Shares are not listed and posted for trading on any stock exchange, the Fair Market Value shall be the fair market value of the Shares as determined by the Board in its sole discretion, acting reasonably and in good faith;
- (p) **"Insider"** has the meaning ascribed thereto in Part I of the TSX Company Manual, as amended from time to time;
- (q) **"Parex Group"** means collectively, the Corporation and any entity that is a Subsidiary of the Corporation from time to time, any entity that is related to the Corporation for purposes of the *Income Tax Act* (Canada), and any other entity designated by the Board from time to time as a member of the Parex Group for the purposes of this Plan (and, for greater certainty, including any successor entity of any of the aforementioned entities);
- (r) **"Participant"** means an Eligible Director who is granted DSU's in accordance with Section 4.1 hereof;
- (s) **"Person"** means any individual, sole proprietorship, partnership, firm, entity, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, fund, organization or other group of organized persons, government, government regulatory authority, governmental department, agency, commission, board, tribunal, dispute settlement panel or body, bureau, court, and where the context requires any of the foregoing when they are acting as trustee, executor, administrator or other legal representative;
- (t) **"Plan"** means this Deferred Share Unit Plan as amended, restated, supplemented or otherwise modified from time to time;
- (u) **"Security Based Compensation Arrangement"** has the meaning ascribed thereto in Part VI of the TSX Company Manual, as amended from time to time;
- (v) **"Separation Date"** means the date on which the Participant ceases to be a director of any member of, and is not at that time an employee or officer of any member of, the Parex Group;
- (w) **"Share"** means a common share of the Corporation or, in the event of an adjustment contemplated by Section 4.9, such other number or type of securities as the Committee may determine;

- (x) "**Subsidiary**" has the meaning ascribed thereto in the *Securities Act* (Alberta);
- (y) "**TSX**" means the Toronto Stock Exchange; and
- (z) "**TSX Company Manual**" means the Toronto Stock Exchange Company Manual, as amended from time to time.

## **2.2 Interpretation**

- (a) Words in the singular include the plural and words in the plural include the singular. Words importing male persons include female persons, corporations or other entities, as applicable. The headings in this document are for convenience and reference only and shall not be deemed to alter or affect any provision hereof. The words "hereto", "herein", "hereby", "hereunder", "hereof" and similar expressions mean or refer to this document as a whole and not to any particular Article, Section, paragraph or other part hereof.
- (b) Whenever the Board or, where applicable, the Committee or any sub-delegate of the Committee is to exercise discretion in the administration of the terms and conditions of this Plan, the term "discretion" means the sole and absolute discretion of the Board or the Committee or the sub-delegate of the Committee, as the case may be.
- (c) Unless otherwise specified, all references to money amounts are to Canadian currency.

## **ARTICLE 3 ADMINISTRATION OF THE PLAN**

### **3.1 Administration of the Plan**

- (a) Except for matters that are under the jurisdiction of the Board as specified under the Plan or as required by law and subject to Section 3.1(b), this Plan will be administered by the Committee and the Committee has sole and complete authority, in its discretion, to:
  - (i) interpret and construe any provision hereof and decide all questions of fact arising in their interpretation;
  - (ii) adopt, amend, suspend and rescind such rules and regulations for administration of this Plan as the Board may deem necessary in order to comply with the requirements of this Plan, or in order to conform to any law or regulation or to any change in any laws or regulations applicable thereto;
  - (iii) exercise rights reserved to the Corporation under the Plan;
  - (iv) take any and all actions permitted by this Plan;
  - (v) prescribe forms for notices to be prescribed by the Corporation under the Plan; and
  - (vi) make any other determinations and take such other action in connection with the administration of this Plan that it deems necessary or advisable.

The Committee's determinations and actions under this Plan are final, conclusive and binding on the Corporation, the Participants and all other Persons.

- (b) To the extent permitted by applicable law, the Committee may, from time to time, delegate to any specified officer of the Corporation all or any of the powers of the Committee. In such event, the specified officer will exercise the powers delegated to it by the Committee in the manner and on the terms authorized by the Committee. Any decision made or action taken by the specified officer arising out of or in connection with the administration or interpretation of this Plan in this context is final, binding and conclusive on the Corporation, the Participants and all other Persons.

### **3.2 Determination of Value if Shares Not Publicly Traded**

If the Shares are not publicly traded on the Exchange at the relevant time such that the Distribution Value and/or the Dividend Market Value cannot be determined in accordance with the definitions of those terms, such values shall be determined by the Committee acting in good faith, or in the absence of the Committee, by the Board acting in good faith.

### **3.3 Eligibility**

Any individual who at the relevant time is an Eligible Director is eligible to participate in the Plan. Eligibility to participate does not confer upon any individual a right to receive an award of Deferred Share Units pursuant to the Plan.

### **3.4 Exemption from Plan Participation**

Notwithstanding any other provision of the Plan, if a Participant is resident in a jurisdiction in which an award of Deferred Share Units under the Plan might be considered to be income which is subject to taxation at the time of such award, the Participant may elect not to participate in the Plan by providing a written notice to the Chief Financial Officer of the Corporation.

### **3.5 Discretionary Relief**

Notwithstanding any other provision hereof, the Board may, in its sole discretion, waive any condition set out herein if it determines that specific individual circumstances warrant such waiver.

## **ARTICLE 4 DEFERRED SHARE UNITS**

### **4.1 Grant of Deferred Share Units**

- (a) The Committee may, from time to time in its sole discretion, grant DSUs to Eligible Directors and upon such grant, such Eligible Directors shall become Participants in this Plan. In respect of each grant of DSUs, the Committee shall determine:
- (i) the number of DSUs allocated to the Participant; and
  - (ii) such other terms and conditions of the DSUs applicable to each grant.
- (b) The Corporation shall not make any grant of DSU's pursuant to the Plan unless and until such grant or issuance and delivery can be completed in compliance with all applicable laws, including tax regulations, and all other regulations, rules, orders of governmental or regulatory authorities and the requirements of all applicable stock exchanges upon which Shares are listed. The Corporation shall be obligated to take all reasonable action to comply with any such laws, regulations, rules, orders or requirements.

- (c) Certificates will not be issued to evidence DSUs. Book entry accounts, to be known as the "Deferred Share Unit Account" shall be maintained by the Corporation for each Participant and will be credited with DSUs granted to a Participant from time to time.
- (d) The term during which a DSU may be outstanding shall, subject to the provisions of this Plan requiring or permitting the acceleration or the extension of the term, be such period as may be determined from time to time by the Board or the Committee.

#### **4.2 Vesting**

Deferred Share Units will be fully vested upon being granted and credited to a Participant's Account.

#### **4.3 Credits for Dividends**

A Participant's Account shall be credited with Dividend Equivalents in the form of additional Deferred Share Units as of each dividend payment date in respect of which normal cash dividends are paid on the Shares. Such Dividend Equivalents shall be computed by dividing: (a) the amount obtained by multiplying the amount of the dividend declared and paid per Share by the number of Deferred Share Units recorded in the Participant's Account on the record date for the payment of such dividend, by (b) the Dividend Market Value, with fractions computed to three decimal places. The foregoing does not obligate the Corporation to declare or pay dividends on Shares and nothing in this Plan shall be interpreted as creating such an obligation.

#### **4.4 Limits on Issuances**

Notwithstanding any other provision of this Plan:

- (a) the number of Shares issuable to Insiders, at any time, under all Security Based Compensation Arrangements, shall not exceed 10.0% of the issued and outstanding Shares;
- (b) the number of Shares issued to Insiders, within any one year period, under all Security Based Compensation Arrangements, shall not exceed 10.0% of the issued and outstanding Shares; and
- (c) the aggregate value of all DSUs (calculated as of the date of grant) granted pursuant to this Plan to any non-management director cannot exceed \$150,000 in any 12 month period (excluding any DSU's granted in a one time initial grant to a non-management director upon appointment to the Board provided the value of the DSU's granted in any such initial grant is not in excess of \$150,000).

If the acquisition of Shares by the Corporation for cancellation should result in the foregoing tests no longer being met, this shall not constitute non-compliance with this Section 4.4 for any awards outstanding prior to such purchase of Shares for cancellation.

#### **4.5 Reporting of Deferred Share Units**

Statements of the Deferred Share Unit Accounts will be provided to Participants on an annual basis.

#### 4.6 Distribution Date Payment

A Participant shall receive a Cash Payment in respect of Deferred Share Units recorded in the Participant's Account in accordance with Section 4.7, on one of the following dates (the "**Distribution Date**"):

- (a) the Separation Date; or
- (b) such later date as the Participant may elect by written notice delivered to the Chief Financial Officer of the Corporation prior to the Separation Date, provided that in no event shall a Participant be permitted to elect a date which is later than December 1 of the calendar year following the calendar year in which the Separation Date occurs.

#### 4.7 Distribution of Deferred Share Units as Cash Payment

- (a) Subject to and in accordance with Section 4.7(b), a Participant shall receive a payment equal in value to the number of Deferred Share Units recorded in the Participant's Account on the Distribution Date multiplied by the Distribution Value of a Share on the Distribution Date (the "**Cash Payment**"). The Corporation is authorized to deduct from the Cash Payment an amount equivalent to the minimum amount of taxes and other minimum amounts as the Corporation may be required by law to withhold, as the Corporation determines (the "**Applicable Withholding Amounts**"). Upon payment in full of the value of the Deferred Share Units, less the Applicable Withholding Amounts, the Deferred Share Units shall be cancelled and no further payments shall be made to the Participant under the Plan.
- (b) The Cash Payment less any Applicable Withholding Amounts, will be paid to the Participant in cash within ten (10) business days after the Distribution Date, or in the event of the Participant's death, his beneficiary or legal representative in accordance with Section 4.8 herein.

#### 4.8 Death of Participant Prior to Distribution

Upon the death of a Participant prior to the distribution of the Deferred Share Units credited to the Account of such Participant under the Plan, a Cash Payment shall be made to the estate of such Participant on or about the thirtieth (30th) day after the Corporation is notified of the death of the Participant or on a later date elected by the Participant's estate in the form prescribed for such purposes by the Corporation and delivered to the Chief Financial Officer of the Corporation not later than twenty (20) days after the Corporation is notified of the death of the Participant, provided that such elected date is no later than the last business day of the calendar year following the calendar year in which the Participant dies so that payment can be made on or before such last business day. Such Cash Payment shall be equivalent to the amount which would have been paid to the Participant pursuant to and subject to Section 4.7, calculated on the basis that the day on which the Participant dies, or the date elected by the estate, as applicable, is the Distribution Date. Upon payment in full of the value of all of the Deferred Share Units that become payable under this Section 4.8, less any Applicable Withholding Amounts, the Deferred Share Units shall be cancelled and no further payments will be made from the Plan in relation to the Participant.

#### 4.9 Adjustments to Deferred Share Units

In the event: (a) of any change in the Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise; or (b) that any rights are granted to all or substantially all shareholders to purchase Shares at prices substantially below Fair Market Value as of the date of grant

(other than the payment of dividends in respect of the Shares as contemplated by Section 4.3); or (c) that, as a result of any recapitalization, merger, consolidation or other transaction, the Shares are converted into or exchangeable for any other securities or property, then the Board may make such adjustments to this Plan, the Account of each Participant, the DSU Agreements and the Deferred Share Units outstanding under this Plan as the Board may, in its sole discretion, consider appropriate in the circumstances to prevent dilution or enlargement of the rights granted to Participants hereunder, and the Participants shall be bound by any such determination.

#### **4.10 U.S. Taxpayers**

The rules set forth in Schedule A to this Plan apply to any Participant who is a U.S. Taxpayer (as defined therein) and form a part of this Plan.

#### **4.11 Taxes**

- (a) A Participant shall be solely responsible for reporting and paying income tax payable in respect of the Cash Payment received by the Participant under this Plan. The Corporation will provide each Participant who is resident in Canada with (or cause each Participant to be provided with) a T4 slip or such information return as may be required by applicable law to report income, if any, arising upon the grant or exercise of rights under this Plan by a Participant who is resident in Canada for income tax purposes.
- (b) Further to Section 4.7(a) of this Plan, the Corporation shall have the power and the right to deduct or withhold, or require (as a condition of exercise) a Participant to remit to the Corporation, the Applicable Withholding Amounts to satisfy, in whole or in part, federal, provincial, and local taxes, domestic or foreign, required by law to be withheld with respect to any taxable event arising as a result of this Plan, including the grant or exercise of Deferred Share Units granted under this Plan. With respect to Applicable Withholding Amounts, the Corporation shall have the irrevocable right to (and the Participant consents to the Corporation) setting off any amounts required to be withheld, in whole or in part, against amounts otherwise owing by the Corporation to such Participant (whether arising pursuant to the Participant relationship as an officer or employee of the Corporation or as a result of the Participant providing services on an ongoing basis to the Corporation or otherwise), or may make such other arrangements as are satisfactory to the Participant and the Corporation. Any reference in this Plan to the payment of cash is expressly subject to this paragraph 4.11(b).

### **ARTICLE 5 GENERAL**

#### **5.1 Amendment, Suspension, or Termination of Plan**

- (a) The Board may amend, suspend or terminate this Plan or any portion thereof and any DSU granted under it (together with any related DSU Agreement) at any time without prior notice. However, no such amendment, suspension or termination may materially adversely affect any DSU, or any rights pursuant thereto, granted previously to any Participant without the consent of that Participant.
- (b) Without limitation of Section 5.1(a), the Board may correct any defect or supply any omission or reconcile any inconsistency in this Plan in the manner and to the extent deemed necessary or desirable, may establish, amend, and rescind any rules and regulations relating to this Plan, and

may make such determinations as it deems necessary or desirable for the administration of this Plan.

- (c) If the Board terminates or suspends the Plan, previously credited DSUs may, at the Committee's election, be distributed to Participants or may remain outstanding and in effect in accordance with the terms of the Plan. If DSUs remain outstanding after Plan termination or suspension, such DSUs shall not be entitled to Dividend Equivalents unless at the time of termination or suspension the Committee determines that the entitlement to Dividend Equivalents after termination or during suspension, as applicable, should be continued. Subject to the foregoing sentence, if the Board terminates or suspends the Plan, no new Deferred Share Units will be credited to the Account of a Participant.
- (d) The Board shall not require the consent of any affected Participant in connection with a termination of the Plan in which a Cash Payment has been made to the Participant in respect of all such Deferred Share Units.
- (e) The Plan will terminate on the date upon which no further DSUs remain outstanding.

## **5.2 Compliance with Laws**

The administration of the Plan shall be subject to and made in conformity with all applicable laws and any applicable regulations of a duly constituted regulatory authority. Should the Committee, in its sole discretion, determine that it is not feasible or desirable to carry out a distribution of Deferred Share Units due to such laws or regulations, its obligation shall be satisfied by means of an equivalent cash payment (equivalence being determined on a before-tax basis). If the Committee determines that the consent or approval of any governmental body or stock exchange is necessary or desirable, as a condition of, or in connection with, the crediting of DSUs hereunder, the Corporation shall be under no obligation to credit DSUs hereunder unless and until such consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

## **5.3 Reorganization of the Corporation**

The existence of any Deferred Share Units shall not affect in any way the right or power of the Corporation or its shareholders to make or authorize any adjustment, recapitalization, reorganization or other change in the Corporation's capital structure or its business, or to create or issue any bonds, debentures, shares or other securities of the Corporation or to amend or modify the rights and conditions attaching thereto or to effect the dissolution or liquidation of the Corporation, or any amalgamation, combination, merger or consolidation involving the Corporation or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar nature or otherwise.

## **5.4 Assignment**

Rights and obligations under the Plan may be assigned by the Corporation to a successor in the business of the Corporation, any company resulting from any amalgamation, reorganization, combination, merger or arrangement of the Corporation, or any company acquiring all or substantially all of the assets or business of the Corporation.

### **5.5 DSUs Non-Transferable**

Except as required by law, the rights of a Participant hereunder are not capable of being assigned, transferred, alienated, sold, encumbered, pledged, mortgaged or charged and are not capable of being subject to attachment or legal process for the payment of any debts or obligations of the Participant.

### **5.6 Participation is Voluntary; No Additional Rights**

The participation of any Participant in the Plan is entirely voluntary and not obligatory and shall not be interpreted as conferring upon such Participant any rights or privileges other than those rights and privileges expressly provided in the Plan. In particular, participation in the Plan does not constitute a condition of employment or service nor a commitment on the part of the Corporation to ensure the continued employment or service of such Participant. Nothing in this Plan shall be construed to provide the Participant with any rights whatsoever to participate or continue participation in this Plan or to compensation or damages in lieu of participation, whether upon termination of service as an Eligible Director or otherwise. The Corporation does not assume responsibility for the personal income or other tax consequences for the Participants and they are advised to consult with their own tax advisors.

### **5.7 No Shareholder Rights**

Under no circumstances shall Deferred Share Units be considered Shares or other securities of the Corporation, nor shall they entitle any Participant to exercise voting rights or any other rights attaching to the ownership of Shares or other securities of the Corporation, nor shall any Participant be considered the owner of Shares by virtue of the award of Deferred Share Units.

### **5.8 Unfunded and Unsecured Plan**

Unless otherwise determined by the Board, the Plan shall be unfunded and the Corporation will not secure its obligations under the Plan. To the extent any Participant or his or her estate holds any rights by virtue of a grant of Deferred Share Units under the Plan, such rights (unless otherwise determined by the Board) shall be no greater than the rights of an unsecured creditor of the Corporation.

### **5.9 Market Fluctuations**

No amount will be paid to, or in respect of, a Participant under the Plan to compensate for a downward fluctuation in the price of Shares, nor will any other form of benefit be conferred upon, or in respect of, a Participant for such purpose. The Corporation makes no representations or warranties to Participants with respect to the Plan or the Shares whatsoever. In seeking the benefits of participation a Participant agrees to accept all risks associated with a decline in the market price of Shares.

### **5.10 Participant Information**

Each Participant shall provide the Corporation with all information (including personal information) required by the Corporation in order to administer the Plan. Each Participant acknowledges that information required by the Corporation in order to administer the Plan may be disclosed to the Board and other third parties in connection with the administration of the Plan. Each Participant consents to such disclosure and authorizes the Corporation to make such disclosure on the Participant's behalf.

**5.11 DSU Agreement**

To acquire DSUs, a Participant shall enter into an agreement with the Corporation in such form as determined by the Board from time to time (the "**DSU Agreement**"), within such time period and in such manner as specified by the Board. If a DSU Agreement is not entered into within the time and manner specified, the Corporation reserves the right to revoke the crediting of DSUs to the Participant's Account.

**5.12 Indemnification**

Every director of the Corporation will at all times be indemnified and saved harmless by the Corporation from and against all costs, charges and expenses whatsoever including any income tax liability arising from any such indemnification, that such director may sustain or incur by reason of any action, suit or proceeding, taken or threatened against the director, otherwise than by the Corporation, for or in respect of any act done or omitted by the director in respect of this Plan, such costs, charges and expenses to include any amount paid to settle such action, suit or proceeding or in satisfaction of any judgment rendered therein.

**5.13 Currency**

All amounts paid or values to be determined under this Plan shall be in Canadian dollars.

**5.14 Effective Date of the Plan**

This Plan is effective as of April 1, 2015, as amended effective March 7, 2017 and [●], 2017.

**5.15 Governing Law**

The Plan shall be governed by, and interpreted in accordance with, the laws of the Province of Alberta and the laws of Canada applicable therein, without regard to principles of conflict of laws.

## SCHEDULE A

### PLAN PROVISIONS APPLICABLE TO U.S. TAXPAYERS

The provisions of this Schedule "A" apply to Deferred Share Units held by a U.S. Taxpayer to the extent such Deferred Share Units are subject to U.S. Taxation. The following provisions apply, notwithstanding anything to the contrary in the Plan. All capitalized terms used in this Schedule "A" and not defined herein, shall have the meaning attributed to them in the Plan.

"**Section 409A**" means Section 409A of the United States Internal Revenue Code and the regulations and authority promulgated thereunder.

"**Separation Date**" shall mean the date on which the Participant incurs a "separation from service" within the meaning of Section 409A.

"**U.S. Taxpayer**" shall mean any person who is a U.S. citizen, U.S. permanent resident, or other person who has been granted or is eligible to be granted a Deferred Share Unit under the Plan that is otherwise subject to U.S. taxation.

1. Notwithstanding Section 3.4 of the Plan, each election by a U.S. Taxpayer not to participate in the Plan or to decline participation for a particular year, must be irrevocably made not later than the end of the calendar year prior to the year for which the Deferred Share Units are granted. Notwithstanding the prior sentence, for U.S. Taxpayers who become Eligible Directors for the first time in any calendar year, an election pursuant to Section 3.4 may be made at any time within 30 days after an initial grant of DSUs is made to such Eligible Director. Such election shall only be effective with respect to DSU grants made after the written notice described in Section 3.4 has been received by the Corporate Secretary or of the Corporation.
2. Notwithstanding Section 4.6 of the Plan, the following procedure shall be used to determine a Distribution Date for Deferred Share Units that are subject to this Schedule A.
  - (a) An Eligible Director who is a U.S. Taxpayer shall have the right to elect, at his or her option, to receive the distribution of all amounts credited to his or her Deferred Share Unit Account on any date (the "**Distribution Date**") within the period commencing on his or her Separation Date, and ending on December 1, of the first calendar year following the year in which the Separation Date occurs. Such election shall be made by written notice delivered to the general counsel of the Corporation within 30 days of the grant of DSUs under Section 4.1 of the Plan. If no election is made, the Distribution Date shall be the first business day following January 1 of the calendar year that follows the year in which the Separation Date occurs, subject to clause (b) below.
  - (b) Notwithstanding the foregoing, if any U.S. Taxpayer is determined to be a "specified employee" (as determined under Section 409A, in accordance with the Corporation's policies) at the Separation Date, then the Distribution Date shall not be earlier than the date that is six (6) months following his or her Separation Date.
3. Notwithstanding Section 4.8 of the Plan or any election by the Participant of a Distribution Date, upon the death of a Participant prior to the distribution of his or her Deferred Share Unit Account, a cash payment shall be made to the estate of such Participant on the first business day that occurs following 90 days after the Participant's date of death. No election of an alternative payment date by the estate or beneficiary shall be permitted.

4. Miscellaneous.

Notwithstanding anything to the contrary in the Plan, no consent to an amendment, suspension or termination that adversely affects the Deferred Share Units previously granted to a U.S. Taxpayer under Section 409A shall be required if such amendments are considered by the Committee, on the advice of counsel, to be necessary or desirable in order to avoid adverse U.S. tax consequences to the U.S. Taxpayer.

No provision of the Plan or amendment to the Plan may permit the acceleration of payments under the Plan to U.S. Taxpayers contrary to the provisions of Section 409A.

In the event of a termination of the Plan, no payments to U.S. Taxpayers shall be made, except on the schedule permitted by Section 409A.

All provisions of the Plan shall continue to apply to the U.S. Taxpayer to the extent they have not been specifically modified by this Schedule "A". In regard to a U.S. Taxpayer, the Committee shall interpret all Plan provisions in a manner that does not cause a violation of Section 409A.

5. *Restrictions on Deferred Share Units of Certain Dual Taxpayers.* This Section 6 shall only apply in respect of Deferred Share Units of a U.S. Taxpayer if, at the time a payment in respect of the DSUs is required to be made under the Plan, the U.S. Taxpayer would be liable to tax in respect of such payment, if made as otherwise provided, under the Income Tax Act (Canada) and the Income Tax Regulations made thereunder (including Regulation Section 6801(d))(in this Section 6 referred to as the "**Canadian Tax Rules**").

- (a) If a payment in respect of DSUs of a U.S. Taxpayer is otherwise required to be made at any time, but for this Section 6 and such payment would, if made, comply with Section 409A but would violate the Canadian Tax Rules, then, notwithstanding any other provision of the Plan and this Schedule A, unless the Committee determines that payment in respect of the DSUs can be made in some other manner and at such other time in compliance with Section 409A without violating the Canadian Tax Rules, such payment shall be made to a trustee to be held in trust for the benefit of the U.S. Taxpayer in a manner that causes the payment to be included in the U.S. Taxpayer's income under the Code and does not violate the Canadian Tax Rules, and amounts shall thereafter be paid out of the trust for the benefit of the U.S. Taxpayer at such time and in such manner as complies with the requirements of the Canadian Tax Rules.

**PAREX RESOURCES INC.**  
**DEFERRED SHARE UNIT PLAN**

**ARTICLE 1**  
**INTRODUCTION**

**1.1 Purpose**

The purpose of this Deferred Share Unit Plan is to provide non-employee directors of Parex Resources Inc. (the "**Corporation**") with the opportunity to acquire Deferred Share Units (as defined herein) of the Corporation in order to allow them to participate in the long-term success of the Corporation and to promote a greater alignment of their interests with the interests of the Corporation's shareholders.

**ARTICLE 2**  
**INTERPRETATION**

**2.1 Definitions**

For purposes of the Plan:

- (a) "**Account**" means an account maintained by the Corporation for each Participant and which will be credited by means of a book-keeping entry with DSUs that are granted in accordance with the terms of this Plan and the DSU Agreements;
- (b) "**Applicable Withholding Amounts**" is defined in Section 4.7(a) of the Plan;
- (c) "**Board**" means the Board of Directors of the Corporation as may be constituted from time to time;
- (d) "**Cash Payment**" is defined in Section 4.7(a) of the Plan;
- (e) "**Committee**" means the Corporate Governance, Compensation and Human Resources Committee of the Board or such other committee of the Board as may be appointed by the Board to administer the Plan, provided, however, that if no such committee is in existence at any particular time and the Board has not appointed another committee of the Board to administer the Plan, all references in the Plan to "Committee" shall at such time be in reference to the Board;
- (f) "**Corporation**" means Parex Resources Inc. and includes any successor corporation;
- (g) "**Deferred Share Unit**" or "**DSU**" means a unit equivalent in value to a Share, credited by means of a bookkeeping entry in the books of the Corporation in accordance with Article 4;
- (h) "**Distribution Date**" is defined in Section 4.6 of the Plan;
- (i) "**Distribution Value**" means, with respect to each Deferred Share Unit credited to a Participant's Account, the Fair Market Value per Share;
- (j) "**Dividend Equivalents**" means a bookkeeping entry whereby each Deferred Share Unit is credited with the equivalent amount of the dividend paid on a Share in accordance with Section 4.3;

- (k) **"Dividend Market Value"** means the Fair Market Value per Share on the dividend record date;
- (l) **"DSU Agreement"** is defined in Section 5.11 of the Plan;
- (m) **"Eligible Director"** means an individual who is, at the relevant time, a member of the Board but who is not also an employee of the Parex Group;
- (n) **"Exchange"** means the TSX or, if the Shares are not then listed and posted for trading on the TSX, such stock exchange on which such Shares are listed and posted for trading and on which the majority of the trading volume and value of such Shares occurs;
- (o) **"Fair Market Value"** with respect to a Share, as at any date, means the weighted average of the prices at which the Shares traded on the TSX (or, if the Shares are not then listed and posted for trading on the TSX or are then listed and posted for trading on more than one stock exchange, on such stock exchange on which the majority of the trading volume and value of the Shares occurs) for the five (5) trading days on which the Shares traded on the said exchange immediately preceding such date. In the event that the Shares are not listed and posted for trading on any stock exchange, the Fair Market Value shall be the fair market value of the Shares as determined by the Board in its sole discretion, acting reasonably and in good faith;
- (p) **"Insider"** has the meaning ascribed thereto in Part I of the TSX Company Manual, as amended from time to time;
- (q) **"Parex Group"** means collectively, the Corporation and any entity that is a Subsidiary of the Corporation from time to time, any entity that is related to the Corporation for purposes of the *Income Tax Act* (Canada), and any other entity designated by the Board from time to time as a member of the Parex Group for the purposes of this Plan (and, for greater certainty, including any successor entity of any of the aforementioned entities);
- (r) **"Participant"** means an Eligible Director who is granted DSU's in accordance with Section 4.1 hereof;
- (s) **"Person"** means any individual, sole proprietorship, partnership, firm, entity, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, fund, organization or other group of organized persons, government, government regulatory authority, governmental department, agency, commission, board, tribunal, dispute settlement panel or body, bureau, court, and where the context requires any of the foregoing when they are acting as trustee, executor, administrator or other legal representative;
- (t) **"Plan"** means this Deferred Share Unit Plan as amended, restated, supplemented or otherwise modified from time to time;
- (u) **"Security Based Compensation Arrangement"** has the meaning ascribed thereto in Part VI of the TSX Company Manual, as amended from time to time;
- (v) **"Separation Date"** means the date on which the Participant ceases to be a director of any member of, and is not at that time an employee or officer of any member of, the Parex Group;
- (w) **"Share"** means a common share of the Corporation or, in the event of an adjustment contemplated by Section 4.9, such other number or type of securities as the Committee may determine;

- (x) "**Subsidiary**" has the meaning ascribed thereto in the *Securities Act* (Alberta);
- (y) "**TSX**" means the Toronto Stock Exchange; and
- (z) "**TSX Company Manual**" means the Toronto Stock Exchange Company Manual, as amended from time to time.

## **2.2 Interpretation**

- (a) Words in the singular include the plural and words in the plural include the singular. Words importing male persons include female persons, corporations or other entities, as applicable. The headings in this document are for convenience and reference only and shall not be deemed to alter or affect any provision hereof. The words "hereto", "herein", "hereby", "hereunder", "hereof" and similar expressions mean or refer to this document as a whole and not to any particular Article, Section, paragraph or other part hereof.
- (b) Whenever the Board or, where applicable, the Committee or any sub-delegate of the Committee is to exercise discretion in the administration of the terms and conditions of this Plan, the term "discretion" means the sole and absolute discretion of the Board or the Committee or the sub-delegate of the Committee, as the case may be.
- (c) Unless otherwise specified, all references to money amounts are to Canadian currency.

## **ARTICLE 3 ADMINISTRATION OF THE PLAN**

### **3.1 Administration of the Plan**

- (a) Except for matters that are under the jurisdiction of the Board as specified under the Plan or as required by law and subject to Section 3.1(b), this Plan will be administered by the Committee and the Committee has sole and complete authority, in its discretion, to:
  - (i) interpret and construe any provision hereof and decide all questions of fact arising in their interpretation;
  - (ii) adopt, amend, suspend and rescind such rules and regulations for administration of this Plan as the Board may deem necessary in order to comply with the requirements of this Plan, or in order to conform to any law or regulation or to any change in any laws or regulations applicable thereto;
  - (iii) exercise rights reserved to the Corporation under the Plan;
  - (iv) take any and all actions permitted by this Plan;
  - (v) prescribe forms for notices to be prescribed by the Corporation under the Plan; and
  - (vi) make any other determinations and take such other action in connection with the administration of this Plan that it deems necessary or advisable.

The Committee's determinations and actions under this Plan are final, conclusive and binding on the Corporation, the Participants and all other Persons.

- (b) To the extent permitted by applicable law, the Committee may, from time to time, delegate to any specified officer of the Corporation all or any of the powers of the Committee. In such event, the specified officer will exercise the powers delegated to it by the Committee in the manner and on the terms authorized by the Committee. Any decision made or action taken by the specified officer arising out of or in connection with the administration or interpretation of this Plan in this context is final, binding and conclusive on the Corporation, the Participants and all other Persons.

### **3.2 Determination of Value if Shares Not Publicly Traded**

If the Shares are not publicly traded on the Exchange at the relevant time such that the Distribution Value and/or the Dividend Market Value cannot be determined in accordance with the definitions of those terms, such values shall be determined by the Committee acting in good faith, or in the absence of the Committee, by the Board acting in good faith.

### **3.3 Eligibility**

Any individual who at the relevant time is an Eligible Director is eligible to participate in the Plan. Eligibility to participate does not confer upon any individual a right to receive an award of Deferred Share Units pursuant to the Plan.

### **3.4 Exemption from Plan Participation**

Notwithstanding any other provision of the Plan, if a Participant is resident in a jurisdiction in which an award of Deferred Share Units under the Plan might be considered to be income which is subject to taxation at the time of such award, the Participant may elect not to participate in the Plan by providing a written notice to the Chief Financial Officer of the Corporation.

### **3.5 Discretionary Relief**

Notwithstanding any other provision hereof, the Board may, in its sole discretion, waive any condition set out herein if it determines that specific individual circumstances warrant such waiver.

## **ARTICLE 4 DEFERRED SHARE UNITS**

### **4.1 Grant of Deferred Share Units**

- (a) The Committee may, from time to time in its sole discretion, grant DSUs to Eligible Directors and upon such grant, such Eligible Directors shall become Participants in this Plan. In respect of each grant of DSUs, the Committee shall determine:
- (i) the number of DSUs allocated to the Participant; and
  - (ii) such other terms and conditions of the DSUs applicable to each grant.
- (b) The Corporation shall not make any grant of DSU's pursuant to the Plan unless and until such grant or issuance and delivery can be completed in compliance with all applicable laws, including tax regulations, and all other regulations, rules, orders of governmental or regulatory authorities and the requirements of all applicable stock exchanges upon which Shares are listed. The Corporation shall be obligated to take all reasonable action to comply with any such laws, regulations, rules, orders or requirements.

- (c) Certificates will not be issued to evidence DSUs. Book entry accounts, to be known as the "Deferred Share Unit Account" shall be maintained by the Corporation for each Participant and will be credited with DSUs granted to a Participant from time to time.
- (d) The term during which a DSU may be outstanding shall, subject to the provisions of this Plan requiring or permitting the acceleration or the extension of the term, be such period as may be determined from time to time by the Board or the Committee.

#### **4.2 Vesting**

Deferred Share Units will be fully vested upon being granted and credited to a Participant's Account.

#### **4.3 Credits for Dividends**

A Participant's Account shall be credited with Dividend Equivalents in the form of additional Deferred Share Units as of each dividend payment date in respect of which normal cash dividends are paid on the Shares. Such Dividend Equivalents shall be computed by dividing: (a) the amount obtained by multiplying the amount of the dividend declared and paid per Share by the number of Deferred Share Units recorded in the Participant's Account on the record date for the payment of such dividend, by (b) the Dividend Market Value, with fractions computed to three decimal places. The foregoing does not obligate the Corporation to declare or pay dividends on Shares and nothing in this Plan shall be interpreted as creating such an obligation.

#### **4.4 Limits on Issuances**

Notwithstanding any other provision of this Plan:

- (a) the number of Shares issuable to Insiders, at any time, under all Security Based Compensation Arrangements, shall not exceed 10.0% of the issued and outstanding Shares;
- (b) the number of Shares issued to Insiders, within any one year period, under all Security Based Compensation Arrangements, shall not exceed 10.0% of the issued and outstanding Shares; and
- (c) the aggregate value of all DSUs (calculated as of the date of grant) granted pursuant to this Plan to any non-management director cannot exceed \$150,000 in any 12 month period (excluding any DSU's granted in a one time initial grant to a non-management director upon appointment to the Board provided the value of the DSU's granted in any such initial grant is not in excess of \$150,000).

If the acquisition of Shares by the Corporation for cancellation should result in the foregoing tests no longer being met, this shall not constitute non-compliance with this Section 4.4 for any awards outstanding prior to such purchase of Shares for cancellation.

#### **4.5 Reporting of Deferred Share Units**

Statements of the Deferred Share Unit Accounts will be provided to Participants on an annual basis.

#### **4.6 Distribution Date Payment**

A Participant shall receive a Cash Payment in respect of Deferred Share Units recorded in the Participant's Account in accordance with Section 4.7, on one of the following dates (the "**Distribution Date**"):

- (a) the Separation Date; or
- (b) such later date as the Participant may elect by written notice delivered to the Chief Financial Officer of the Corporation prior to the Separation Date, provided that in no event shall a Participant be permitted to elect a date which is later than December 1 of the calendar year following the calendar year in which the Separation Date occurs.

#### **4.7 Distribution of Deferred Share Units as Cash Payment**

- (a) Subject to and in accordance with Section 4.7(b), a Participant shall receive a payment equal in value to the number of Deferred Share Units recorded in the Participant's Account on the Distribution Date multiplied by the Distribution Value of a Share on the Distribution Date (the "**Cash Payment**"). The Corporation is authorized to deduct from the Cash Payment an amount equivalent to the minimum amount of taxes and other minimum amounts as the Corporation may be required by law to withhold, as the Corporation determines (the "**Applicable Withholding Amounts**"). Upon payment in full of the value of the Deferred Share Units, less the Applicable Withholding Amounts, the Deferred Share Units shall be cancelled and no further payments shall be made to the Participant under the Plan.
- (b) The Cash Payment less any Applicable Withholding Amounts, will be paid to the Participant in cash within ten (10) business days after the Distribution Date, or in the event of the Participant's death, his beneficiary or legal representative in accordance with Section 4.8 herein.

#### **4.8 Death of Participant Prior to Distribution**

Upon the death of a Participant prior to the distribution of the Deferred Share Units credited to the Account of such Participant under the Plan, a Cash Payment shall be made to the estate of such Participant on or about the thirtieth (30th) day after the Corporation is notified of the death of the Participant or on a later date elected by the Participant's estate in the form prescribed for such purposes by the Corporation and delivered to the Chief Financial Officer of the Corporation not later than twenty (20) days after the Corporation is notified of the death of the Participant, provided that such elected date is no later than the last business day of the calendar year following the calendar year in which the Participant dies so that payment can be made on or before such last business day. Such Cash Payment shall be equivalent to the amount which would have been paid to the Participant pursuant to and subject to Section 4.7, calculated on the basis that the day on which the Participant dies, or the date elected by the estate, as applicable, is the Distribution Date. Upon payment in full of the value of all of the Deferred Share Units that become payable under this Section 4.8, less any Applicable Withholding Amounts, the Deferred Share Units shall be cancelled and no further payments will be made from the Plan in relation to the Participant.

#### **4.9 Adjustments to Deferred Share Units**

In the event: (a) of any change in the Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise; or (b) that any rights are granted to all or substantially all shareholders to purchase Shares at prices substantially below Fair Market Value as of the date of grant (other than the payment of dividends in respect of the Shares as contemplated by Section 4.3); or (c) that, as a result of any recapitalization, merger, consolidation or other transaction, the Shares are converted into or exchangeable for any other securities or property, then the Board may make such adjustments to this Plan, the Account of each Participant, the DSU Agreements and the Deferred Share Units outstanding under this Plan as the Board may, in its sole discretion, consider appropriate in the

circumstances to prevent dilution or enlargement of the rights granted to Participants hereunder, and the Participants shall be bound by any such determination.

#### 4.10 U.S. Taxpayers

The rules set forth in Schedule A to this Plan apply to any Participant who is a U.S. Taxpayer (as defined therein) and form a part of this Plan.

#### 4.11 Taxes

- (a) A Participant shall be solely responsible for reporting and paying income tax payable in respect of the Cash Payment received by the Participant under this Plan. The Corporation will provide each Participant who is resident in Canada with (or cause each Participant to be provided with) a T4 slip or such information return as may be required by applicable law to report income, if any, arising upon the grant or exercise of rights under this Plan by a Participant who is resident in Canada for income tax purposes.
- (b) Further to Section 4.7(a) of this Plan, the Corporation shall have the power and the right to deduct or withhold, or require (as a condition of exercise) a Participant to remit to the Corporation, the Applicable Withholding Amounts to satisfy, in whole or in part, federal, provincial, and local taxes, domestic or foreign, required by law to be withheld with respect to any taxable event arising as a result of this Plan, including the grant or exercise of Deferred Share Units granted under this Plan. With respect to Applicable Withholding Amounts, the Corporation shall have the irrevocable right to (and the Participant consents to the Corporation) setting off any amounts required to be withheld, in whole or in part, against amounts otherwise owing by the Corporation to such Participant (whether arising pursuant to the Participant relationship as an officer or employee of the Corporation or as a result of the Participant providing services on an ongoing basis to the Corporation or otherwise), or may make such other arrangements as are satisfactory to the Participant and the Corporation. Any reference in this Plan to the payment of cash is expressly subject to this paragraph 4.11(b).

### ARTICLE 5 GENERAL

#### 5.1 Amendment, Suspension, or Termination of Plan

- (a) The Board may amend, suspend or ~~discontinue~~terminate this Plan or ~~amend any portion thereof and~~ any DSU ~~or granted under it (together with any related DSU Agreement)~~ at any time without ~~the consent of a Participant, provided that prior notice. However, no such amendment shall not, suspension or termination may materially adversely alter affect any DSU, or impair the any rights of any Participant in respect of any DSU pursuant thereto, granted previously granted to such Participant under the Plan, except as otherwise permitted hereunder. In addition, the Board may, by resolution, amend this Plan and any DSU granted under it (together with any related DSU Agreement) without shareholder approval, provided however, that at any time while the Shares are listed for trading on the TSX, the Board will not be entitled to amend this Plan or any DSU granted under it (together with any related DSU Agreement) without shareholder and, if applicable, TSX approval: (i) to increase the maximum number of Shares issuable pursuant to this Plan; (ii) to extend the term of a DSU; (iii) to permit the assignment or transfer of a DSU other than as provided for in this Plan; (iv) to add to the categories of persons eligible to participate in this Plan; (v) to remove or amend Section 4.4(c), Section 4.4(d) or Section 4.4(e); (vii) to remove or amend this Section 5.1(a); or (vii) in any other circumstances where TSX and~~

~~shareholder approval is required by the TSX. any Participant without the consent of that Participant.~~

- (b) Without limitation of Section 5.1(a), the Board may correct any defect or supply any omission or reconcile any inconsistency in this Plan in the manner and to the extent deemed necessary or desirable, may establish, amend, and rescind any rules and regulations relating to this Plan, and may make such determinations as it deems necessary or desirable for the administration of this Plan.
- (c) If the Board terminates or suspends the Plan, previously credited DSUs may, at the Committee's election, be distributed to Participants or may remain outstanding and in effect in accordance with the terms of the Plan. If DSUs remain outstanding after Plan termination or suspension, such DSUs shall not be entitled to Dividend Equivalents unless at the time of termination or suspension the Committee determines that the entitlement to Dividend Equivalents after termination or during suspension, as applicable, should be continued. Subject to the foregoing sentence, if the Board terminates or suspends the Plan, no new Deferred Share Units will be credited to the Account of a Participant.
- (d) The Board shall not require the consent of any affected Participant in connection with a termination of the Plan in which a Cash Payment has been made to the Participant in respect of all such Deferred Share Units.
- (e) The Plan will terminate on the date upon which no further DSUs remain outstanding.

## **5.2 Compliance with Laws**

The administration of the Plan shall be subject to and made in conformity with all applicable laws and any applicable regulations of a duly constituted regulatory authority. Should the Committee, in its sole discretion, determine that it is not feasible or desirable to carry out a distribution of Deferred Share Units due to such laws or regulations, its obligation shall be satisfied by means of an equivalent cash payment (equivalence being determined on a before-tax basis). If the Committee determines that the consent or approval of any governmental body or stock exchange is necessary or desirable, as a condition of, or in connection with, the crediting of DSUs hereunder, the Corporation shall be under no obligation to credit DSUs hereunder unless and until such consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

## **5.3 Reorganization of the Corporation**

The existence of any Deferred Share Units shall not affect in any way the right or power of the Corporation or its shareholders to make or authorize any adjustment, recapitalization, reorganization or other change in the Corporation's capital structure or its business, or to create or issue any bonds, debentures, shares or other securities of the Corporation or to amend or modify the rights and conditions attaching thereto or to effect the dissolution or liquidation of the Corporation, or any amalgamation, combination, merger or consolidation involving the Corporation or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar nature or otherwise.

## **5.4 Assignment**

Rights and obligations under the Plan may be assigned by the Corporation to a successor in the business of the Corporation, any company resulting from any amalgamation, reorganization, combination, merger

or arrangement of the Corporation, or any company acquiring all or substantially all of the assets or business of the Corporation.

#### **5.5 DSUs Non-Transferable**

Except as required by law, the rights of a Participant hereunder are not capable of being assigned, transferred, alienated, sold, encumbered, pledged, mortgaged or charged and are not capable of being subject to attachment or legal process for the payment of any debts or obligations of the Participant.

#### **5.6 Participation is Voluntary; No Additional Rights**

The participation of any Participant in the Plan is entirely voluntary and not obligatory and shall not be interpreted as conferring upon such Participant any rights or privileges other than those rights and privileges expressly provided in the Plan. In particular, participation in the Plan does not constitute a condition of employment or service nor a commitment on the part of the Corporation to ensure the continued employment or service of such Participant. Nothing in this Plan shall be construed to provide the Participant with any rights whatsoever to participate or continue participation in this Plan or to compensation or damages in lieu of participation, whether upon termination of service as an Eligible Director or otherwise. The Corporation does not assume responsibility for the personal income or other tax consequences for the Participants and they are advised to consult with their own tax advisors.

#### **5.7 No Shareholder Rights**

Under no circumstances shall Deferred Share Units be considered Shares or other securities of the Corporation, nor shall they entitle any Participant to exercise voting rights or any other rights attaching to the ownership of Shares or other securities of the Corporation, nor shall any Participant be considered the owner of Shares by virtue of the award of Deferred Share Units.

#### **5.8 Unfunded and Unsecured Plan**

Unless otherwise determined by the Board, the Plan shall be unfunded and the Corporation will not secure its obligations under the Plan. To the extent any Participant or his or her estate holds any rights by virtue of a grant of Deferred Share Units under the Plan, such rights (unless otherwise determined by the Board) shall be no greater than the rights of an unsecured creditor of the Corporation.

#### **5.9 Market Fluctuations**

No amount will be paid to, or in respect of, a Participant under the Plan to compensate for a downward fluctuation in the price of Shares, nor will any other form of benefit be conferred upon, or in respect of, a Participant for such purpose. The Corporation makes no representations or warranties to Participants with respect to the Plan or the Shares whatsoever. In seeking the benefits of participation a Participant agrees to accept all risks associated with a decline in the market price of Shares.

#### **5.10 Participant Information**

Each Participant shall provide the Corporation with all information (including personal information) required by the Corporation in order to administer the Plan. Each Participant acknowledges that information required by the Corporation in order to administer the Plan may be disclosed to the Board and other third parties in connection with the administration of the Plan. Each Participant consents to such disclosure and authorizes the Corporation to make such disclosure on the Participant's behalf.

**5.11 DSU Agreement**

To acquire DSUs, a Participant shall enter into an agreement with the Corporation in such form as determined by the Board from time to time (the "**DSU Agreement**"), within such time period and in such manner as specified by the Board. If a DSU Agreement is not entered into within the time and manner specified, the Corporation reserves the right to revoke the crediting of DSUs to the Participant's Account.

**5.12 Indemnification**

Every director of the Corporation will at all times be indemnified and saved harmless by the Corporation from and against all costs, charges and expenses whatsoever including any income tax liability arising from any such indemnification, that such director may sustain or incur by reason of any action, suit or proceeding, taken or threatened against the director, otherwise than by the Corporation, for or in respect of any act done or omitted by the director in respect of this Plan, such costs, charges and expenses to include any amount paid to settle such action, suit or proceeding or in satisfaction of any judgment rendered therein.

**5.13 Currency**

All amounts paid or values to be determined under this Plan shall be in Canadian dollars.

**5.14 Effective Date of the Plan**

This Plan is effective as of April 1, 2015, as amended effective March 7, 2017 and [●], 2017.

**5.15 Governing Law**

The Plan shall be governed by, and interpreted in accordance with, the laws of the Province of Alberta and the laws of Canada applicable therein, without regard to principles of conflict of laws.

## SCHEDULE A

### PLAN PROVISIONS APPLICABLE TO U.S. TAXPAYERS

The provisions of this Schedule "A" apply to Deferred Share Units held by a U.S. Taxpayer to the extent such Deferred Share Units are subject to U.S. Taxation. The following provisions apply, notwithstanding anything to the contrary in the Plan. All capitalized terms used in this Schedule "A" and not defined herein, shall have the meaning attributed to them in the Plan.

"**Section 409A**" means Section 409A of the United States Internal Revenue Code and the regulations and authority promulgated thereunder.

"**Separation Date**" shall mean the date on which the Participant incurs a "separation from service" within the meaning of Section 409A.

"**U.S. Taxpayer**" shall mean any person who is a U.S. citizen, U.S. permanent resident, or other person who has been granted or is eligible to be granted a Deferred Share Unit under the Plan that is otherwise subject to U.S. taxation.

1. Notwithstanding Section 3.4 of the Plan, each election by a U.S. Taxpayer not to participate in the Plan or to decline participation for a particular year, must be irrevocably made not later than the end of the calendar year prior to the year for which the Deferred Share Units are granted. Notwithstanding the prior sentence, for U.S. Taxpayers who become Eligible Directors for the first time in any calendar year, an election pursuant to Section 3.4 may be made at any time within 30 days after an initial grant of DSUs is made to such Eligible Director. Such election shall only be effective with respect to DSU grants made after the written notice described in Section 3.4 has been received by the Corporate Secretary or of the Corporation.
2. Notwithstanding Section 4.6 of the Plan, the following procedure shall be used to determine a Distribution Date for Deferred Share Units that are subject to this Schedule A.
  - (a) An Eligible Director who is a U.S. Taxpayer shall have the right to elect, at his or her option, to receive the distribution of all amounts credited to his or her Deferred Share Unit Account on any date (the "**Distribution Date**") within the period commencing on his or her Separation Date, and ending on December 1, of the first calendar year following the year in which the Separation Date occurs. Such election shall be made by written notice delivered to the general counsel of the Corporation within 30 days of the grant of DSUs under Section 4.1 of the Plan. If no election is made, the Distribution Date shall be the first business day following January 1 of the calendar year that follows the year in which the Separation Date occurs, subject to clause (b) below.
  - (b) Notwithstanding the foregoing, if any U.S. Taxpayer is determined to be a "specified employee" (as determined under Section 409A, in accordance with the Corporation's policies) at the Separation Date, then the Distribution Date shall not be earlier than the date that is six (6) months following his or her Separation Date.
3. Notwithstanding Section 4.8 of the Plan or any election by the Participant of a Distribution Date, upon the death of a Participant prior to the distribution of his or her Deferred Share Unit Account, a cash payment shall be made to the estate of such Participant on the first business day that occurs following 90 days after the Participant's date of death. No election of an alternative payment date by the estate or beneficiary shall be permitted.

4. Miscellaneous.

Notwithstanding anything to the contrary in the Plan, no consent to an amendment, suspension or termination that adversely affects the Deferred Share Units previously granted to a U.S. Taxpayer under Section 409A shall be required if such amendments are considered by the Committee, on the advice of counsel, to be necessary or desirable in order to avoid adverse U.S. tax consequences to the U.S. Taxpayer.

No provision of the Plan or amendment to the Plan may permit the acceleration of payments under the Plan to U.S. Taxpayers contrary to the provisions of Section 409A.

In the event of a termination of the Plan, no payments to U.S. Taxpayers shall be made, except on the schedule permitted by Section 409A.

All provisions of the Plan shall continue to apply to the U.S. Taxpayer to the extent they have not been specifically modified by this Schedule "A". In regard to a U.S. Taxpayer, the Committee shall interpret all Plan provisions in a manner that does not cause a violation of Section 409A.

5. *Restrictions on Deferred Share Units of Certain Dual Taxpayers.* This Section 6 shall only apply in respect of Deferred Share Units of a U.S. Taxpayer if, at the time a payment in respect of the DSUs is required to be made under the Plan, the U.S. Taxpayer would be liable to tax in respect of such payment, if made as otherwise provided, under the Income Tax Act (Canada) and the Income Tax Regulations made thereunder (including Regulation Section 6801(d))(in this Section 6 referred to as the "**Canadian Tax Rules**").

- (a) If a payment in respect of DSUs of a U.S. Taxpayer is otherwise required to be made at any time, but for this Section 6 and such payment would, if made, comply with Section 409A but would violate the Canadian Tax Rules, then, notwithstanding any other provision of the Plan and this Schedule A, unless the Committee determines that payment in respect of the DSUs can be made in some other manner and at such other time in compliance with Section 409A without violating the Canadian Tax Rules, such payment shall be made to a trustee to be held in trust for the benefit of the U.S. Taxpayer in a manner that causes the payment to be included in the U.S. Taxpayer's income under the Code and does not violate the Canadian Tax Rules, and amounts shall thereafter be paid out of the trust for the benefit of the U.S. Taxpayer at such time and in such manner as complies with the requirements of the Canadian Tax Rules.



