



ANNUAL INFORMATION FORM

FOR THE YEAR ENDED

DECEMBER 31, 2020

MARCH 3, 2021

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ABBREVIATIONS, CONVENTIONS AND OTHER INFORMATION

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

Oil and Natural Gas Liquids

bbbl(s)	barrel(s)
bbbl(s)/d	barrels of oil per day
mbbl	one thousand barrels
MMbbls	one million barrels
NGLs	natural gas liquids

Natural Gas

Mcf	thousand cubic feet
MMcf	one million cubic feet
Mcf/e	thousand cubic feet equivalent
Mcf/d	thousand cubic feet per day
MMcf/d	one million cubic feet per day

Other

BOE or boe	barrel of oil equivalent, using the conversion factor of 6 Mcf: 1 bbl
Mboe	one thousand barrels of oil equivalent
boe/d	barrels of oil equivalent per day
bopd	barrels of oil per day
MMbtu	one million British thermal units
WTI	West Texas Intermediate

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

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

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

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

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

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

To Convert From	To	Multiply By
cubic feet	cubic metres ("m ³ ")	0.028
cubic metres	cubic feet	35.301
bbls	m ³	0.159
m ³	bbls	6.29
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.4047
hectares	acres	2.4710

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

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

Unless otherwise specified, information in this Annual Information Form is as at the end of the Company's most recently completed financial year, being December 31, 2020.

CURRENCY AND EXCHANGE RATES

The following table sets forth, for each of the periods indicated, the high and low rates of exchange of Canadian dollars into U.S. dollars, the average of the exchange rates during each such period (being the average of the daily noon buying rates during the period) and the end-of-period rate. Such rates are shown as, or are derived from, the reciprocals of the noon buying rates in New York City for cable transfers payable in Canadian dollars, as available on the Bank of Canada website. On March 3, 2021, the closing buying rate for one U.S. dollar in Canadian dollars as certified by the Bank of Canada was 1.26105.

	Year Ended December 31		
	2020	2019	2018
Highest rate during the period	1.4496	1.3600	1.3642
Lowest rate during the period	1.2718	1.2988	1.2288
Average closing rate for the period	1.3415	1.3269	1.2957
Rate at the end of the period	1.2732	1.2988	1.3642

NON-GAAP TERMS

Operating netback per barrel and funds flow provided by operations may from time to time be used by the Company, but do not have any standardized meanings under IFRS and may not be comparable to similar measures presented by other companies.

Operating netback per barrel equals sales revenue (excluding commodity risk management gains/losses), less royalties, production expense and transportation expense, divided by total equivalent sales volume excluding purchased oil volumes.

Funds flow provided by operations includes all cash generated from operating activities and is calculated before changes in non-cash working capital.

Management uses these non-GAAP measure for its own performance measurement and to provide shareholders and investors with an additional measurements of the Company's efficiency and its ability to fund a portion of its future capital expenditures.

Shareholders and investors are cautioned that these measures should not be construed as an alternative to net income, comprehensive income and cash provided by operating activities or other measures of financial performance as determined in accordance with GAAP.

CERTAIN DEFINITIONS

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

Selected Defined Terms

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

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

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

"**Board of Directors**" means the board of directors of the Company;

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

"**Convenio**" means ANH contract for direct operated areas from Ecopetrol ("*Convenio*") with similar terms and conditions to the E&P Contract except for the non-application of economic rights and allowing the production period to last until the economic limit of the respective field;

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

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

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

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

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

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

"**NCIB**" has the meaning ascribed thereto under *General Development of the Business - Normal Course Issuer Bid*;

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

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

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

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

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

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

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

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

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

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

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

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

"**Verano Arrangement**" means the acquisition by Parex of all of the Verano Shares pursuant to a plan of arrangement carried out by Verano under the ABCA;

"**Verano Limited**" means Verano Energy Limited, a corporation organized under the laws of Barbados and redomiciled to Bermuda in September 2019; and

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

Selected Oil and Gas Terms

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

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

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

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

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

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

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

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

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

"**developed reserves**" are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing; "**development costs**" means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

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

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

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

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

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

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

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

"GLJ Report" means the report of GLJ dated February 4, 2021 evaluating the oil and natural gas reserves of the Company as at December 31, 2020;

"gross" means:

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

(c) in relation to properties, the total area of properties in which a reporting issuer has an interest;

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

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

"ICE Brent" means Intercontinental Exchange Brent;

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

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

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

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

"net" means:

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

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

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

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

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

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

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

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

FORWARD LOOKING STATEMENTS

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

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

- the size of, and future net revenues from, oil and natural gas reserves;
- the performance characteristics of the Company's oil and natural gas properties;
- supply and demand for oil and natural gas;
- development and drilling plans, including completion, testing, and tie in of wells and the anticipated timing thereof;
- the anticipated effect of environmental protection requirements;
- the anticipated impact of environmental protection requirements;
- treatment under governmental regulatory regimes and tax laws;
- receipt of regulatory approvals;
- the timing of land that will be relinquished;
- timing to incur abandonment and site reclamation costs;
- financial and business prospects and financial outlook;
- results of operations;
- production, future costs, reserves and production estimates;
- activities to be undertaken in various areas including the fulfillment of exploration commitments;
- tax horizon and future tax rates enacted in the Company's areas of operation;
- timing of development of undeveloped reserves and the estimated future capital spending to develop such undeveloped reserves;
- planned capital expenditures, the timing thereof and the method of funding;
- the quantity of the Company's reserves;
- the anticipated termination date of the NCIB and the expectation that the Company will initiate a new NCIB;
- potential impacts of community unrest;
- the Company's plans to sell gas produced from Block LLA-32, Aguas Blancas Field, Capachos-Andina Field and La Belleza Field, the duration thereof and the contract price;
- expected costs outside the Company's contractual obligations;
- the Company's risk management program;
- the Company's oil and natural gas production levels; and
- the Company's expectations regarding its ability to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties.

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

These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to, the impact of general economic conditions in Canada, Colombia, Bermuda and Barbados; volatility in market prices for oil, NGLs and natural gas; the impact of significant declines in market prices for oil, NGL's and natural gas; the impact of the COVID-19 pandemic and the ability of the Company to carry on its operations as currently contemplated in light of the COVID-19 pandemic; industry conditions including changes in laws and regulations including adoption of new environmental laws and regulations, and changes in how they are interpreted and enforced, in Canada, Colombia, Bermuda and Barbados; competition; lack of

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

Although the forward-looking statements contained in this Annual Information Form are based upon assumptions which Management believes to be reasonable, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this Annual Information Form, Parex has made assumptions regarding, but not limited to: current commodity prices and royalty regimes; the impact (and the duration thereof) that the COVID-19 pandemic will have on (i) the demand for crude oil and conventional natural gas; (ii) the supply chain, including the Company's ability to obtain the equipment and services it requires; and (iii) the Company's ability to produce, transport and/or sell its crude oil and conventional natural gas; availability of skilled labour; timing and amount of capital expenditures; uninterrupted access to infrastructure; future exchange rates; the price of oil, NGLs and natural gas; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; effects of regulation by governmental agencies; recoverability of reserves; royalty rates; future operating costs; receipt of regulatory approvals; that the Company will have sufficient funds flow from operations, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Company's conduct and results of operations will be consistent with its expectations; that the Company will have the ability to develop the Company's oil and natural gas properties in the manner currently contemplated; that current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; that the estimates of the Company's reserves volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects; that the Company will be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; and other matters.

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

Management has included the above summary of assumptions and risks related to forward-looking statements and other information provided in this Annual Information Form in order to provide shareholders and investors with a more complete perspective on Parex' current and future operations and such information may not be appropriate for other purposes. Parex' actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits Parex will derive therefrom.

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

CORPORATE STRUCTURE

General

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

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

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

Intercorporate Relationships

As at the date hereof, the Company has six direct or indirect wholly-owned Subsidiaries. Unless the context otherwise requires, references herein to "Parex" or the "Company" mean Parex Resources Inc., or Parex Resources Inc. and its direct and indirect Subsidiaries on a consolidated basis, where the context requires.

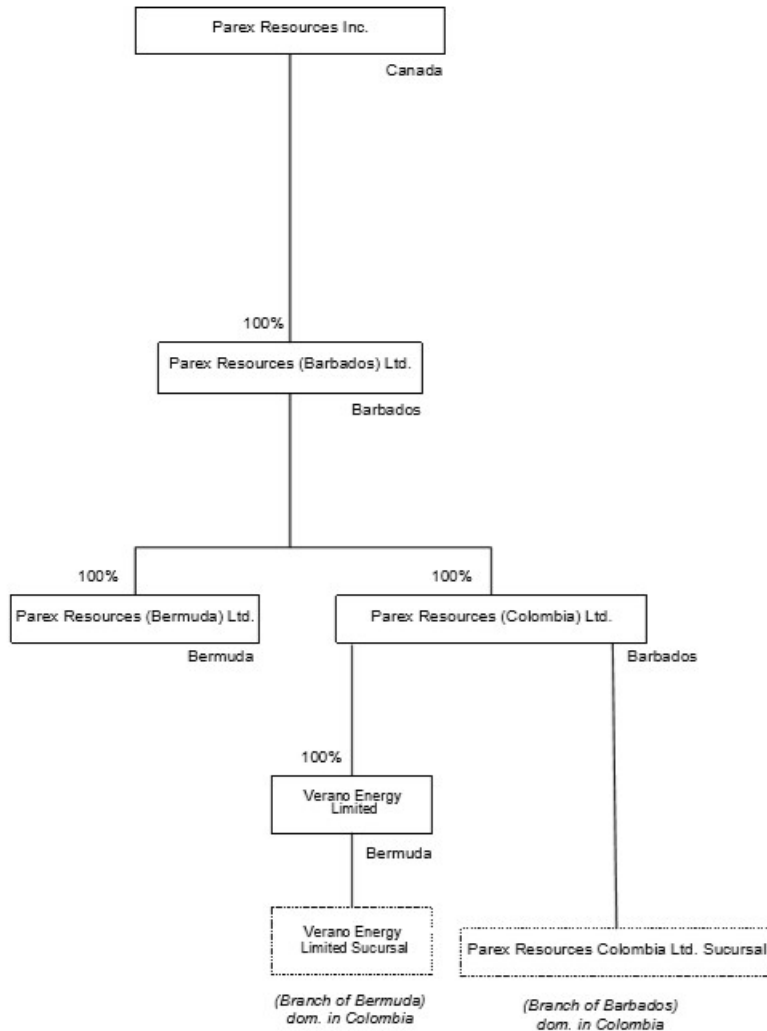
The following chart sets forth, as of the date hereof, the name of each Material Subsidiary, the jurisdiction of incorporation and laws of incorporation, the registered holder of the voting shares of each Material Subsidiary, the percentage of voting shares held and the business conducted by each Material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

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

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

Corporate Structure

The following chart illustrates the organizational structure of the Company, including its Material Subsidiaries as of the date hereof, this chart does not include all the Subsidiaries of the Company:



The Company's organizational structure facilitates its business as a multi jurisdictional company whose operations are located outside of Canada. Parex has two Subsidiaries active in Colombia whose activities are each conducted through a Colombian branch. Conducting business by way of a Colombian branch is desirable as it minimizes the corporate organizational burden in Colombia. The Company currently has two Colombian branches as it has completed four corporate acquisitions since inception.

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

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

GENERAL DEVELOPMENT OF THE BUSINESS

The following is a description of the events that have influenced the general development of the business of Parex and its subsidiaries during the years ended December 31, 2018, 2019 and 2020. For a more detailed description of the business and operations of Parex and its Material Subsidiaries, see *Description of the Business and Operations* in this Annual Information Form.

Parex' Activities in Colombia

During the years ended December 31, 2018, 2019 and 2020, Parex, primarily through its subsidiary, Parex Colombia, has entered into farm-in agreements and completed various acquisitions of working interests in blocks located in Colombia. See *Description of the Business and Operations - Parex Resources (Colombia) Ltd.* in this Annual Information Form.

2018 Strategic Repositioning Review Process

Beginning on July 17, 2018, Parex, with the assistance of its external financial advisor, conducted an extensive public strategic repositioning review process, focused on a broad, global marketing process to solicit interest in the sale of Parex' long life Southern Casanare assets, blocks LLA-32, LLA-34 and Cabretero ("**SoCa Assets**"), the retention of Parex' exploration assets, the return of the net sale proceeds to Parex shareholders and Parex continuing as an exploration driven, Colombian focused junior oil company. The strategic repositioning review process was also receptive to any expressions of interest in a potential corporate sale or other strategic transaction that would result in the creation of additional value for shareholders. During the process, Parex received multiple proposals for the purchase of the SoCa Assets. After a thorough evaluation and consideration of the submitted proposals, it was determined that none of the proposals reflected the value of the SoCa Assets and were not in the best interests of the Company and as such, the strategic repositioning review process was terminated on December 18, 2018.

Normal Course Issuer Bid

On December 21, 2018, the Company commenced a normal course issuer bid ("**NCIB**") to purchase for cancellation, from time to time, as it considers advisable up to a maximum of 15,041,319 Common Shares on the open market through the facilities of the TSX and/or alternative trading systems. On January 28, 2019, the Company entered into an automatic purchase plan with a broker to facilitate repurchases of up to 11,436,964 Common Shares under such NCIB. As of October 11, 2019, Parex purchased for cancellation the maximum number of shares under the NCIB and the NCIB formally terminated on December 20, 2019.

On December 23, 2019, the Company commenced an NCIB to purchase for cancellation, from time to time, as it considers advisable up to a maximum of 13,986,994 Common Shares on the open market through the facilities of the TSX and/or alternative trading systems. The Company also entered into an automatic share purchase plan with a broker to facilitate repurchases of Common Shares pursuant to the Company's NCIB. As of December 17, 2020, Parex purchased for cancellation the maximum number of shares under the NCIB and the NCIB formally terminated on December 22, 2020.

On December 23, 2020, the Company commenced an NCIB to purchase for cancellation, from time to time, as it considers advisable up to a maximum of 12,868,562 Common Shares on the open market through the facilities of the TSX and/or alternative trading systems. The NCIB will terminate on December 22, 2021 and subject to TSX approval, Parex expects, at such time, to initiate a new NCIB. The Company also entered into an automatic share purchase plan with a broker to facilitate repurchases of Common Shares pursuant to the Company's NCIB. Under the Company's automatic share purchase plan, the Company's broker may repurchase Common Shares under the NCIB during the Company's self-imposed blackout periods.

Operational Activities

For a description of the Company's exploration, development and production activities in 2018, 2019 and 2020, see *Description of the Business and Operations* and *Principal Properties* in this Annual Information Form. Further, a brief summary for each of the three years is provided below:

Year ended December 31, 2018

- achieved annual average oil and natural gas production in 2018 of 44,408 boe/d (consisting of 4,668 bbls/d of light crude oil and medium crude oil, 39,120 bbls/d of heavy crude oil and 3,720 Mcf/d of conventional natural gas), an increase of 25% over average 2017 production volumes of 35,541 boe/d (consisting of 6,047 bbls/d of light crude oil and medium crude oil, 29,165 bbls/d of heavy crude oil and 1,974 Mcf/d of conventional natural gas);
- realized Brent referenced average sales price of \$58.64/boe and an operating netback of \$41.44/boe;
- generated funds flow from operations in 2018 of \$400.6 million (\$2.58 per share basic);
- incurred capital expenditures of \$302.3 million; and
- participated in drilling 54 gross wells in Colombia resulting in 42 oil wells, 1 disposal well, 7 abandoned wells and 4 water injector wells, for a success rate of 86%.

Year ended December 31, 2019

- achieved annual average oil and natural gas production in 2019 of 52,687 boe/d (consisting of 7,214 bbls/d of light crude oil and medium crude oil, 44,494 bbls/d of heavy crude oil and 5,874 Mcf/d of conventional natural gas), an increase of 19% over average 2018 production volumes of 44,408 boe/d;
- realized Brent referenced average sales price of \$54.70/boe and an operating netback of \$37.51/boe;
- generated funds flow from operations in 2019 of \$570.5 million (\$3.90 per share basic);
- incurred capital expenditures of \$208.2 million; and
- participated in drilling 43 gross wells in Colombia resulting in 38 oil wells, 1 abandoned well, 2 suspended wells and 2 wells under test, for a success rate of 97%.

Year ended December 31, 2020

- achieved annual average oil and natural gas production in 2020 of 46,518 boe/d (consisting of 6,021 bbls/d of light crude oil and medium crude oil, 39,197 bbls/d of heavy crude oil and 7,800 Mcf/d of conventional natural gas), a decrease of 12% over average 2019 production volumes of 52,687 boe/d;
- realized Brent referenced average sales price of \$32.55/boe and an operating netback of \$20.84/boe;
- generated funds flow from operations in 2020 of \$297.0 million (\$2.15 per share basic);
- incurred capital expenditures of \$141.3 million; and
- participated in drilling 30 gross wells in Colombia resulting in 25 oil wells, 2 abandoned wells, 2 wells under test and 1 pressure maintenance well, for a success rate of 93%.

Significant Acquisitions

Parex did not complete any significant acquisitions during its most recently completed financial year for which disclosure is required under Part 8 of NI 51-102.

DESCRIPTION OF THE BUSINESS AND OPERATIONS

The Company, through its Subsidiaries, is engaged in oil and natural gas exploration, development and production in South America, however at present all of the Company's oil and natural gas production and reserves are located in Colombia.

The following is a summary of the business and operations of Parex and each of its Material Subsidiaries domiciled in Bermuda and Barbados, with branches in Colombia. See also *General Development of the Business - Parex' Activities in Colombia* and *Principal Properties* in this Annual Information Form.

Parex Resources (Barbados) Ltd.

Parex Barbados was incorporated on January 24, 2008 under the *Companies Act* of Barbados. Parex Barbados does not own any operating oil and gas assets but was incorporated for the purpose of incorporating a subsidiary under the laws of Trinidad & Tobago, being Parex Trinidad, and subsequently, to hold 100% of the voting shares of Parex Trinidad. Parex Barbados currently holds 100% of the voting shares of Parex Colombia and Parex Bermuda and no longer holds any shares of Parex Trinidad as this entity was sold in 2015. Parex Barbados also facilitates future capitalization of its subsidiaries.

Parex Resources (Colombia) Ltd.

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

Since inception Parex Colombia acquired various exploration blocks in Colombia through a combination of ANH bid rounds, farm-in agreements with industry partners and acquisitions. Exploration blocks acquired in this time frame that are considered material are described below.

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

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

On April 20, 2009, exploration and production contracts ("**E&P Contracts**") for the 2008 Blocks were finalized between the ANH, Parex Colombia and CESC. Pursuant to the E&P Contracts, on July 14, 2009, Parex Colombia and CESC each provided guarantees to ANH in the form of letters of credit in respect of a portion of the work commitments for Block LLA-16 and Block LLA-20. Guarantees to the ANH for Block LLA-29 and Block LLA-30 were provided on November 5, 2009.

On June 29, 2011, Parex Colombia, completed the acquisition of the Acquired Assets through the purchase of all of the shares of an indirect wholly-owned subsidiary of the Vendor, Parex Energy Colombia Ltd. (formerly, Remora Energy Colombia Ltd.), resulting in Parex Colombia holding a 100% interest in the 2008 Blocks and assuming the letters of credit to the ANH in respect of the additional 50% of the work commitments for the 2008 Blocks.

On March 16, 2012, Parex Colombia entered into a farm-in agreement with Cepsa Colombia S.A. for the Cabrestero block of Colombia (the "**Cabrestero Block**"). PACLS fulfilled the farm-in commitment in July 2012 and earned a 50% working interest in the Cabrestero Block. In December 2012, PACLS received ANH recognition of the farm-in and as operator of the Cabrestero Block. On May 31, 2013, Parex Colombia completed the purchase of the remaining 50% working interest in the Cabrestero Block from its partner in the block, for \$12.5 million before adjustments.

On June 22, 2013, Parex Colombia signed a purchase agreement to acquire an 80% working interest and operatorship in the LLA-26 block in the Llanos Basin of Colombia (the "**Block LLA-26**") for total consideration of \$1 million. Further, in April 7, 2014, Parex Colombia acquired and consolidated the Company's working interest to 100% in Block LLA-26. Pursuant to the terms of the farm-in agreement, Parex Colombia paid 100% of the working interest costs for the drilling of one exploration well to a depth of approximately 12,000 feet. Both the purchase and the farm-in received regulatory approval. Parex has met the requirements pursuant to the farm-in agreement and now has a 100% working interest in Block LLA-26.

On May 5, 2014, Parex Colombia signed a farm-in agreement with Ecopetrol, subject to the execution of the *Covenio Contract* with ANH, for the joint development of the Capachos block in the northern foothills of the Llanos Basin (the "**Capachos Block**"). The *Convenio Contract* with ANH was awarded to Ecopetrol on June 30, 2015, fulfilling a key condition of the farm-in agreement. Pursuant to the terms of the farm-in agreement, Parex Colombia paid 100% of the cost of two wells in the Capachos Block to re-activate the field and earned a 50% working interest and operatorship of the block. In the second quarter of 2018, Parex completely fulfilled its farm-in commitments.

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

On September 18, 2014, Parex Colombia signed an E&P Contract with the ANH for Block VMM-9. Block VMM-9 is approximately 152,314 gross acres in size and is subject to an initial base royalty of 9%. The first phase of the agreement has a term of 36 months, which has since been extended, and a current commitment of approximately \$89 million. Currently the E&P Contract is suspended due the lack of regulations to explore and exploit unconventional hydrocarbons.

On September 18, 2014, Parex Colombia signed an exploration and production agreement with the ANH for Block VIM-1. Block VIM-1 is approximately 223,651 gross acres in size and is subject to an initial base royalty of 25% for conventional deposits. Work on Block VIM-1 commenced in 2017, by acquiring 3D seismic. The Apure-1 exploration well was drilled in the third quarter of 2018. Subsequently Parex farmed out 50% of its working interest in return for the farmee to pay the first \$10 million of the La Belleza exploration well in the fourth quarter of 2019. Parex Colombia entered Phase 2 of the E&P Contract with a \$26 million commitment, consisting on the drilling of two exploratory wells. On December 31, 2020, Parex received regulatory approval to extend the Block VIM-1 boundaries by 32,000 acres to the east, onto adjacent open lands, which extension is based on the estimated extent of the 2020 La Belleza discovery. Parex expects to conduct an evaluation program on the La Belleza discovery by drilling one exploration well.

On September 29, 2015, Parex Colombia signed a participation agreement with Ecopetrol whereby Parex Colombia will farm-in to operate and earn a 50% working interest in the Aguas Blancas light oil field located in the Middle Magdalena Basin of Colombia (the "**Aguas Blancas Field**"), subject to ANH approval. The agreement requires investment by Parex Colombia, during the initial earning phase of three years, of approximately \$61.2 million through undertaking delineation drilling and a waterflood pilot program at Parex Colombia's sole cost to earn a 50% working interest in the Aguas Blancas Field revenues. Subsequently, all future capital investment provides Ecopetrol with a 10% carry in such capital investment by way of Parex Colombia being required to spend 60% and Ecopetrol 40%, with revenues and operating costs being based on the parties' respective 50% working interest. The initial earning phase had a term of 3 years ending on or before September 29, 2019. By the end of 2018, Parex fulfilled its farm-in commitment. Parex Colombia has provided a performance bond to Ecopetrol for the full amount of its initial phase earning commitment of \$61.2 million. Including the initial earning phase, the farm-in agreement has a term of 25 years and the agreement has a royalty regime that is consistent with the applicable ANH contracts.

On April 27, 2016, Parex Colombia signed two farm-in agreements with Ecopetrol whereby Parex Colombia will farm-in to operate and earn a 50% working interest in each of the De Mares block ("**De Mares Block**") and Boranda block (formerly Playon block) ("**Boranda Block**") located in the Middle Magdalena Basin of Colombia, both subject to ANH approval. Parex committed to fund 100% of a work-over of a well for an estimated cost of \$3 million to earn a 50% working interest and operatorship of the De Mares Block. Subsequent to such work-over, Parex and Ecopetrol have the option to drill an additional exploration well with Parex paying 100% of the costs. Parex fulfilled the farm-in agreement for the De Mares Block by drilling, completing and stimulating the Coyote 2 well by April 2018. Parex committed to fund 100% of the estimated drillings costs of \$7 million for an exploration well to earn a 50% working interest in and operatorship of, the Boranda Block. The Boranda-1 well was drilled in November 2016 and Parex and Ecopetrol drilled the Boranda-2 and 3 wells in 2019.

On October 4, 2017, Parex Colombia completed the acquisition of a partner's 17.5% working interest in Block LLA-32 ("**Block LLA-32**") and 50% working interest in Block LLA-40 ("**Block LLA-40**") for net cash consideration of \$5.0 million and the assumption of the future decommissioning liabilities.

On June 29, 2018, Parex signed a farm-in agreement with Hupecol Meta LLC for the exploration area of Block CPO -11 in the Llanos Basin of Colombia ("**Block CPO-11**"). Pursuant to the terms of the farm-in agreement, Parex will pay 100% of the costs to drill two explorations wells and acquire 108 kilometers of 2D seismic to earn a 50% working interest, subject to government approval. The farm-in agreement includes approximately 570,000 gross acres subject to a royalty of approximately 30% which is calculated on a net basis. Parex has fulfilled all the farm-in commitments by drilling the Anacona-1 well and the Montuno-1 well.

On October 18, 2018, Parex Colombia completed the acquisition of 100% working interest in the Fortuna Block (the "**Fortuna Block**") from Emerald Energy PLC Sucursal Colombia and Geoadinpro S.A.S for net cash consideration of \$17 million. The Fortuna Block is located in the Middle Magdalena Basin of Colombia and is governed by an Ecopetrol Association Contract which is subject to a total royalty of approximately 15% and was approved on March 19, 2019. The Cayena well was drilled in November 2020 and long-term testing started on this well in December 2020.

On February 18, 2019, Parex and Verano signed a private agreement with Geopark Colombia SAS by which it farmed down its working interest in the exploration area in Block LLA -32 from a combined 87.5% working interest to 75% working interest in exchange for the set off of an outstanding amount between the parties.

On March 7, 2019, Parex signed a farm-in agreement with Cepsa Colombia S.A. for the Block Merecure exploration area in the Llanos Basin of Colombia ("**Block Merecure**"). Pursuant to the terms of the farm-in agreement, Parex will pay 100% of the costs to drill two explorations wells to earn a 35% working interest, subject to government approval. The farm-in agreement includes approximately 570,000 gross acres subject to a royalty of approximately 30% which is calculated on a net basis. As part of the farm-in commitments, the Tamariniza-1 exploration well was drilled by Parex in the second quarter of 2019.

On June 4, 2019, Parex Colombia successfully participated in the June 2019 ANH Permanent Process for the Assignment of Areas ("**PPAA**") bid round - first cycle and was awarded a 100% working interest in Block LLA-94 in the Llanos Basin of Colombia ("**Block LLA-94**") and Block VSM-25 in the upper Magdalena Basin of Colombia ("**Block VSM-25**").

On November 26, 2019, Parex Colombia successfully participated both for its own account and jointly with Ecopetrol in the December 2019 ANH PPAA bid round - second cycle and was awarded a 50% operating working interest in Block LLA-122 in the Llanos Basin of Colombia ("**Block LLA-122**"), and a 100% working interest in Block VSM-36 in the upper Magdalena Basin of Colombia ("**Block VSM-36**") and in Block VMM-46 in the middle Magdalena Basin of Colombia ("**Block VMM-46**").

On December 12, 2019, Parex Colombia assigned a 50% non-operated working interest in Block LLA-94 to Geopark Colombia SAS which was approved on May 27, 2020.

On December 1, 2020, Parex was awarded two prospective blocks ("**Block LLA-134**") and ("**Block VIM-43**") under the third cycle of the ANH PPAA bid round. The total work commitment on the newly awarded blocks is approximately \$3.8 million to acquire 95km² of 3D seismic.

See *Principal Properties*.

Parex Resources (Bermuda) Ltd.

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

On April 12, 2012, Parex Bermuda entered into a purchase and sale agreement with a Bermuda based company, Nabors Global Holdings II (the "**Seller**") and completed the acquisition of the class A shares of the Seller's wholly owned subsidiary, Ramshorn, the operations of which included interests in five exploration blocks located in Llanos Basin, including Block LLA-34 ("**Block LLA-34**") and Block LLA-32, and two blocks located in Middle Magdalena Basin in Colombia for a total of approximately 567,000 gross acres (276,000 net acres). The consideration paid for the shares of Ramshorn was approximately \$71.8 million in cash, including customary closing adjustments, which were funded from cash on hand. Parex also assumed \$17.7 million of letters of credit related to Ramshorn's interests post closing.

See *Principal Properties*.

Ramshorn International Limited

Ramshorn dissolved in 2018 and its assets and undertakings transferred to 100% owned entities within the Parex group of companies.

Verano Energy Limited and its Subsidiaries

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

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

Verano on January 1, 2016, the Verano Entities are now direct and indirect subsidiaries of Parex and the only Verano Entities that continue to actively engage in business are Verano Limited and its operating branch in Colombia.

The primary assets of Verano Limited and its operating branch in Colombia at the time of the Verano Arrangement consist of working interests and oil and natural gas reserves in ANH exploration contracts in respect of Llanos Basin Block LLA-32 and Block LLA-34. Block LLA-17 was acquired pursuant to the Verano Arrangement and the working interest assignment from Verano to Parex was approved on December 20, 2019. Currently Block LLA-17 is in the process of being relinquished to the ANH.

See *Principal Properties*.

Competitive Conditions

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

Risks of Foreign Operations

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

Bankruptcy and Similar Procedures

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

Reorganization

There have been no material reorganizations of the Company or any of its Subsidiaries within the three most recently completed financial years or during or proposed for the current financial year, except as noted below. See *Corporate Structure - Intercorporate Relationships*.

In 2018, Parex completed a voluntary Colombia tax restructuring to make the Company's tax structure more efficient. As part of this tax restructuring, Ramshorn was dissolved and its assets and undertakings transferred to 100% owned entities within the Parex group of companies.

In September 2019, Verano Limited (formerly Verano Energy (Barbados) Limited), redomiciled to Bermuda and changed its name. This was also part of Parex' ongoing improvement of its organizational tax structure.

Employees

The following table details the Company's employees by country as of December 31, 2018, 2019 and 2020:

	Number of Employees		
	2020	2019	2018
Calgary	51	44	41
Colombia	297	295	277
Total	348	339	318

Environmental Protection

The Company operates under the jurisdiction of a number of regulatory bodies and agencies in each of the jurisdictions in which it operates that set forth numerous prohibitions and requirements with respect to planning and approval processes related to land use, sustainable resource management, waste management, responsibility for the release of presumed hazardous

materials, protection of wildlife, and the environment and the health and safety of workers. Legislation provides for restrictions and prohibitions on the transport of dangerous goods and the release or emission of various substances, including substances used and produced in association with certain oil and gas industry operations. The legislation addresses various permits, including for drilling, well completion, installation of surface equipment, air monitoring, surface and ground water monitoring in connection with these activities, waste management and access to remote or environmentally sensitive areas.

Historically, environmental protection requirements have not had a significant financial or operational effect on Parex' capital expenditures, earnings or competitive position. Subject to any changes in current environmental protection legislation, or in the way the legislation is interpreted in the jurisdictions in which it operates, Parex does not presently anticipate environmental protection requirements will have a significant effect on such matters in 2021. The Company is exposed to potential environmental liability in connection with its business of oil and natural gas exploration and production. See *Risk Factors*.

Trends in Environmental Regulation

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

Social or Environmental Policies

Environment, Health and Safety Policies and Procedures

The Company's main environmental strategies include the preparation of comprehensive environmental impact assessments and assembling project-specific environmental management plans. Parex encourages local community engagement in environmental planning in order to create a positive relationship between the oil business and existing local industries. The Company's practice is to do all that it reasonably can to ensure that it remains in material compliance with environmental protection legislation. Parex is committed to meeting its responsibilities to protect the environment wherever it operates and will take such steps as required to ensure compliance with environmental legislation. Monitoring and reporting programs for environment, health and safety ("**EH&S**") performance in day-to-day operations, as well as inspections and assessments, are designed to provide assurance that environmental and regulatory standards are met. The Company maintains an active comprehensive integrity monitoring and management program for its facilities, storage tanks and pipelines. The Company's practice is to not dispose of produced water above ground, for all blocks. Contingency plans are in place for a timely response to an environmental event and abandonment, remediation and reclamation programs are in place and utilized to restore the environment. The Company also performs a detailed due diligence review as part of its acquisition process to determine whether the assets to be acquired are in regulatory and environmental compliance and assess any liabilities with respect thereto. Parex expects to incur abandonment and site reclamation costs as existing oil and gas properties are abandoned and reclaimed. In 2020, expenditures for normal compliance with environmental regulations, as well as expenditures beyond normal compliance, were as set out in the Company's audited annual financial statements for the year ended December 31, 2020, which have been filed on SEDAR and are considered not to be material.

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

Annually, the Company discloses on its website certain environmental, social and governance ("**ESG**") performance data on material ESG issues. The Company produces a fulsome sustainability report in accordance with sustainability reporting standards and documenting the Company's assessment of risks, opportunities, progress and challenges as they relate to

sustainability issues. The content and methods used in the Company's sustainability disclosures are informed by the Sustainability Accounting Standards Board, the Task Force on Climate-related Financial Disclosures, the Global Reporting Institute Standards and the Carbon Disclosure Project. The most recent scorecard and the 2019 Sustainability Report are available on the Company's website.

Community Relations

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

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

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

PRINCIPAL PROPERTIES

As at December 31, 2020, the Company's principal land holdings and exploration blocks, excluding blocks that the Company is planning to relinquish, were as follows:

	<u>Working Interest</u>	<u>Gross Acres⁽¹⁾</u>	<u>Net Acres⁽²⁾</u>
Colombia Llanos Basin			
<i>Operated Properties</i>			
Block LLA-16	100%	10,057	10,057
Block LLA-26	100%	93,376	93,376
Block LLA-30	100%	1,451	1,451
Block LLA-32	87.5%	23,757	20,787
Block LLA-40	100%	4,072	4,072
Block LLA-94	50%	89,175	44,588
Block LLA-122	50%	188,298	94,149
Block LLA-134	100%	147,937	147,937
Block Merecure	35%	141,527	49,534
Cabrestero Block	100%	9,212	9,212
Capachos Block	50%	64,073	32,037
CPO-11 Block ⁽³⁾	50%	489,617	244,809
Los Ocarros Block	100%	30,562	30,562
<i>Non-Operated Properties</i>			
Block LLA-34	55%	63,528	34,940
Colombia Magdalena Basin			
<i>Operated Properties</i>			
Aguas Blancas	50%	13,386	6,693
Block VIM-1	50%	139,575	69,788
Block VIM-43	100%	90,457	90,457
Block VMM-9	100%	152,412	152,412
Block VSM-25	100%	68,221	68,221
Block VSM-36	100%	148,263	148,263
Block VMM-46	100%	111,026	111,026
Boranda Block	50%	43,367	21,684
De Mares Block	50%	174,387	87,194
Fortuna Block ⁽⁴⁾	100%	26,205	26,205
Total		<u>2,323,941</u>	<u>1,599,454</u>

Notes:

- (1) "Gross" means acres in which the Company has an interest
- (2) "Net" means the Company's interest in the gross acres.
- (3) Lands are subject to farm-in agreement earnings terms and/or regulatory approval.
- (4) Subject to Ecopetrol's right to back-in as per the association contract (20%).

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

Colombia

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

Block LLA-34 (55% working interest)

Parex obtained its 55% interest in Block LLA-34 through the purchase of the class A shares of Ramshorn by Parex Bermuda in April 2012 (45% working interest) and the purchase of the Verano Shares pursuant to the Verano Arrangement in June 2014 (10% working interest). This block is adjacent to Block LLA-32 (see below). During 2012, Parex and its partners drilled the Tua prospect at Block LLA-34 and made a discovery in the Guadalupe and Mirador reservoirs. Two additional follow-up wells

were successfully drilled and placed on production at Tua, and a water disposal well was drilled at Max field. In 2013, an additional three delineation wells were drilled at Tua, which were all placed on production. Parex and its partners also discovered the Tigana and Tarotaro reservoirs in 2013, drilling a total of four wells in Tarotaro and two wells in Tigana. Both fields are productive in the Guadalupe and Mirador reservoirs and produce oil of 15° to 20° API. In 2014, Parex and its partners decided that further drilling at Tarotaro and Max were to be postponed allowing for focus on the development of Tigana and Tua. In 2014, Parex and its partners delineated the Tigana field by drilling an additional 6 wells, 5 of which are producers and 1 that is an injector. An additional 5 wells were drilled at Tua in 2015, further delineating the pool and resulting in 4 oil producers with 1 injector well. In 2015, Parex and its partners successfully tested 1 new field, being the Tilo field, and drilled 2 new fields at Jacana and Chachalaca. Tilo is comprised of Guadalupe formation reservoir producing heavy crude oil at 13.5° API. Jacana has both Mirador formation (untested) and Guadalupe with the Guadalupe on production producing heavy crude oil at 15° API. The Chachalaca field encountered several intervals in the Mirador formation reservoir with first tested zone producing 31° API light crude oil. In 2016, 4 wells were drilled in Jacana as delineation wells and all were tested resulting in 4 producing Guadalupe wells. Three Guadalupe development wells were also drilled in Tigana, resulting in 3 producing wells. Additionally, Parex drilled an exploration well at Chiricoca, which after testing, was put on production in the Mirador formation at 31° API oil. In 2017, Parex continued to delineate the Jacana, Tigana Norte and Tigana pools, participating in the drilling of 23 wells in 2017 resulting in 21 producing wells, 1 well dry and abandoned and 1 water disposal well. In 2018, Parex continued to delineate and develop the Tigana and Jacana pools and discovered a new accumulation at Tigui participating in the drilling of 26 wells resulting in 25 producing oil wells and one well dry and abandoned. Also in 2018 an oil flowline was substantially built to connect oil production from Block LLA-34 to the Colombia export pipeline system, providing an additional egress option for oil production from this block. In 2019, Parex continued to delineate and develop the Tigana and Jacana pools and discovered a new accumulation at Gauco, participating in the drilling of 27 wells resulting in 25 producing oil wells and two under test. Also in 2019, an oil flowline was constructed and commissioned to connect oil production from the Jacana field to the Colombia export pipeline system, providing an additional egress option for oil production from this Block.

In 2020, Parex continued to delineate and develop the Tigana and Jacana pools, participating in the drilling of 19 wells resulting in 19 producing oil wells. Average net oil production from Block LLA-34 in 2020 was 33,917 bbl/d net (consisting of 628 bbl/d light crude oil and medium crude oil and 33,289 bbl/d of heavy crude oil) or 61,667 boe/d gross (consisting of 1,142 bbl/d light crude oil and medium crude oil and 60,525 bbl/d of heavy crude oil). Also in 2020, the Tigana oil field flowline tie in was completed to the Colombia export pipeline system.

Cabrestero Block (100% working interest)

In 2012, Parex farmed into the Cabrestero Block and drilled the Kitaro-1 well to earn a 50% interest in the block. The well was cased and initially tested in the Une formation. In August of 2012, the Kitaro-1 well was recompleted in the Mirador formation as the temporary facility did not have capacity to handle increasing water production from the Une formation. The Kitaro-2 well was drilled as a follow-up well and was produced over a two week period from the Guadalupe formation until water breakthrough, at which point the well was recompleted in the Mirador formation. In 2012, the Akira prospect was drilled from the Kitaro location to test the Guadalupe formation at a depth of 9,500 feet. The Akira-1 well was placed on production from the Guadalupe formation and produced at rates of 300-400 bbl/d.

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

In 2016, the Bacano-1 exploration well was drilled on the Cabrestero Block but due to mechanical problems, the well did not reach target formation and was abandoned. In the fourth quarter of 2016, Parex re-drilled the Bacano prospect from a new pad to minimize horizontal deviation and successfully drilled the Bacano-2 well. The well has since tested, and is producing heavy oil from the Guadalupe formation at 17° API. In 2017, Parex drilled wells Bacano 3, 4, and 5 which were all successful and placed on production and an exploration well Bacano 6 was drilled but was dry and abandoned. In 2018, Parex drilled ten wells at Cabrestero resulting in six producing oil wells, three injection wells and one dry and abandoned well. The drilling results identified an extension to the Akira pool that was appraised in 2019. In 2019, Parex drilled 7 wells, Bacano Oeste-1, 2, 5 and Akira 12, 13, 14 and 17. With the exception of the Bacano Oeste-5 well that could not be completed due to mechanical failure in the wellbore, all wells drilled are oil producing wells. The Bacano Oeste-5 well was abandoned in 2020.

In 2020, Parex drilled 6 wells on the Cabrestero Block; Bacano Oeste-3, 4 and Akira 19, 20, 21 and 22. All wells drilled are oil producing wells.

Average net oil production from the Cabrestero Block in 2020 was 4,902 bbl/d net (4,902 bbl/d gross) consisting entirely of heavy crude oil. As Bacano/Kitaro/Akira fields are 100% owned, these fields are used by Parex to maintain steady production and are used as "swing fields" to assist in corporate production targets being achieved.

Capachos Block (50% working interest)

In 2014, Parex, farmed into the Capachos Block and drilled Capachos-2 and Capachos Sur-2 exploration wells in the second quarter of 2018 to earn a 50% working interest and operatorship of the block. In addition, the Andina-1 exploration well was drilled in second quarter of 2018, followed by a successful Andina-2 appraisal well. In 2019, Parex drilled 2 wells, Andina Norte-1 and Andina-3, and commenced the construction of a natural gas processing facility.

In 2020, Parex did not drill any wells on the Capachos Block, and focused on finishing the construction of the natural gas processing facility on this Block.

Average net oil production from the Capachos Block in 2020 was 3,380 boe/d net (consisting of 3,274 bbl/d of light crude oil and medium crude oil and 638 Mcf/d of conventional natural gas) or 6,760 boe/d gross (consisting of 6,548 bbl/d light crude oil and medium crude oil and 1,276 Mcf/d of conventional natural gas).

Block LLA-32 (87.5% working interest)

Parex obtained its original 30% interest in Block LLA-32 through the purchase of the class A shares of Ramshorn by Parex Bermuda in April 2012. Parex obtained an additional 40% through the purchase of Verano pursuant to the Verano Arrangement in June 2014 and an additional 17.5% from a purchase of a partners interest in October 2017. Block LLA-32 is immediately north of Block LLA-34. Block LLA-32 was producing from the Maniceno field and in 2013 Parex and its partners drilled a second successful well in the Maniceno field. In 2014, three additional discoveries in Block LLA-32 were made at fields Kananaskis, Carmentea and Calona in both the Mirador and Une reservoirs. The Mirador reservoirs contain oil of 30° API, while the Une reservoirs contain gas that produces liquid condensates of 40° to 50° API. In 2014, Parex and its partners drilled 4 wells at Kananaskis, 1 well at Calona, and 2 wells at Carmentea.

In 2015, the Company focused on the commissioning of a gas facility on Block LLA-32 to produce natural gas and light crude oil in the Une formation and to facilitate shipment of processed gas south to Block LLA-34 and the Cabrestero Block for use in power generation. In 2016, 1 exploration well was drilled. Two exploration wells were drilled by Parex on Block LLA-32 in 2018 resulting in two dry and abandoned wells. Parex sells the natural gas production from this block to Block LLA-34 to use as fuel to provide electricity for Block LLA-34's significant power requirements. In 2019, Parex drilled the Azogue-1 exploration well resulting in a discovery in the Guadalupe and Mirador reservoirs. The Guadalupe reservoir was placed on production on long term test and a tie in to the Kananaskis facilities was completed in 2020.

In 2020, Parex did not drill any wells on Block LLA-32 and focused on completing the Azogue field flowline.

Average net oil production from Block LLA-32 in 2020 was 2,275 boe/d net (consisting of 1,142 bbl/d of light crude oil and medium crude oil and 6,800 Mcf/d of conventional natural gas) or 2,600 boe/d gross (consisting of 1,305 bbl/d of light crude oil and medium crude oil and 7,771 Mcf/d of conventional natural gas).

Block LLA-26 (100% working interest)

In 2014, Parex, by way of three separate transactions, consolidated a 100% interest in Block LLA-26 and accepted the commitment to drill an exploration well to retain the block. In April 2015, PACLS drilled the Rumba-1 well to a total depth of 13,396 ft and encountered oil bearing reservoirs within the Mirador formation. The well was cased and tested 19° API heavy crude and was placed on production at a rate of approximately 2,000 bopd.

Subsequent in 2015, PACLS completed the appraisal of the Rumba field by drilling three additional oil wells and one water injection well at Rumba and extended the oil field with the drilling of the Bazar-2 exploration well approximately 2.2 kms away from Rumba-1 well. In 2016, Parex drilled 3 development oil wells and a water disposal well on the block, with no wells being drilled by Parex subsequently.

In 2020, no development activities were conducted on Block LLA-26 other than facility optimization for the existing producing field.

Average oil production from Block LLA-26 in 2020 was 1,132 bbl/d net (1,132 bbl/d gross) consisting entirely of heavy crude oil.

Summary of Block Commitments as of March 3, 2021

The following information represents the gross outstanding financial commitments of the Company per block in accordance with the E&P Contracts, all of which are in Colombia.

Blocks	Exploration Phase	Current Phase Expiry Date	Outstanding Gross Financial Commitment	Outstanding Net Financial Commitment	Current Commitment
VSM-25	Phase 0	7/24/2021	\$ 15,816,040	\$ 15,816,040	Seismic + 1 exploration well
VSM-36	Phase 0	12/20/2021	\$ 9,672,900	\$ 9,672,900	Seismic
LLA-94	Phase 1	10/1/2023	\$ 18,293,660	\$ 9,146,830	Seismic + seismic reprocessing + 3 exploration wells
LLA-122	Phase 1	10/5/2023	\$ 7,236,008	\$ 3,618,004	Seismic + seismic reprocessing
LLA-134	Phase 0	12/20/2021	\$ 2,036,400	\$ 2,036,400	Seismic
VIM-1	Phase 2/PEV	01/30/2023	\$ 32,100,000	\$ 16,050,000	2 exploration wells + 1 appraisal well
VIM-43	Phase 0	12/20/2021	\$ 1,781,750	\$ 1,781,750	Seismic
VMM-9	Phase 1	Suspended	\$ 89,090,800	\$ 89,090,800	Seismic + 5 exploration wells
VMM-46	Phase 1	10/13/2023	\$ 8,569,850	\$ 8,569,850	Seismic
De Mares	Second Retention Period	3/29/2022	\$ 7,000,000	\$ 3,500,000	1 exploration well
De Mares	Evaluation Program	12/19/2021	\$ 2,400,000	\$ 1,200,000	Seismic
LLA-32	Phase 2 Subsequent Exploration Program	2/20/2022	\$ 6,200,000	\$ 5,425,000	2 exploration wells
Merecure	Phase 2 PEP	5/9/2020 - Pending extension	\$ 5,000,000	\$ 3,500,000	1 exploration well
TOTAL			\$ 205,197,408	\$ 169,407,574	

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

The statement of reserves data and other oil and gas information set forth below (the "Reserves Data") is dated December 31, 2020. The effective date of the Reserves Data is December 31, 2020 and the preparation date of the Reserves Data is January 26, 2021. All of the Company's reserves are located in Colombia.

Disclosure of Reserves Data

The Reserves Data set forth below are based upon an evaluation by GLJ set out in the GLJ Report dated February 4, 2021 with an effective date of December 31, 2020. The Reserves Data summarize the oil, natural gas and NGL reserves of the Company and the net present values of future net revenue for such reserves using forecast prices and costs as at December 31, 2020. Nearly all of the Company's oil production and 87% of the oil, natural gas and NGL proved plus probable reserves are located in the Llanos Basin of Colombia with the remaining oil reserves and production located in the Magdalena Basin. The Company does not have any coal bed methane, synthetic crude oil, bitumen, gas hydrates, shale gas, synthetic gas, or tight oil production or reserves.

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

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

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

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

The estimates of reserves and future development capital for individual properties may not reflect the same confidence level as estimates of reserves and future development capital for all properties, due to the effects of aggregation.

Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10 percent probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

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

SUMMARY OF OIL AND GAS RESERVES
as at December 31, 2020
FORECAST PRICES AND COSTS

Reserve Category	Light Crude Oil and Medium Crude Oil		Heavy Crude Oil		Conventional Natural Gas		Natural Gas Liquids		Total Oil Equivalent ⁽²⁾	
	Gross ⁽¹⁾ (Mbbl)	Net ⁽¹⁾ (Mbbl)	Gross (Mbbl)	Net (Mbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbl)	Net (Mbbl)	Gross (Mboe)	Net (Mboe)
PROVED										
Developed Producing	5,883	5,277	64,949	57,456	8,363	7,735	147	135	72,373	64,157
Developed Non-Producing	5,881	5,078	5,063	4,490	23,840	19,334	170	158	15,087	12,948
Undeveloped	4,669	4,088	35,512	31,094	2,434	2,238	36	34	40,623	35,589
TOTAL PROVED	16,433	14,443	105,524	93,040	34,637	29,307	353	327	128,083	112,693
TOTAL PROBABLE	14,897	12,683	45,317	37,501	35,864	29,452	215	200	66,407	55,292
TOTAL PROVED PLUS PROBABLE	31,330	27,126	150,842	130,540	70,501	58,759	568	527	194,491	167,986
TOTAL POSSIBLE	27,765	23,496	49,462	42,361	51,430	41,654	196	182	85,995	72,982
TOTAL PROVED PLUS PROBABLE PLUS POSSIBLE	59,095	50,622	200,304	172,901	121,931	100,413	765	709	280,486	240,968

Notes:

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

SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE
as at December 31, 2020
FORECAST PRICES AND COSTS

Reserves Category	Before Income Tax Discounted at (%/year)					After Income Taxes Discounted at (%/year) ⁽¹⁾					Unit Value Before Income Tax Discounted at 10%/year ⁽²⁾	
	0	5	10	15	20	0	5	10	15	20	(\$/boe)	(\$/Mcfe)
	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)		
PROVED												
Developed Producing	2,102,448	1,760,681	1,514,956	1,331,754	1,190,780	1,752,322	1,467,151	1,261,769	1,108,508	990,514	23.61	3.94
Developed Non-Producing	366,451	298,629	248,729	211,008	181,797	255,208	207,124	171,766	145,079	124,451	19.21	3.20
Undeveloped	1,103,421	798,425	597,463	459,509	361,274	765,277	542,756	395,909	295,305	223,966	16.79	2.80
TOTAL PROVED	3,572,319	2,857,736	2,361,149	2,002,271	1,733,851	2,772,808	2,217,030	1,829,443	1,548,891	1,338,932	20.95	3.49
PROBABLE	2,089,646	1,382,454	979,935	733,316	572,315	1,457,889	955,589	669,994	495,618	382,292	17.72	2.95
TOTAL PROVED PLUS PROBABLE	5,661,965	4,240,190	3,341,084	2,735,587	2,306,165	4,230,697	3,172,618	2,499,437	2,044,509	1,721,223	19.89	3.31
POSSIBLE	3,088,779	1,887,954	1,284,690	942,147	728,088	2,162,940	1,309,788	882,572	641,209	491,203	17.60	2.93
TOTAL PROVED PLUS PROBABLE PLUS POSSIBLE	8,750,744	6,128,144	4,625,774	3,677,733	3,034,254	6,393,637	4,482,407	3,382,009	2,685,717	2,212,426	19.20	3.20

Notes:

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

TOTAL FUTURE NET REVENUE (UNDISCOUNTED)
as at December 31, 2020
FORECAST PRICES AND COSTS

Reserves Category	Revenue (\$000's)	Royalties (\$000's)	Operating Costs (\$000's)	Development Costs (\$000's)	Abandonment and Reclamation Costs (\$000's) ⁽²⁾	Future Net Revenue Before Future Income Taxes (\$000's)	Future Income Taxes ⁽¹⁾ (\$000's)	Future Net Revenue After Future Income Taxes (\$000's) ⁽¹⁾
PROVED	5,986,856	717,563	1,318,059	298,568	80,347	3,572,319	799,511	2,772,808
PROVED PLUS PROBABLE	9,419,620	1,288,454	1,948,858	422,742	97,601	5,661,965	1,431,268	4,230,697
PROVED PLUS PROBABLE PLUS POSSIBLE	14,049,095	1,985,919	2,658,138	541,868	112,427	8,750,744	2,357,107	6,393,637

Notes:

- Values are calculated by utilizing existing tax pools for Parex in the evaluation of Parex' properties and taking into account current Colombian federal tax regulations. Values do not represent an estimate of the value at the business entity level, which may be significantly different. For information at the business entity level, please see Parex' Consolidated Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2020.
- See *Significant Factors and Uncertainties - Abandonment and Reclamation Costs*.

**FUTURE NET REVENUE
BY PRODUCT TYPE⁽⁵⁾
as at December 31, 2020
FORECAST PRICES AND COSTS**

	Net Present Value of Future Net Revenue (before deducting Future Income Tax Expenses and Discounted at 10%/year) (M\$)	Unit Value (before deducting Future Income Tax Expenses and Discounted at 10%/year) ((\$/bbl)/(\$/Mcf)) ⁽³⁾⁽⁴⁾	
		(\$/bbl)	(\$/Mcf)
Proved Reserves			
Light Crude Oil and Medium Crude Oil ⁽¹⁾	255,500	18.74	3.12
Heavy Crude Oil ⁽¹⁾	1,996,366	21.46	3.58
Conventional Natural Gas ⁽²⁾	109,283	18.15	3.03
Total Proved	<u>2,361,149</u>	<u>20.95</u>	<u>3.49</u>
Proved Plus Probable			
Light Crude Oil and Medium Crude Oil ⁽¹⁾	465,426	19.31	3.22
Heavy Crude Oil ⁽¹⁾	2,655,282	20.34	3.39
Conventional Natural Gas ⁽²⁾	220,376	16.52	2.75
Total Proved Plus Probable	<u>3,341,084</u>	<u>19.89</u>	<u>3.31</u>
Proved Plus Probable Plus Possible			
Light Crude Oil and Medium Crude Oil ⁽¹⁾	931,789	20.52	3.42
Heavy Crude Oil ⁽¹⁾	3,350,202	19.38	3.23
Conventional Natural Gas ⁽²⁾	343,783	15.17	2.53
Total Proved Plus Probable Plus Possible	<u>4,625,774</u>	<u>19.20</u>	<u>3.20</u>

Notes:

- (1) Including solution gas and other by-products.
- (2) Including by-products but excluding solution gas.
- (3) Other Company revenue and costs not related to a specific production group have been allocated proportionately to production groups.
- (4) Unit values are based on net reserve volumes.
- (5) The Company did not separately detail the future net revenue of NGL reserves as the volumes were immaterial.

Pricing Assumptions

Crude Oil

The following table sets forth the benchmark reference prices, as at December 31, 2020, reflected in the Reserves Data. These price assumptions were provided to Parex by GLJ and were GLJ's then current forecast at the date of the GLJ Report.

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS⁽¹⁾
as at December 31, 2020
FORECAST PRICES AND COSTS

Year	WTI Cushing Oklahoma (\$/US/bbl)	ICE Brent (\$/US/bbl)	Inflation Rates ⁽²⁾ (%/Year)	Exchange Rate ⁽³⁾ (\$/US/\$Cdn)
Forecast ⁽⁴⁾				
2021	48.00	50.75	—	0.775
2022	51.50	55.00	1.0	0.765
2023	54.50	58.50	2.0	0.760
2024	57.79	61.79	2.0	0.760
2025	58.95	62.95	2.0	0.760
2026	60.13	64.13	2.0	0.760
2027	61.33	65.33	2.0	0.760
2028	62.56	66.56	2.0	0.760
2029	63.81	67.81	2.0	0.760
2030	65.09	69.17	2.0	0.760

Thereafter

Escalated oil, gas and product prices at 2% per year thereafter.

Notes:

- (1) This summary table identifies benchmark reference pricing schedules that might apply to a reporting issuer.
- (2) Inflation rates for forecasting prices and costs.
- (3) The exchange rate used to generate the benchmark reference prices in this table.
- (4) As at December 31, 2020.

Natural Gas

Produced gas from the Calona, Carmentea and Kananaskis Fields in Block 32 is sold to other blocks for use as fuel gas. The contract price is \$6.00 per MMBtu for 3.0 MMcfpd in 2021 and 2022. The remaining gas production will be sold at \$4.20 per MMBtu. Solution gas produced in the Aguas Blancas Field is to be sold at a contract price of \$2.00 per Mcf up to 1.0 MMcfpd, all remaining gas production will be sold at \$1.50 per Mcf. For the Capachos-Andina Field, produced gas is to be sold at a contract price of \$2.20 per MMBtu, while butane volumes are sold at a contract price of \$30.00 per bbl. For the La Belleza Field, produced gas is sold at a contract price of \$4.00 per Mcf. In 2020 Parex realized an average price of \$6.07/mcf.

Reserves Reconciliation

The following table sets forth a reconciliation of the Company's total gross proved, gross probable and total gross proved plus probable oil reserves as at December 31, 2020 against such reserves as at December 31, 2019 based on forecast prices and cost assumptions. All of the Company's evaluated reserves are located in Colombia.

RECONCILIATION OF COMPANY GROSS RESERVES BY PRINCIPAL PRODUCT TYPE
As at December 31, 2020
FORECAST PRICES AND COSTS⁽¹⁾

FACTORS	Light Crude Oil And Medium Crude Oil			Heavy Crude Oil		
	Proved (Mbbbl)	Probable (Mbbbl)	Proved Plus Probable (Mbbbl)	Proved (Mbbbl)	Probable (Mbbbl)	Proved Plus Probable (Mbbbl)
December 31, 2019	13,922	10,390	24,312	121,648	47,476	169,124
Discoveries ⁽²⁾	2,007	3,052	5,058	—	—	—
Extensions ⁽³⁾	2,088	1,714	3,802	1,950	(1,950)	—
Improved Recovery ⁽³⁾	—	—	—	—	—	—
Technical Revisions	526	(258)	269	(3,724)	(209)	(3,933)
Acquisitions	—	—	—	—	—	—
Dispositions	—	—	—	—	—	—
Economic Factors	—	—	—	—	—	—
Production	(2,110)	—	(2,110)	(14,350)	—	(14,350)
December 31, 2020	16,433	14,897	31,330	105,524	45,317	150,842

FACTORS	Conventional Natural Gas			BOE		
	Proved (MMcf)	Probable (MMcf)	Proved Plus Probable (MMcf)	Proved (Mboe)	Probable (Mboe)	Proved Plus Probable (Mboe)
December 31, 2019	17,313	9,055	26,368	138,825	59,599	198,423
Discoveries ⁽²⁾	19,795	27,216	47,011	5,306	7,588	12,893
Extensions ⁽³⁾	—	—	—	4,038	(236)	3,802
Improved Recovery ⁽³⁾	—	—	—	—	—	—
Technical Revisions	2,180	(407)	1,773	(2,783)	(543)	(3,326)
Acquisitions	—	—	—	—	—	—
Dispositions	—	—	—	—	—	—
Economic Factors	—	—	—	—	—	—
Production	(4,651)	—	(4,651)	(17,302)	—	(17,302)
December 31, 2020	34,637	35,864	70,501	128,083	66,407	194,491

Notes:

- (1) The Company did not separately detail an NGL reserves reconciliation as the volumes were immaterial.
- (2) Discoveries are associated with the evaluations of the La Belleza discovery on Block VIM-1.
- (3) Reserve extensions and improved recovery are associated with the Cabrestero Block and Block LLA-34.
- (4) Technical revisions are mainly attributed to the evaluations of the Cayena well on the Fotuna Block.

Additional Information Relating to Reserves Data

Undeveloped Reserves

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

The GLJ Report assumes that the proved undeveloped reserves will be developed over the next 5 years with 85% of the capital spending in the next 3 years. There are a number of factors that could result in delayed or cancelled development, including the following: (i) changing economic conditions (due to commodity pricing, operating and capital expenditure fluctuations); (ii) changing technical conditions (including production anomalies, such as water breakthrough or accelerated depletion); (iii) multi-zone developments (for instance, a prospective formation completion may be delayed until the initial completion formation is no longer economic); (iv) a larger development program may need to be spread out over several years to optimize capital allocation and facility utilization; and (v) surface access issues (including those relating to land owners, weather conditions and regulatory approvals). See *Risk Factors*.

Proved and Probable Undeveloped Reserves

The following tables set forth the proved undeveloped reserves and the probable undeveloped reserves, each by product type, attributed to Parex' assets for the years ended December 31, 2018, 2019 and 2020 based on forecast prices and costs. All of the Company's proved undeveloped reserves and the probable undeveloped reserves are located in Colombia. See *Statement of Reserves Data and Other Oil and Gas Information - Disclosure of Reserves Data*.

Proved Undeveloped Reserves

Year	Light Crude and Medium Crude Oil (Mbbbl)		Heavy Crude Oil (Mbbbl)		Conventional Natural Gas (MMcf)		Natural Gas Liquids (Mbbbl)		Oil Equivalent (Mboe)	
	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End
2018	1,072	3,668	7,117	47,825	314	1,645	48	69	8,289	51,836
2019	—	2,921	18,265	57,799	12	2,582	—	30	18,267	61,180
2020	1,389	4,669	2,143	35,512	—	2,434	—	36	3,533	40,623

The GLJ Report disclosed Company gross proved undeveloped reserves of 40,623 Mboe before royalties. These are reserves which can be estimated with a high degree of certainty to be recoverable, provided a significant expenditure is made to render them capable of production. The undeveloped reserves in the GLJ Report estimates future capital spending of approximately \$257.0 million to fully develop the undeveloped reserves and it is expected that these undeveloped reserves would be reclassified as proved developed reserves. Development of the undeveloped reserves is expected to occur over the next 5 years with over 100% of the investment expected over the next 4 years. Timing of the investment and the desired pace of development will depend to a large extent on economic conditions, in particular, the world price of oil. The Company has significant development opportunities in several large properties and the pace of development is controlled to meet corporate capital expenditure targets. See *Principal Properties*.

Probable Undeveloped Reserves

Year	Light Crude and Medium Crude Oil (Mbbbl)		Heavy Crude Oil (Mbbbl)		Conventional Natural Gas (MMcf)		Natural Gas Liquids (Mbbbl)		Oil Equivalent (Mboe)	
	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End
2018	5,218	6,927	7,485	32,172	1,756	2,291	175	185	13,171	39,666
2019	1,489	4,795	10,506	28,500	5	1,625	—	18	11,996	33,584
2020	3,458	8,561	210	26,101	18,579	20,234	—	11	6,764	38,046

The GLJ Report disclosed Company gross probable undeveloped reserves of 38,046 Mboe before royalties. Probable reserves are less certain to be recovered than proved reserves. Development of the undeveloped reserves is expected to occur over the next 5 years with 80% of the investment expected over the next 4 years. Timing of the investment and the desired pace of development will depend to a large extent on economic conditions, in particular, the world price of oil. The Company has significant development opportunities in several large properties and the pace of development is controlled to meet corporate capital expenditure targets.

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

Significant Factors or Uncertainties

General

The process of evaluating reserves is inherently complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and natural gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, prices and economic conditions and other factors and assumptions that may affect the reserve estimates and the present worth of the future net revenue therefrom. These factors and assumptions include, among others: (i) historical production in the area compared with production rates from analogous producing areas; (ii) initial production rates; (iii) production decline rates; (iv)

ultimate recovery of reserves; (v) success of future development activities; (vi) marketability of production; (vii) effects of government regulations; and (viii) other government levies imposed over the life of the reserves. Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, subjective decisions, new geological or production information and a changing environment may impact these estimates.

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

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

Abandonment and Reclamation Costs

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

Year	Total Proved Abandonment Costs (\$000's)	Total Proved plus Probable Abandonment Costs (\$000's)	Total Proved plus Probable plus Possible Abandonment Costs (\$000's)
2021	—	—	—
2022	—	—	—
2023	—	—	—
Thereafter	80,347	97,601	112,427
Total Undiscounted	80,347	97,601	112,427
Total Discounted @ 10%	21,020	19,219	17,222

As at December 31, 2020 Parex had 319 net wells for which it expects to incur abandonment and reclamation costs in the total proved plus probable category (346 net wells in the proved plus probable plus possible category). The GLJ Report deducted \$97.6 million (undiscounted) and \$19.2 million (10% discount) for abandonment costs of wells with proved and probable reserves (\$112.4 million (undiscounted) and \$17.2 million (10% discount) for abandonment costs of wells with proved and probable and possible reserves), in estimating the future net revenues disclosed in this Annual Information Form.

The future net revenues disclosed in this Annual Information Form based on the GLJ Report do contain an allowance for abandonment and reclamation costs for facilities, pipelines or wells without reserves.

For further information on Parex' abandonment and reclamation costs see *Decommissioning Liabilities* in this Annual Information Form.

Future Development Costs

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

(\$000s)	Total Proved Estimated Using Forecast Prices and Costs	Total Proved Plus Probable Estimated Using Forecast Prices and Costs
2021	152,301	174,194
2022	104,756	147,745
2023	38,233	66,798
2024	1,136	7,599
2025	—	—
Thereafter	2,142	26,406
Total for all years undiscounted	298,568	422,742
Total for all years discounted at 10% per year	268,161	359,568

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

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

Other Oil and Natural Gas Information

Unless otherwise stated, the following information is presented as at December 31, 2020. The Company does not believe that there have been any material changes to such information since such date.

Oil and Natural Gas Wells

The following table sets forth the number and status of wells in which the Company held a working interest as at December 31, 2020.

	Oil Wells				Natural Gas Wells				Other Wells ⁽³⁾	
	Producing		Non-Producing		Producing		Non-Producing		Gross ⁽¹⁾	Net ⁽²⁾
	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾		
Colombia	155	100.5	13	10.2	2	1.75	1	0.875	72	53.9

Notes:

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

Of the non-producing wells, 13 gross (10.2 net) oil wells were capable of production and had reserves assigned to them.

Properties with No Attributed Reserves

The following table sets out Parex and its Subsidiaries' unproved properties as at December 31, 2020.

	Gross Acres	Net Acres
Colombia	2,283,429	1,572,824

In 2021, approximately 204,000 gross (102,000 net) acres are scheduled to expire. Development of the Company's properties with no attributed reserves are subject to current *Industry Conditions* and uncertainties as indicated under *Risk Factors* herein.

Forward Contracts

See Note 22 - "*Financial Instruments and Risk Management*" and Note 24 "*Commitments and Contingencies*", to the consolidated financial statements of the Company for the year ended December 31, 2020, which information can be found on the Company's website at www.parexresources.com and on SEDAR at www.sedar.com. The nature of crude oil operations exposes the Company to risks associated with fluctuations in commodity prices and foreign currency exchange rates. Periodically, the Company may manage these risks through the use of derivative instruments. The Board of Directors periodically reviews the results of all risk management activities on all outstanding positions.

The Company did not have any commodity forward contracts as at December 31, 2020.

Tax Horizon

The GLJ Report forecasts cash taxes in Colombia to be incurred in 2021 and the Company incurred cash taxes in prior years.

Costs Incurred

The following table summarizes certain costs incurred by the Company for the year ended December 31, 2020:

Country	Property Acquisition Costs (\$000's)			
	Proved Properties	Unproved Properties	Exploration Costs (\$000's)	Development Costs (\$000's)
Colombia	—	1,474	22,875	114,140
Total	—	1,474	22,875	114,140

Exploration and Development Activities

The following table sets forth the wells in which the Company participated during the year ended December 31, 2020.

Colombia

	Exploratory		Appraisal		Development		Injection		Total	
	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾
Oil	1.00	1.00	—	—	24.00	15.45	1.00	1.00	26.00	17.45
Gas	—	—	—	—	—	—	—	—	—	—
Untested	—	—	—	—	2.00	1.00	—	—	2.00	1.00
Suspended	—	—	—	—	—	—	—	—	—	—
Dry	2.00	1.00	—	—	—	—	—	—	2.00	1.00
Total	3.00	2.00	—	—	26.00	16.45	1.00	1.00	30.00	19.45

Notes:

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

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

Decommissioning Liabilities

The Company accounts for decommissioning liabilities in accordance with IFRS. This standard requires liability recognition for decommissioning liabilities associated with long-lived assets, which would include abandonment of oil and natural gas wells, related facilities, compressors and gas plants, removal of equipment from leased acreage and returning such land to its original condition. Under the standard, the estimated fair value of each decommissioning liability is recorded in the period a well or

related asset is drilled, constructed or acquired. Fair value is estimated using the present value of the estimated future cash outflows to abandon the asset at the Company's risk-free interest rate. The obligation is reviewed regularly by Management based upon current regulations, costs, technologies and industry standards. The discounted obligation is recognized as a liability and is accreted against income until it is settled or the property is sold. Actual restoration expenditures are charged to the accumulated obligation as incurred. The related cost is recognized as an asset and is included in costs subject to depletion.

In the Company's audited and consolidated financial statements as at December 31, 2020, the estimated total inflated, undiscounted amount required to settle the asset retirement obligations in respect of the Company's producing and non-producing wells and facilities was approximately \$60.4 million. These obligations will be settled over the useful lives of the underlying assets, which currently extend up to 15 years. The present value of this amount is approximately \$38.2 million discounted at 5.25%. The Company expects to incur approximately \$3.6 million of these expenditures over the next financial year.

Environmental Liabilities

Liabilities for environmental costs are recognized in the period in which they are incurred, normally when the asset is developed and the associated costs can be estimated. These liabilities are in addition to the decommissioning liabilities due to government regulations that require the Company to perform additional mitigation against the environmental issues attributed to water usage and deforestation from oil and gas activities performed. In addition, the timing of expected settlement of the environmental liabilities differs from the timing of expected settlement of the decommissioning liabilities. Environmental expenditures that relate to current or future revenues are expensed or capitalized as appropriate. In the Company's audited and consolidated financial statements as at December 31, 2020, the estimated total inflated, undiscounted amount required to settle the environmental obligations was approximately \$20.5 million. The present value of this amount is approximately \$12.9 million discounted at 5.25%. The Company expects to incur \$3.4 million of these expenditures over the next financial year.

Production Estimates

The following tables set out the volumes of gross and net production estimated for the year ending December 31, 2021, based on the GLJ Report for the year ended December 31, 2020; which is reflected in the estimate of future net revenue disclosed in the forecast price tables contained under *Statement of Reserves Data and Other Oil and Gas Information - Disclosure of Reserves Data*.

	Light Crude and Medium Crude Oil		Heavy Crude Oil		Conventional Natural Gas		NGL Production		Oil Equivalent	
	(bbls/d)	(bbls/d)	(bbls/d)	(bbls/d)	(Mcf/d)	(Mcf/d)	(bbl/d)	(bbl/d)	(boe/d)	(boe/d)
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved Producing	6,394	5,735	35,090	31,162	8,185	7,566	151	139	42,999	38,297
Developed Non-Producing	481	436	1,374	1,249	496	457	5	4	1,943	1,765
Undeveloped	285	245	3,882	3,388	112	103	—	—	4,185	3,650
Total Proved	7,160	6,416	40,346	35,799	8,792	8,125	156	143	49,127	43,712
Total Probable	1,823	1,634	1,741	1,518	2,726	2,523	17	16	4,035	3,588
Total Proved Plus Probable	8,982	8,050	42,087	37,317	11,518	10,648	173	159	53,162	47,300
Total Possible	1,278	1,095	1,335	1,165	930	860	—	—	2,767	2,404
Total Proved Plus Probable Plus Possible	10,260	9,146	43,421	38,482	12,449	11,508	173	159	55,929	49,704

Notes:

- (1) Gross production is company working interest production before royalty deductions. Net production is company working interest production less royalties.
- (2) Certain of the columns above may not add due to rounding of values.

The following tables set out the volumes of gross and net production estimated for the year ending December 31, 2021, based on the GLJ Report for the year ended December 31, 2020; for the Company's fields that account for 20% or more of the Company's total gross and net production.

Tigana, Colombia

	Light Crude Oil and Medium Crude Oil (bbls/d)		Heavy Crude Oil (bbls/d)		Conventional Natural Gas (Mcf/d)		Oil Equivalent (boe/d)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved Producing	—	—	14,944	13,593	—	—	14,944	13,593
Developed Non-Producing	—	—	230	205	—	—	230	205
Undeveloped	—	—	1,857	1,619	—	—	1,857	1,619
Total Proved	—	—	17,031	15,418	—	—	17,031	15,418
Total Probable	—	—	683	585	—	—	683	585
Total Proved Plus Probable	—	—	17,714	16,002	—	—	17,714	16,002
Total Possible	—	—	568	486	—	—	568	486
Total Proved Plus Probable Plus Possible	—	—	18,282	16,489	—	—	18,282	16,489

Jacana, Colombia

	Light Crude Oil and Medium Crude Oil (bbls/d)		Heavy Crude Oil (bbls/d)		Conventional Natural Gas (Mcf/d)		Oil Equivalent (boe/d)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved Producing	—	—	9,993	8,569	—	—	9,993	8,569
Developed Non-Producing	—	—	294	247	—	—	294	247
Undeveloped	—	—	853	715	—	—	853	715
Total Proved	—	—	11,140	9,531	—	—	11,140	9,531
Total Probable	—	—	311	260	—	—	311	260
Total Proved Plus Probable	—	—	11,451	9,791	—	—	11,451	9,791
Total Possible	—	—	223	186	—	—	223	186
Total Proved Plus Probable Plus Possible	—	—	11,674	9,977	—	—	11,674	9,977

Production History

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

	Quarter Ended				Year Ended
	2020	2020	2020	2020	2020
	Dec. 31	Sept. 30	Jun. 30	Mar. 31	December
Average Daily Production⁽¹⁾⁽³⁾					
Light Crude and Medium Crude Oil (Bbl/d)	6,637	4,626	4,186	8,380	6,021
Heavy Crude Oil (Bbl/d)	38,332	38,309	35,478	44,657	39,197
Conventional Natural Gas (Mcf/d)	10,038	8,220	7,164	7,548	7,800
Average Price Received (net of quality adjustment)⁽³⁾⁽⁴⁾					
Light Crude and Medium Crude Oil (\$/Bbl)	39.96	37.72	22.21	41.56	35.91
Heavy Crude Oil (\$/Bbl)	36.39	33.15	18.06	37.45	31.62
Conventional Natural Gas (\$/Mcf)	5.84	6.03	5.22	5.79	6.07
Royalties Paid⁽³⁾⁽⁴⁾					
Light Crude and Medium Crude Oil (\$/Bbl)	3.29	2.93	1.13	4.06	3.02
Heavy Crude Oil (\$/Bbl)	3.26	3.09	1.44	3.99	3.40
Conventional Natural Gas (\$/Mcf)	0.17	0.12	0.06	0.20	0.14
Production and Transportation Costs⁽³⁾⁽⁴⁾					
Light Crude and Medium Crude Oil (\$/Bbl)	14.04	11.05	10.94	16.88	15.38
Heavy Crude Oil (\$/Bbl)	7.50	6.62	5.40	8.20	7.36
Conventional Natural Gas (\$/Mcf)	2.22	1.84	1.92	2.02	2.08
Netback Received (\$/BOE)⁽²⁾⁽³⁾⁽⁴⁾					
Light Crude and Medium Crude Oil (\$/Bbl)	22.63	23.74	10.14	20.62	17.51
Heavy Crude Oil (\$/Bbl)	25.63	23.44	11.22	25.26	20.86
Conventional Natural Gas (\$/Mcf)	3.45	4.07	3.24	3.57	3.85

Notes:

- (1) Before deduction of royalties and after the Company's own consumption.
- (2) Netbacks are calculated by subtracting royalties and operating and transportation costs from revenues and is reported before any realized commodity price hedge gain or loss.
- (3) The Company has not presented information for NGL production as it is immaterial (less than 1% of the Company's annual production for 2020).
- (4) The Company's revenues, royalties and costs by product type are different from the Company's disclosed netback information contained in the Company's Management's Discussion and Analysis for the year ended December 31, 2020. Revenues, royalties and costs contained in the above table are approximations prepared by management for each product type. Netback information disclosed in the Management's Discussion and Analysis for the year ended December 31, 2020 blends heavy and light crude oil (rather than separating them by product type) and includes other adjustments on a Company consolidated basis.

The following table indicates the Company's average daily production from its important fields for the year ended December 31, 2020:

	Light Crude Oil and Medium Crude Oil	Heavy Crude Oil	Conventional Natural Gas	BOE
	(Bbls/d)	(Bbls/d)	(Mcf/d)	(BOE/d)
Tigana	—	17,381	—	17,381
Tua	—	1,688	—	1,688
Rumba	—	1,132	—	1,132
Jacana	—	13,865	—	13,865
Akira	—	1,722	—	1,722
Bacano	—	3,179	—	3,179
Capachos/Andina	3,274	—	638	3,380
Total	3,274	38,967	638	42,347

DIVIDEND POLICY

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

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Company consists of an unlimited number of Common Shares without nominal or par value. As at December 31, 2020, there were 130,872,676 Common Shares issued and outstanding and as at March 3, 2021, there were 129,430,548 Common shares issued and outstanding. The following is a description of the rights, privileges, restrictions and conditions attaching to the Common Shares.

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

On September 29, 2009, the Board of Directors approved the adoption of a shareholder protection rights plan, which Parex Shareholder Rights Plan was approved by shareholders of PARI on October 30, 2009 and by Parex on May 23, 2012 and was amended and restated and approved by shareholders of Parex on May 12, 2015 and on May 9, 2018 (the "**Parex Shareholder Rights Plan**"). Pursuant to the Parex Shareholder Rights Plan, one right ("**Right**") is attached to each Common Share. The Rights will separate from the Common Shares to which they are attached and will become exercisable upon the occurrence of certain events in accordance with the Parex Shareholder Rights Plan. Subject to adjustment as provided in the Parex Shareholder Rights Plan, each Right will entitle the holder to purchase one Common Share at a price equal to \$50.00 (the "**Exercise Price**") and, in the event of a "Flip-In Event", as defined in the Parex Shareholder Rights Plan, each Right will constitute the right to purchase from the Company, upon payment of the Exercise Price and otherwise exercising such Right in accordance with the terms of the Parex Shareholder Rights Plan, that number of Common Shares having an aggregate Market Price (as defined in the Parex Shareholder Rights Plan), on the date of consummation or occurrence of such Flip-In Event equal to four times the Exercise Price for an amount in cash equal to the Exercise Price. The Parex Shareholder Rights Plan is similar to plans adopted by several other Canadian issuers and approved by their securityholders. A copy of the Parex Shareholder Rights Plan is available on the Company's SEDAR profile at www.sedar.com.

BANK DEBT

As of the date hereof, Parex has a \$200 million senior secured borrowing base credit facility with a syndicate of banks led by a major Canadian bank, consisting of a reserve-based revolving facility of \$180 million and an operating line of \$20 million (the "**Credit Facilities**"). The Credit Facilities have a two year term, and may be extended by Parex after attaining syndicate approval provided the term of the Credit Facilities does not exceed two years. The facility is subject to re-determination of the borrowing base semi-annually on November 30 and May 31 of each year. The borrowing base is determined based on, among other things, the Company's reserve report, results of operations, the lenders' view of the current and forecasted commodity

prices and the current economic environment. In the event that the syndicate reduces the borrowing base below the amount drawn at the time of redetermination, the Company has 180 days to eliminate any shortfall by providing additional security or guarantees satisfactory to the lenders or repaying amounts in excess of the new re-determined borrowing base. Advances under the revolving facility bear interest at rates ranging from US base rate or LIBOR plus 2.50% - 3.50% per annum, depending on utilization. Advances on the operating line bear interest at rates ranging from Canadian prime plus 1.50% - 2.50% per annum, dependent on utilization. Undrawn amounts under the Credit Facilities bear a commitment fee ranging from 0.5% to 0.7% per annum, dependent on utilization. Repayments of principal are not required provided that the borrowings under the Credit Facilities do not exceed the authorized borrowing amount and the Company is in compliance with all covenants, representations and warranties. Key covenants include a rolling four quarter total funded debt to adjusted EBITDA test of 3.50:1, and other business operating covenants customary for a facility of this type. The authorized borrowing amount is subject to an interim review as discussed above. Security is provided for by a first fixed and floating charge debenture over all assets of Parex, a pledge of the shares of material subsidiaries and pledge of certain bank accounts and contracts. As at December 31, 2020 the utilization or draw on the credit facility was nil.

In Colombia, the Company has provided guarantees to the ANH which on December 31, 2020 were \$46.4 million to support the exploration work commitments on its blocks. The guarantees have been provided in the form of letters of credit for varying terms. EDC has provided performance security guarantees under the Company's \$150.0 million performance guarantee facility to support approximately \$21.9 million of the letters of credit issued on behalf of Parex. The letters of credit issued to the ANH are reduced from time to time to reflect the work performed on the various blocks.

MARKET FOR SECURITIES

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

	Price Range		Volume
	High (Cdn\$/share)	Low (Cdn\$/share)	
2021			
January	21.49	17.34	11,007,000
February	22.47	19.43	11,652,331
March (1 to 2)	21.23	20.64	1,047,458
2020			
January	25.11	20.81	13,141,200
February	23.18	17.22	12,334,300
March	19.24	9.22	33,990,200
April	15.48	10.83	16,973,600
May	17.07	13.10	11,470,000
June	18.11	15.15	11,407,500
July	17.33	15.86	7,540,100
August	19.37	16.02	7,810,400
September	18.25	13.90	14,671,500
October	15.43	12.05	15,790,000
November	19.00	12.72	16,892,300
December	19.39	17.45	10,940,200

PRIOR SALES

During the year ended December 31, 2020, the Company granted: (i) an aggregate of 265,788 stock options to acquire an aggregate of 265,788 Common Shares with a weighted average exercise price of Cdn \$21.83.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

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

DIRECTORS AND OFFICERS

The names, provinces and countries of residence, positions held with the Company, and principal occupation of the directors and officers of the Company during the past five years are set out below, and, in the case of directors, the period each has served as a director of the Company. The information below is provided for the Company's directors and officers as at March 3, 2021. Effective February 4, 2021 Mr. Imad Mohsen was appointed as President and Chief Executive Officer and a director of the Company. Further, Mr. David Taylor retired from the Board of Directors on February 4, 2021.

Name, Province and Country of Residence	Offices Held and Time as Director or Officer⁽⁴⁾	Principal Occupation (for last 5 years)
Lisa Colnett ⁽³⁾⁽⁴⁾⁽⁵⁾ Ontario, Canada	Director since May 12, 2015	Currently a Director and Chair of the Human Resources and Governance Committee of Parkland Corporation, an international supplier and marketer of fuel and petroleum products and a leading convenience store operator, and a Director of Northland Power, a global power producer. 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.
Sigmund Cornelius ⁽¹⁾⁽⁴⁾ Texas, United States	Director since May 14, 2020.	Mr. Cornelius serves as President and Chief Operating Officer of Freeport LNG Development L.P, a company based in Houston, Texas. From 1980 to 2010, he held various management and senior positions at ConocoPhillips Company, retiring as Chief Financial Officer in 2010.
Robert Engbloom, ⁽²⁾⁽⁵⁾ Alberta, Canada	Director since September 29, 2009	Counsel, 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 40 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 ⁽⁵⁾ Alberta, Canada	Director since August 28, 2009 and Chairman since May 11, 2017	Currently Chairman of the Board of Directors of Parex. Chief Executive Officer of Parex from September 29, 2009 to May 10, 2017. President of Parex from September 29, 2009 to November 5, 2015. President and Chief Executive Officer of PARI from 2004 to 2009. President and Chief Executive Officer of Dominion Energy Canada Ltd. from 1998 to October 2002, and then Consultant to March 2003. Director of Pengrowth Energy Corporation.
Eric Furlan Alberta, Canada	Chief Operating Officer since February 5, 2018	Currently Chief Operating Officer of Parex, Senior Vice President of Engineering of Parex from 2017 to 2018 and Vice President of Engineering of the Company from 2012 to 2017. Mr. Furlan also served as the General Manager of Development at PARI. He has also held leadership and senior technical positions with Chevron Corporation both in Canada and internationally. Mr. Furlan is a professional engineer with close to 30 years of experience.
G. R. (Bob) MacDougall ⁽¹⁾⁽³⁾⁽⁵⁾ Alberta, Canada	Director since October 4, 2016	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. Member of the Institute of Corporate Directors having completed the Directors Education Program.
Glenn McNamara ⁽²⁾⁽³⁾⁽⁵⁾ Alberta, Canada	Director since October 4, 2016	Mr. McNamara is currently the President and Chief Executive Officer of Heritage Resources LP, a private fee title acreage owner business. 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). Mr. McNamara also currently serves on the board of Whitecap Resources Inc. Member of the Institute of Corporate Directors having completed the Directors Education Program.
Imad Mohsen ⁽⁵⁾ Alberta, Canada	President and Chief Executive Officer since February 4, 2021.	Currently President and Chief Executive Officer of Parex. Mr. Mohsen is an engineering graduate of the Paris School of Mines (ENSM). Sustainable Development Advisor then Private Advisor to the CEO at Royal Dutch Shell from 1997 to 2007. Development Manager, Subsea GOM from 2007 to 2011. General Manager, Operations for Shell Egypt JV (Bapetco) from 2011 to 2013. From 2013 until joining Parex, Mr. Mohsen joined Tulip Oil Holding B.V., a private equity backed upstream company founded in 2010 to explore for and develop oil and gas opportunities in Western Europe. After initially serving as COO, he was appointed CEO in 2015.

Kenneth Pinsky Alberta, Canada	Chief Financial Officer and Corporate Secretary since September 29, 2009	Currently Chief Financial Officer and Corporate Secretary of Parex since inception of the Company. Vice President Finance, Chief Financial Officer and Corporate Secretary of PARI from 2008 to 2009. Previously, Chief Financial Officer of Ultima Energy Trust, a TSX listed Royalty Trust from 2001 to June 2004, and the Chief Financial Officer and director of a Canadian based private exploration and production company from September 2004 to January 2008. Mr. Pinsky is a Chartered Professional Accountant, CA and a Chartered Financial Analyst (CFA).
Carmen Sylvain ⁽²⁾⁽⁴⁾⁽⁵⁾ Alberta, Canada	Director since July 6, 2017	Currently has Board memberships with LCI International, Egyptian Refining Company, Orient Investment Properties Ltd. and the Canada Arab Business Council. Diplomat and public servant with 30 years of combined experience in foreign affairs, international trade and investment. Strategic Advisor to the OMERS Pension Fund from 2012 to 2014. Ms. Sylvain was Canada's Ambassador to Colombia from 2014 to 2016 and served in Global Affairs Canada as Assistant Deputy Minister for Strategic Planning and Policy where she led the development of the Foreign Policy Plan for Canada. Member of the Institute of Corporate Directors having completed the Directors Education Program.
Paul Wright ⁽¹⁾⁽²⁾⁽⁵⁾ Alberta, Canada	Director since September 29, 2009	Currently works as a financial consultant. Mr. Wright is a Chartered Professional Accountant, CA with over 35 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 and Nominating Committee.
- (3) Member of the Health, Safety and Environment and Reserves Committee.
- (4) Member of the Human Resources and Compensation Committee.
- (5) Parex' directors will hold office until the next annual general meeting of the Company's shareholders or until each director's successor is appointed or elected pursuant to the ABCA.

As at March 3, 2021, the directors and officers of Parex, as a group, beneficially owned or controlled or directed, directly or indirectly, 2,154,636 Common Shares or approximately 1.66% of the issued and outstanding Common Shares.

Cease Trade Orders

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

Bankruptcies

Mr. Cornelius was a director of Parallel Energy Trust (a TSX listed company) from March 2011 to February 2016. Parallel Energy Trust filed an application in the Court of Queen's Bench of Alberta for creditor protection under the Companies' Creditors Arrangement Act (Canada) and voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code. In the Chapter 11 proceedings, the Bankruptcy Court approved the sale of the assets of Parallel Energy Trust and the sale closed on January 28, 2016. On March 3, 2016, the Canadian entities of Parallel Energy Trust filed for bankruptcy under the Bankruptcy and Insolvency Act (Canada) and a notice to creditors was sent by the trustee on March 4, 2016.

Mr. Cornelius was a director of United States Enrichment Corporation ("USEC") from March 2011 to 2014. In December 2013, USEC reached an agreement with its debt holders to file a prearranged and voluntary Chapter 11 bankruptcy restructuring in the first quarter of 2014. In March 2014, USEC filed the prearranged and voluntary Chapter 11 bankruptcy restructuring under Chapter 11 of the United States Bankruptcy Code. In September 2014, USEC emerged from bankruptcy proceedings with a new name, Centrus Energy Corp.

Mr. Cornelius was a director of CARBO Ceramics Inc. ("CARBO") from November 2009 to July 2020. In March 2020, CARBO and its direct wholly-owned subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Texas. As part of the process, CARBO entered into an agreement with Wilks Brothers, LLC. Pursuant to such agreement, CARBO emerged from Chapter 11 bankruptcy protection under new ownership of the Wilks Brothers, LLC.

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

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

Penalties or Sanctions

No current director or executive officer or securityholder holding a sufficient number of securities of the Company to affect materially the control of the Company has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

CONFLICTS OF INTEREST

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

FINANCE AND AUDIT COMMITTEE INFORMATION

Finance and Audit Committee Mandate and Terms of Reference

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

Composition of the Finance and Audit Committee

The members of the Finance and Audit Committee are Paul Wright and Sigmund Cornelius. The members of the Finance and Audit Committee are independent (in accordance with National Instrument 52-110 - *Audit Committees*) and are financially literate. The following is a description of the education and experience of each member of the Finance and Audit Committee.

Name and Municipality of Residence	Independent	Financially Literate	Relevant Education and Experience
Paul Wright Calgary, Alberta (Chairman)	Yes	Yes	Currently works as a financial consultant. 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.
Sigmund Cornelius Houston, Texas	Yes	Yes	Mr. Cornelius serves as President and Chief Operating Officer of Freeport LNG Development L.P, a company based in Houston, Texas. From 1980 to 2010, he held various management and senior positions at ConocoPhillips Company, retiring as Chief Financial Officer in 2010.
G. R. (Bob) MacDougall Calgary, Alberta	Yes	Yes	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. Member of the Institute of Corporate Directors having completed the Directors Education Program.

Pre Approval of Policies and Procedures

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

External Auditor Service Fees

Audit Fees

The Finance and Audit Committee has reviewed the nature and amount of non-audit services provided by PricewaterhouseCoopers LLP to the Company to ensure auditor independence. Fees paid to PricewaterhouseCoopers LLP for audit and non-audit services in the last two fiscal years are outlined in the following table.

Nature of Services	Fees Paid to Auditor in the Year Ended December 31, 2020	Fees Paid to Auditor in the Year Ended December 31, 2019
Audit Fees ⁽¹⁾	\$629,337	\$571,270
Audit-Related Fees ⁽²⁾	—	—
Tax Fees ⁽³⁾	\$278,675	\$240,861
All Other Fees ⁽⁴⁾	\$99,161	\$258,539
Total	\$1,007,173	\$1,070,670

Notes:

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

AUDITORS, TRANSFER AGENT AND REGISTRAR

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

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

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of the Company, as at December 31, 2020, there were no material legal proceedings to which the Company was a party or which any of its respective properties was the subject matter of, nor were there any such proceedings known to the Company to be contemplated as at such date.

During the year ended December 31, 2020 there were: (i) no penalties or sanctions against the Company imposed by a court relating to securities legislation or by a securities regulatory authority; (ii) no other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision; and (iii) no settlement agreements the Company entered into with a court relating to a securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

MATERIAL CONTRACTS

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

- The Parex Shareholder Rights Plan. See *Description of Capital Structure*.
- A General Security Agreement in favour of EDC in respect of the Letters of Credit provided to the ANH that guarantees the exploration commitments for the Colombian exploration blocks. See *Description of the Business and Operations and Bank Debt*.
- The Credit Facilities. See *Bank Debt*.

INTERESTS OF EXPERTS

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

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

INDUSTRY CONDITIONS

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

Colombia

Economic

GDP growth in Colombia was -8.2% in 2020 and Colombian inflation was 2.4% in 2020, 0.6% below the central bank's target rate of 3.0%. Based on the Central Bank of Colombia data, the Colombian peso was COP 3,693:\$1 in 2020, compared to current rates of approximately COP 3,500.

Royalties

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

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

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

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

All of Parex' Colombian E&P Contracts are subject to this sliding scale royalty.

High Price Participation

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

Quality	Base Price (Po) 2021 Threshold Prices
Less than 10° API	Nil
10° to 15° API	\$58.18/bbl
15° to 22° API	\$40.73/bbl
22° to 29° API	\$39.27/bbl
Greater than 29° API	\$37.80/bbl

Average Monthly Reference WTI Price (P)	Established Percentage (S)
$P_o \leq P < 2P_o$	30%
$2P_o \leq P < 3P_o$	35%
$3P_o \leq P < 4P_o$	40%
$4P_o \leq P < 5P_o$	45%
$5P_o \leq P$	50%

Crude oil production with a quality higher than 15° and lower than 22° API and a WTI oil price of \$60/bbl results in a production share equivalent to an incremental 10% royalty, bringing the total government royalty to approximately 17% for a production area with production less than 5,000 bbl/d, excluding potential X-Factor. Threshold prices are adjusted annually and high price share is calculated after base royalties and X-Factor if applicable.

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

X-Factor

For E&P Contracts acquired in the 2008 Heavy Oil Bid round and in some of the subsequent bid rounds, the ANH required an additional royalty percentage, or X-Factor, to be bid as the primary criteria for awarding of blocks by the ANH. The X-Factor is also now one of the bid criteria for new E&P Contracts, and the minimum X-Factor is one percent.

Summary of Fiscal Terms by ANH E&P Contract and Convenios

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

Block	Base Royalty	X-Factor	High Price Participation Basis
Aguas Blancas ⁽²⁾	8%	—%	NIL
Boranda ⁽²⁾	8%	—%	NIL
Cabrestero	8%	—%	Exploitation area + sliding scale factor
Capachos ⁽²⁾	8%	—%	NIL
CPO-11	8%	19%	Exploitation area + sliding scale factor
De Mares ⁽²⁾	8%	—%	NIL
Fortuna ⁽¹⁾	8%	—%	NIL
LLA-16	8%	1%	Exploitation area + sliding scale factor
LLA-26	8%	1%	Exploitation area + sliding scale factor
LLA-30	8%	1%	Exploitation area + sliding scale factor
LLA-32	8%	1%	Exploitation area + sliding scale factor
LLA-34	8%	1%	Exploitation area + sliding scale factor
LLA-40	8%	1%	Block + sliding scale factor
LLA-94	8%	1%	Block + sliding scale factor
LLA-122	8%	1%	Block + sliding scale factor
LLA-134	8%	1%	Block + sliding scale factor
Los Ocarros	8%	—%	Exploitation area + sliding scale factor
Merecure	8%	—%	Exploitation area + sliding scale factor
VIM-1	8%	17% (conventional) & 1% (unconventional)	Oil: Block + sliding scale factor Gas: 5 years after starting production + price conditions
VIM-43	8%	1%	Block + sliding scale factor
VMM-9	8%	1%	Block + sliding scale factor
VMM-46	8%	1%	Block + sliding scale factor
VSM-25	8%	1%	Block + sliding scale factor
VSM-36	8%	1%	Block + sliding scale factor

Notes:

- (1) There is an R Factor (additional royalty) applicable under the Association Contract with Ecopetrol if cumulative gross production exceeds 60 MMbbls.
- (2) ANH Convenio

Income Tax

On December 29, 2016, the Colombian government enacted new legislation which consolidated the corporate income tax and CREE tax into a single income tax at 40% for 2017 (including a surtax of 6%), 37% for 2018 (including a surtax of 4%) and 33% for 2019 and onwards. This legislation also introduced a new 5% dividend tax on distributions of previously taxed earnings from 2017 and onwards. Additionally, the legislation increased the corporate minimum presumptive income tax from 3% to 3.5%. This tax is imposed on a taxpayer's net equity at the prior year-end when the presumptive current income tax exceeds actual taxable profits. Other changes include a 12 year limit on tax loss carry-forwards. Losses incurred through the end of 2016 are grandfathered and can be carried forward indefinitely.

On December 28, 2018 the Colombian government enacted new legislation which included new income tax rates. The new rates are as follows: 33% for 2019, 32% for 2020, 31% for 2021, and 30% for 2022 and thereafter. The legislation also included an increase in the dividend tax rate from 5% to 7.5% on distributions of previously taxed earnings from 2017 and onwards. Other changes include deductibility of value added tax from income taxes paid.

In the fourth quarter of 2019, the Colombian government enacted a new tax reform to replace the 2018 tax reform, which was overturned by the Colombian Constitutional Court. This new tax reform maintains the same corporate tax rates that were approved by the Colombian Congress in 2018. The enacted corporate tax rates are 32% for 2020, 31% for 2021 and 30% for 2022 and thereafter.

Regulatory Regime

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

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

Also, the ANH developed a new contract for direct operated areas from Ecopetrol ("*Convenio*") with similar terms and conditions to the E&P Contract except for the non-application of economic rights and allowing the production period to last until the economic limit of the respective field.

Previously, the ANH dealt with exploration acreage proposals on a "first-come, first-served" basis, but since 2008 has adopted a system of competitive bidding rounds, or rounds whereby the ANH invites a selected group of companies to submit proposals. Once the ANH is satisfied that the successful oil company has the proper technical and financial resources to fulfill its obligations under the proposed contract, a definitive work program is negotiated. This work program typically includes technical studies, reprocessing or shooting new seismic and/or drilling wells. The ANH contract term consists of two periods phases: (i) the exploration period, which lasts six years and comprises two phases (a) an initial phase 1 lasting 3 years and (b) an optional phase 2, which is also 3 years. Upon a declared discovery, and at the contractor's request, the evaluation stage commences and may last between one and five years (depending on the fulfillment of certain contractual conditions), during which the contractor must declare commerciality or relinquish the block; and (iii) the production period with a basic 24 year term, extendable under certain circumstances.

If a discovery is made, the contractor has the option to request an appraisal period of up to two years, with the possibility of extending such appraisal period in case of drilling exploration wells not included in the initial appraisal program. If the evaluation plan relates to a natural gas or heavy oil field, two additional years may be granted because of the complex planning and marketing required. At the end of this phase, the contractor must declare commerciality or return the block.

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

Relinquishment of part or all the license area depends on which phase the operations are in. Except for 2019 E&P Contract where relinquishment of areas does not apply for the Exploration and Subsequent Exploration periods, under normal circumstances the contractor must relinquish 50% of the area at the end of the six-year exploration period if the contractor continues to explore, and there is an evaluation program or a discovery. If not, the operator must relinquish 100%. The operator and the ANH may also agree on the relinquishment of certain parts of a license area during the initial six-year exploration period as part of the contract and on a block by block basis, depending on the scope of the exploration work program and the size of the area. The contractor also has the option to relinquish all or part of the area after each exploration phase.

In 2019 there were two bid rounds completed by ANH and five new blocks were awarded to Parex Colombia. In 2020 there was one bid round completed by the ANH and four new blocks awarded to Parex Colombia. For the first time in recent history the ANH asked for industry to nominate blocks and where deemed appropriate, these blocks were included in the bid round.

Environmental Regulation

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

1. Planning

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

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

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

2. Compliance

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

Crude Market Conditions

Colombia has a well-developed oil infrastructure system, comprising over 6,000 kilometres of crude and product pipelines. The system is concentrated on transporting crude from the main producing basins (Llanos and the Magdalenas), via a central hub at Vasconia in the interior, to Colombia's main oil export terminal at Coveñas on the Caribbean coast. These include the 520-mile Ocesa pipeline, which has the capacity to transport 745,000 bbl/d from the Cusiana/Cupiagua area in the Llanos Basin. Additionally, the Cano Limon pipeline runs from the Caño Limón field near the Venezuelan border to Coveñas. In the far south, the Oleoducto Trans-Andino carries crude to the Pacific port of Tumaco. The Bicentenario Pipeline is capable of transporting 110,000 bbls/d of crude oil from the Llanos Basin (Araguaney) to Banadia where it connects to the Cano Limon pipeline. Other transportation options exist besides pipelines to transport crude oil to export terminals such as truck and barge.

Colombia currently operates five refineries, four of which are owned by Ecopetrol. Two of these, Barrancabermeja and Cartagena, are main fuels refineries, accounting for almost all of the country's refining capacity. The remaining three refineries are small and simple. Total domestic crude processing capacity is approximately 420,000 bbls/d.

RISK FACTORS

Parex is exposed to a number of risks through the pursuit of our strategic objectives. Some of these risks impact the oil and gas industry as a whole and others are unique to our operations. The impact of any risk or a combination of risks may adversely affect, among other things, Parex' business, reputation, financial condition, results of operations and cash flows, which may reduce or restrict our ability to pursue our strategic priorities, respond to changes in our operating environment, and fulfill our commitments and obligations, and may materially affect the market price of our securities.

Our Enterprise Risk Management ("ERM") program drives the identification, measurement, prioritization, and management of risk across Parex. In addition, we continuously monitor our risk profile.

Risk Governance

Our ERM program, approved by our Board of Directors, outlines our risk management principles and expectations, as well as the roles and responsibilities of all staff. The ERM program includes a Risk Management Framework and Risk Assessment Tools, including a Risk Matrix. Our Risk Management Framework contains the key attributes recommended by the International Standards Organization ("ISO") in its ISO 31000 – Risk Management Guidelines (2017). The results of our ERM program are documented in a semi annual summary presented to the Board of Directors as well as through regular updates.

Risk Factors

Pandemic Risk

Pandemics, epidemics or outbreaks of an infectious disease in Canada or worldwide, including COVID-19, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu or any other similar illnesses could have an adverse impact on the Company's results, business, financial condition or liquidity.

On March 11, 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. The COVID-19 pandemic has negatively impacted the Canadian, U.S., and global economies; disrupted Canadian, U.S., and global supply chains; disrupted financial markets; contributed to a decrease in interest rates; resulted in ratings downgrades, credit deterioration and defaults in many industries; forced the closure of many businesses, led to loss of revenues, increased unemployment and bankruptcies; and necessitated the imposition of quarantines, physical distancing, business closures, travel restrictions, and sheltering-in-place requirements in Canada, the U.S., and other countries. If the pandemic is prolonged, including through subsequent waves, or if additional variants of COVID-19 emerge which are more transmissible or cause more severe disease, or if other diseases emerge with similar effects, the adverse impact on the economy could worsen. Moreover, it remains uncertain how the macroeconomic environment, and societal and business norms will be impacted following this COVID-19 pandemic. Unexpected developments in financial markets, regulatory environments, or consumer behaviour may also have adverse impacts on the Company's results, business, financial condition or liquidity, for a substantial period of time.

The Company's business, financial condition, results of operations, cash flows, reputation, access to capital, cost of borrowing, access to liquidity, and/or business plans may, in particular, and without limitation, be adversely impacted as a result of the pandemic and/or decline in commodity prices as a result of:

- the shut-down of facilities or the delay or suspension of work on major capital projects due to workforce disruption or labour shortages caused by workers becoming infected with COVID-19, or government or health authority mandated restrictions on travel by workers or closure of facilities or worksites;
- suppliers and third-party vendors experiencing similar workforce disruption or being ordered to cease operations;
- reduced cash flows resulting in less funds from operations being available to fund capital expenditure budgets;
- reduced commodity prices resulting in a reduction in the volumes and value of reserves;
- crude oil storage constraints resulting in the curtailment or shutting in of production;
- counterparties being unable to fulfill their contractual obligations on a timely basis or at all;
- the inability to deliver products to customers or otherwise get products to market caused by border restrictions, road or port closures or pipeline shut-ins, including as a result of pipeline companies suffering workforce disruptions or otherwise being unable to continue to operate; and
- the ability to obtain additional capital including, but not limited to, debt and equity financing being adversely impacted as a result of unpredictable financial markets, commodity prices and/or a change in market fundamentals.

The COVID-19 pandemic has also created additional operational risks for the Company, including the need to provide enhanced safety measures for its employees and customers; comply with rapidly changing regulatory guidance; address the risk of, attempted fraudulent activity and cybersecurity threat behaviour; and protect the integrity and functionality of the Company's systems, networks, and data as a larger number of employees work remotely. The Company is also exposed to human capital risks due to issues related to health and safety matters, and other environmental stressors as a result of measures implemented in response to the COVID-19 pandemic, as well as the potential for a significant proportion of the Company's employees, including key executives, to be unable to work effectively, because of illness, quarantines, sheltering-in-place arrangements, government actions or other restrictions in connection with the pandemic.

The extent to which the COVID-19 pandemic continues to impact the Company's results, business, financial condition or liquidity will depend on future developments in Canada, the U.S. and globally, including the development and widespread availability of efficient and accurate testing options, and effective treatment options or vaccines. Despite the approval of certain vaccines by the regulatory bodies in Canada and the U.S., the ongoing evolution of the development and distribution of an effective vaccine also continues to raise uncertainty.

Colombia

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

Guerrilla Activity in Colombia

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

On September 26, 2016, the Colombian government and the Revolutionary Armed Forces of Colombia ("**FARC**") signed a peace agreement (the "**Peace Agreement**") and, on November 30, 2016, the Peace Agreement was ratified by Colombia's government. Pursuant to the Peace Agreement, the FARC agreed to demobilize its troops and urban militia members and to hand over its weapons to a United Nations mission within 180 days. Once demobilized and disarmed, the FARC can become a legal political party. Under the Peace Agreement, the FARC will be guaranteed at least five seats in the Senate and another five seats in the House of Representatives in 2018 congressional elections. The Colombian government has also begun peace negotiations with the Ejército de Liberación Nacional ("**ELN**") but at this time no agreement has been reached with the ELN.

The peace negotiations are intended to bring further institutional strengthening and development, particularly to rural regions. The government's biggest challenge is perceived to be to ensure that the negotiations lead to a long-lasting peace and that demobilised members of the FARC and ELN rejoin civilian life, rather than regrouping in criminal bands.

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

For example, in 2017, Parex commenced work in the Capachos Block located approximately 75 kms from the Venezuela border, in the department of Arauca. In 2018, work on the Capachos Block was temporarily suspended for 20 days, due to security concerns for Parex contractors and equipment. Historically the ELN has had a presence in the greater area. As at the date of this Annual Information Form, work and production is ongoing on the block.

In 2019 and 2020, the ELN have stepped up their activities against the Colombian government in other areas where they have a presence. To date this escalation has not had a material impact on the Company's operations. As part of the activities against the Colombian government there are occasional bombing and disruption of the Cano Limon pipeline. The Company has no oil production that is transported in that pipeline.

Climate Change

There is growing international concern regarding climate change and there has been a significant increase in focus on the timing and pace of the transition to a lower-carbon economy. Governments, financial institutions, insurance companies, environmental and governance organizations, institutional investors, social and environmental activists, and individuals, are increasingly seeking to implement, among other things, regulatory and policy changes, changes in investment patterns, and modifications in energy consumption habits and trends which, individually and collectively are intended to or have the effect of accelerating the reduction in the global consumption of carbon based energy, the conversion of energy usage to less carbon-intensive forms and the general migration of energy usage away from carbon-based forms of energy.

Climate change and its associated impacts may increase our exposure to, and magnitude of, each of the risks identified in the Risk Factors section of this AIF. Overall, Parex is not able to estimate at this time the degree to which climate change related regulatory, climatic conditions, and climate-related transition risks could impact the Company's financial and operating results. Our business, financial condition, results of operations, cash flows, reputation, access to capital, access to insurance, cost of

borrowing, access to liquidity, ability to fund business plans may, in particular, without limitation, be adversely impacted as a result of climate change and its associated impacts.

Climate Change Transition Risk – Policy & Legal

Governments around the world have become increasingly focused on regulating greenhouse gas ("GHG") emissions and addressing the impacts of climate change in some manner. GHG emissions legislation is emerging and is subject to change. For example, on an international level, in December 2015, almost 200 nations agreed to an international climate change agreement in Paris, France (the "**Paris Agreement**"), that calls for countries to set their own GHG emission targets and be transparent about the measures each country will use to achieve its GHG emission targets. Colombia has signed the Paris Agreement. Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address GHG emissions would impact the Company's business, any such future laws and regulations that limit emissions of GHGs could adversely affect demand for the oil and natural gas that the Company produces. Current GHG emissions legislation has not resulted in material compliance costs; however, it is not possible at this time to predict whether proposed legislation or regulations will be adopted, and any such future laws and regulations could result in additional compliance costs or additional operating restrictions. If the Company is unable to recover a significant amount of its costs related to complying with climate change regulatory requirements imposed on Parex, it could have a material adverse impact on our business, financial condition and results of operations. In addition, significant restrictions on GHG emissions could result in decreased demand for the oil that the Company produces, with a resulting decrease in the value of the Company's reserves. Further, to the extent financial markets view climate change and GHG emissions as a financial risk, this could negatively impact the Company's cost of or access to capital. Finally, although the Company strives to operate its business operations to accommodate expected climatic conditions, to the extent there are significant changes in the Earth's climate, such as more severe or frequent weather conditions in the markets the Company serves or the areas where its assets reside, the Company could incur increased expenses, its operations could be materially impacted, and demand for its products could fall.

Climate Change Transition Risks – Market

Demand and Commodity Prices

Full conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and renewable energy generation devices could reduce the demand for oil and liquid hydrocarbons. Recently, certain jurisdictions have implemented policies or incentives to decrease the use of fossil fuels and encourage the use of renewable fuel alternatives, which may lessen the demand for petroleum products and put downward pressure on commodity prices. In addition, advancements in energy efficient products have a similar effect on the demand for oil and gas products. The Company cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Company's business, financial condition, results of operations and funds flow from operations by decreasing the Company's profitability, increasing its costs, limiting its access to capital and decreasing the value of its assets.

Access to Capital and Insurance

Capital markets are adjusting to the risks that climate change poses and as a result, our ability to access capital and secure necessary or prudent insurance coverage may also be adversely affected in the event that institutional investors, credit rating agencies, lenders and/or insurers adopt more restrictive decarbonization policies. Certain insurance companies have taken actions or announced policies to limit available coverage for companies which derive some or all of their revenue from the oil and gas sector. As a result of these policies, premiums and deductibles for some or all of our insurance policies could increase substantially. In some instances, coverage may be reduced or become unavailable. As a result, we may not be able to renew our existing policies, or procure other desirable insurance coverage, either on commercially reasonable terms, or at all. The future development of our business may be dependent upon our ability to obtain additional capital, including debt and equity financing.

Climate Change – Physical Risks

Extreme climatic conditions may also have material adverse effects on Parex' financial condition and results of operations. Weather and climate affect demand, and therefore, the predictability of the demand for energy is affected to a large degree by the predictability of weather and climate. In addition, Parex' exploration, production and construction operations, and the operations of major customers and suppliers, can be affected by floods, forest fires, earthquakes, hurricanes, and other extreme weather events. This may result in cessation or diminishment of production, delay of exploration and development activities or delay of plant construction.

Climate change may increase the frequency of severe weather conditions in these locations including winds, flooding and variable temperatures.

Other crude oil and natural gas production activities are also subject to chronic physical risks such as a shorter timeframe for our dry season drilling program, changes in the water table and reduced access to water due to drought conditions. A systemic change in temperature or precipitation patterns could result in more challenging conditions for the construction and reclamation activities and could reduce the availability of water due to the increasing likelihood of drought conditions.

Environmental Initiatives Impacting Parex

In Colombia there is currently no specific regulation that obliges companies to specifically monitor and report GHG emissions. However in 2017, the Colombian government submitted a bill which sets guidelines to manage climate change, although very few specifics were provided. Although at the present time there is no specific regulations related to climate change or GHG emissions in Colombia, Parex has a plan in place to monitor and disclose key metrics surrounding the environmental impacts of Parex' operations. Climate change regulation in Colombia has the potential to significantly affect the regulatory environment of the crude oil and natural gas industry in Colombia. Such regulations impose certain costs and risks on the industry, and there remains some uncertainty with regard to the impact of climate change and environmental laws and regulations on Parex, as Parex is unable to predict additional legislation or amendments that the Colombian government may enact in the future. Any new laws and regulations, or additional requirements to existing laws and regulations, could have a material impact on the Company's operations and cash flow.

Environmental Regulation and Risks

The Company is subject to environmental laws and regulations that affect aspects of the Company's past, present and future operations. All phases of the oil and gas business present environmental risks and hazards and are subject to environmental regulation pursuant to extensive national, provincial and local environmental laws and regulations in Colombia that will and do affect nearly all of the operations of Parex. These laws and regulations set various standards regulating certain aspects of health and environmental quality, including air emissions, water quality, wastewater discharges and the generation, transport and disposal of waste and hazardous substances; provide for penalties and other liabilities for the violation of such standards; and establish, in certain circumstances, obligations to remediate current and former facilities and locations where oil and gas operations are or were conducted. In addition, special provisions may be appropriate or required in environmentally sensitive areas of operation and unconventional blocks.

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

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

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

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

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

Changing Investor Sentiment

A number of factors, including the concerns of the effects of the use of fossil fuels on climate change, the impact of oil and gas operations on the environment, environmental damage relating to spills of petroleum products during transportation and indigenous rights, have affected certain investors' sentiments towards investing in the oil and gas industry. As a result of these concerns, some institutional, retail and public investors have announced that they no longer are willing to fund or invest in oil and gas properties or companies or are reducing the amount thereof over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust social, environmental and governance policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from the Board, management and employees of the Company. Failing to implement the policies and practices as requested by institutional investors may result in such investors reducing their investment in the Company or not investing in the Company at all. Any reduction in the investor base interested or willing to invest in the oil and gas industry and more specifically, the Company, may result in limiting the Company's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Common Shares even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause a decrease in the value of the Company's assets which may result in an impairment change.

United States Relations with Colombia

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

- all bilateral aid, except anti-narcotics and humanitarian aid, would be suspended;
- the Export-Import Bank of the United States and the Overseas Private Investment Company would not approve financing for new projects in Colombia;
- United States representatives at multilateral lending institutions would be required to vote against all loan requests from Colombia, although such votes would not constitute vetoes, and
- the President of the United States and Congress would retain the right to apply future trade sanctions.

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

Canada relations with Colombia

The Canada-Colombia Free Trade Agreement became effective on August 15, 2011. Through the agreement, Canada's producers and exporters benefit from reduced or eliminated tariffs on nearly all of Canada's exports to Colombia. The agreement also provides a more predictable, transparent and rules-based trading environment for Canadian investors and businesses. The Canada-Colombia Tax Convention came into force June 12, 2012 for the avoidance of double taxation.

Liabilities under Anti-Bribery Laws

The Company is subject to anti-bribery laws in Canada and Colombia and may be subject to similar laws in other jurisdictions where it may operate in the future. The Company may face, directly or indirectly, corrupt demands by federal or local officials, tribal or insurgent organizations, international organizations, contractors looking for work with Parex, or other private entities. As a result, the Company faces the risk of unauthorized payments or offers of payments by employees, contractors, agents, and partners of its subsidiaries or affiliates, given that these parties are not always subject to the Company's control or direction. It is the Company's policy to prohibit these practices. However, the Company's existing safeguards and any future improvements to those measures may prove to be less than effective or may not be followed, and the Company's employees, contractors, agents, and partners may engage in illegal conduct for which it might be held responsible. A violation of any of these laws, even if prohibited by the Company's policies, may result in criminal or civil sanctions or other penalties (including profit disgorgement) as well as reputational damage and could have a material adverse effect on the Company's business and financial condition.

Commodity Prices, Markets and Marketing

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

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

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

Oil and natural gas prices are expected to remain volatile for the near future because of market uncertainties over the supply and the demand of these commodities due to the current state of the world economies, the ongoing COVID-19 pandemic, shale oil production in the United States, OPEC and non-OPEC producers actions in respect of supply, political uncertainties, sanctions imposed on certain oil producing nations by other countries and ongoing credit and liquidity concerns. Volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects. The Company monitors market conditions and may selectively utilize derivative instruments to reduce exposure to crude oil price movements. However, the Company is of the view that it is neither appropriate nor possible to eliminate 100% of its exposure to commodity price volatility.

Social Disruptions and Instability

The oil and natural gas exploration, development and operating activities conducted by the Company may, at times, be subject to disruption. Parex operates in Colombia. In Colombia companies operating in the oil and gas industry have experienced interruptions to their operations and production curtailments as a result of social instability and labour disruptions.

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

Reserves Estimates

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

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

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

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

Actual production and cash flows derived from the Company's oil and natural gas reserves will vary from the estimates contained in the reserve evaluation, and such variations could be material. The reserve evaluation is based in part on the assumed success of activities the Company intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom and contained in the reserve evaluation will be reduced to the extent that such activities do not achieve the level of success assumed in the reserve evaluation. The reserve evaluation is effective as of a specific effective date and, except as may be specifically stated, has not been updated and therefore does not reflect changes in the Company's reserves since that date.

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

The borrowing base under the Company's revolving Credit Facility is currently \$200 million. Parex' borrowing base is re-determined by the lenders twice per year. The Company's borrowing base may decrease as a result of current oil and natural gas prices, operating difficulties, declines in reserves, unforeseen increase cost and lending requirements or regulations.

Additional Funding

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

As a result of global economic and political volatility, the Company may from time to time have restricted access to capital and increased borrowing costs. Failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Company's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Company's ability to expend the necessary capital to replace its reserves or to maintain its production. To the extent that external sources of capital become limited, unavailable or available on onerous terms, the Company's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result. In addition, the future development of the Company's petroleum properties may require additional financing and there are no assurances that such financing will be available or, if available, will be available upon acceptable terms. Alternatively, any available financing may be highly dilutive to existing shareholders. Failure to obtain any financing necessary for the Company's capital expenditure plans may result in a delay in development or production on the Company's properties.

Conditions in the Oil and Natural Gas Industry

The petroleum industry is competitive in all of its phases. The Company competes with numerous other entities in the exploration, development, production and marketing of oil and natural gas. The Company's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of the Company. Some of these companies not only explore for, develop and produce oil and natural gas, but also carry on refining operations and market oil and natural gas on an international basis. As a result of these complementary activities, some of these competitors may have greater and more diverse competitive resources to draw on than the Company. The Company's ability to increase its reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price, process, and reliability of delivery and storage.

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

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

Parex' operations will be subject to all the risks normally associated with the exploration, development and operation of oil and natural gas properties and the drilling of oil and natural gas wells, including encountering unexpected formations or pressures, premature declines of reservoirs, potential environmental damage, blow-outs, cratering, fires and spills, all of which could result

in personal injuries, loss of life and damage to property of Parex and others. In accordance with customary industry practice, Parex will maintain insurance coverage, but will not be fully insured against all risks, nor are all such risks insurable.

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

Exploration, Development and Production Risks

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

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

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

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

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

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

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

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

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

Political Uncertainty

In the last several years, the United States and certain European countries have experienced significant political events that have cast uncertainty on global financial and economic markets. During its tenure, the former American administration withdrew the United States from the Trans-Pacific Partnership and passed sweeping tax reform, which, among other things, significantly reduced U.S. corporate tax rates. This has affected competitiveness of other jurisdictions, including Canada. The former U.S. administration also took action to reduce regulation, which affected relative competitiveness of other jurisdictions. In addition, the United States Mexico Canada Agreement (the "USMCA"), which replaced the former the North American Free Trade Agreement ("NAFTA") was ratified on July 1, 2020 and may impact the Corporation's business.

The newly-inaugurated Biden administration in the U.S. has indicated that it will roll-back certain policies of the former administration, and has taken action to cancel TC Energy Corporation's Keystone X.L. pipeline permit. While it is unclear which other legislation or policies of the former Trump administration will be rolled-back and if such roll-backs will be a priority of the new administration in light of the ongoing COVID-19 pandemic, any future actions taken by the new U.S. administration could have a negative impact on the Canadian economy and on the businesses, financial conditions, results of operations and the valuation of oil and gas companies, including the Company.

In addition to the changing political landscape in the United States, the impact of the United Kingdom's exit from the European Union are slowly emerging and some impacts may not become apparent for some time. Some European countries have also experienced the rise of anti-establishment political parties and public protests held against open-door immigration policies, trade and globalization. Conflict and political uncertainty also continues to progress in the Middle East. To the extent that certain political actions taken in North America, Europe and elsewhere in the world result in a marked decrease in free trade, access to personnel and freedom of movement, it could have an adverse effect on the Company's ability to market its products internationally, increase costs for goods and services required for the Company's operations, reduce access to skilled labour and negatively impact the Company's business, operations, financial conditions and the market value of its Common Shares.

Colombia is immediately adjacent to Venezuela, which is going through a period of political uncertainty. The impact on the Company's operations in Colombia as a result of Venezuela's political situation are not known and can not be reasonably foreseen. However, with the exception of the Capachos block the Company's reserves and production are not proximate to the Colombia Venezuela border.

Corruption

The Company's operations are governed by the laws of many jurisdictions, which generally prohibit bribery and other forms of corruption. The Company has policies in place to prevent any form of corruption or bribery, which includes enforcement of policies against giving or accepting money or gifts in certain circumstances and an annual certification from each employee confirming that each employee has received and understood the Company's anticorruption policies. It is possible that the Company, some of its Subsidiaries, or some of the Company or its Subsidiaries' employees or contractors, could be charged with bribery or corruption as a result of the unauthorized actions of employees or contractors. If the Company is found guilty of such a violation, which could include a failure to take effective steps to prevent or address corruption by its employees or contractors, the Company could be subject to onerous penalties and reputational damage. A mere investigation itself could lead

to significant corporate disruption, high legal costs and forced settlements (such as the imposition of an internal monitor). In addition, bribery allegations or bribery or corruption convictions could impair the Company's ability to work with governments or nongovernmental organizations. Such convictions or allegations could result in the formal exclusion of the Company from a country or area, national or international lawsuits, government sanctions or fines, project suspension or delays, reduced market capitalization and increased investor concern. Further, from time to time the Company may acquire a company that subsequently is subject to a bribery or corruption charge, whereby the Company could assume onerous penalties and/or suffer reputational damage as a result of activities in which the Company had no part.

Risks Associated with Geographically Concentrated Operations

The vast majority of the Company's production comes from one block in the Llanos Basin in Colombia. For the year ended December 31, 2020, the Tigana, Jacana and Tua Fields located in Block LLA-34 collectively generated approximately 71% of the Company's production and at December 31, 2020, LLA-34 accounted for 69% of its proved oil and gas reserves. As a result of this concentration, the Company may be disproportionately exposed to the impact of, among other things, regional supply and demand factors including limitations on its ability to most profitably sell or market its oil and gas to a smaller pool of potential buyers, delays or interruptions of production from wells in these areas caused by governmental regulation, community protests, guerrilla activities, processing or transportation capacity constraints, continued authorization by the government to explore and drill in these areas, severe weather events and the availability of drilling rigs and related equipment, facilities, personnel or services. Due to the concentrated nature of the Company's portfolio of properties, a number of the Company's properties could experience any of the same conditions at the same time, resulting in a relatively greater impact on its results of operations than it might have on other companies that have a more diversified portfolio of properties.

The Company relies on local infrastructure and the availability of transportation for storage and shipment of its products. This infrastructure, including storage and transportation facilities, is less developed than that in North America and may be insufficient for the Company's needs at commercially acceptable terms in the localities in which it operates. Further, the Company operates in remote areas and may rely on helicopters, boats or other transportation methods. Some of these transport methods may result in increased levels of risk and could lead to operational delays which could affect the Company's ability to add to its reserve base or produce oil, or serious injury or loss of life and could have a significant impact on the Company's reputation or cash flow. Additionally, some of this equipment is specialized and may be difficult to obtain in the Company's areas of operations, which could hamper or delay operations, and could increase the cost of those operations.

Gathering and Processing Facilities and Pipeline Systems

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

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

Non-Operated Risk of Significant Assets

Block LLA-34 is not operated by the Company in which the Company has a 55% working interest, and the majority of our oil production and oil reserves are attributed to that block. As a result, the Company may not have the ability to manage development of the blocks oil and natural gas reserves on a pace that the Company would choose. Further, managing the cost of development is largely the responsibility of the operator of the block. Historically, the operator of Block LLA-34 and the Company have agreed on the exploration and development efforts for the block. The Joint Operating Agreement for the block

provides the Company with certain protection such as the right to audit the operator, the right for approval of all capital plans for the block and the approval of an annual capital and operating budget.

Labour Relations

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

Foreign Subsidiaries

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

Information Technology Systems and Cyber-Security

The Company is increasingly dependent upon the availability, capacity, reliability and security of its information technology infrastructure and its ability to expand and continually update this infrastructure, to conduct daily operations. The Company depends on various information technology systems to estimate reserve quantities, process and record financial data, manage its land base, manage financial resources, analyze seismic information, administer its contracts with its operators and lessees and communicate with employees and third-party partners.

Further, the Company is subject to a variety of information technology and system risks as a part of its operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of the Company's information technology systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to the Company's business activities or its competitive position. In addition, cyber phishing attempts, in which a malicious party attempts to obtain sensitive information such as usernames, passwords, and credit card details (and money) by disguising as a trustworthy entity in an electronic communication, have become more widespread and sophisticated in recent years. If the Company becomes a victim to a cyber phishing attack it could result in a loss or theft of the Company's financial resources or critical data and information or could result in a loss of control of the Company's technological infrastructure or financial resources. The Company's employees are often the targets of such cyber phishing attacks, as they are and will continue to be targeted by parties using fraudulent "spoof" emails to misappropriate information or to introduce viruses or other malware through "Trojan horse" programs to the Company's computers. These emails appear to be legitimate emails, but direct recipients to fake websites operated by the sender of the email or request recipients to send a password or other confidential information through email or to download malware. The ongoing COVID-19 pandemic has increased the risk of cyber-attacks on the Corporation, as increased malicious activities are creating more threats for cyberattacks including COVID-19 phishing emails, malware-embedded mobile apps that purport to track infection rates, and targeting of vulnerabilities in remote access platforms as many companies continue to operate with work from home arrangements.

The Company maintains policies and procedures that address and implement employee protocols with respect to electronic communications and electronic devices and conducts annual cyber-security risk assessments. The Company also employs encryption protection of its confidential information, all computers and other electronic devices. Despite the Company's efforts to mitigate such cyber phishing attacks through education and training, cyber phishing activities remain a serious problem that may damage its information technology infrastructure. The Company applies technical and process controls in line with industry-accepted standards to protect its information assets and systems including a written incident response plan for responding to a cyber-security incident. However, these controls may not adequately prevent cyber-security breaches. Disruption of critical information technology services, or breaches of information security, could have a negative effect on the Company's performance and earnings, as well as on its reputation and any damages sustained may not be adequately covered by the Company's current insurance coverage, or at all. The significance of any such event is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on the Company's business, financial condition and results of operations.

Risks of Foreign Operations

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

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

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

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

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

Security and Insurance

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

Legal Systems

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

Potential Conflicts of Interest

There are potential conflicts of interest to which some of the directors and officers of the Company will be subject in connection with the operations of the Company. Some of the directors and officers are engaged and will continue to be engaged in the search for oil and natural gas interests on their own behalf and on behalf of other corporations, and situations may arise where the directors and officers will be in direct competition with the Company. Conflicts of interest, if any, which arise will be subject to and be governed by procedures prescribed by the ABCA which require a director or officer of a corporation who is a

party to or is a director or an officer of or has a material interest in any person who is a party to a material contract or proposed material contract with the Company, to disclose his interest and to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

Regulatory

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

Parex has a 100% working interest in the Block VMM-9 in the Middle Magdalena Basin subject to its earning commitment to spend \$89 million. This block is an unconventional block whereby activities to be conducted would include unconventional stimulation techniques. Colombia currently has no unconventional oil and gas regulatory framework to allow the timely permitting of unconventional stimulation techniques and therefore this block is in force majeure suspension. There is no certainty that Parex will be permitted to conduct activities on Block VMM-9.

Issuance of Debt

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

Availability of Drilling Equipment and Access

Oil and natural gas exploration, development and operating activities are dependent on the availability of third-party contractor drilling and related equipment as well as skilled personnel trained to use such equipment in the areas where such activities will be conducted. Demand for such limited equipment and skilled personnel or access restrictions may affect the availability of such equipment and skilled personnel to the Company and may delay exploration and development activities.

Title to Assets

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

Dilution

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

Market Price of Common Shares

The trading price of securities of oil and natural gas issuers is subject to substantial volatility often based on factors related and unrelated to the financial performance or prospects of the issuers involved. Factors unrelated to the Company's performance could include macroeconomic developments nationally, within North America or globally, domestic and global commodity prices or current perceptions of the oil and gas market. In recent years, the volatility of commodities has increased due, in part, to the implementation of computerized trading and the decrease of discretionary commodity trading. In addition, in certain jurisdictions institutions, including government sponsored entities, have determined to decrease their ownership in oil and gas entities which may impact the liquidity of certain securities and put downward pressure on the trading price of those securities. Similarly, the market price of the Common Shares could be subject to significant fluctuations in response to variations in the Company's operating results, financial condition, liquidity and other internal factors. Accordingly, the price at which the Common Shares will trade cannot be accurately predicted.

Cost of New Technologies

The petroleum industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Company. There can be no assurance that the Company will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. If the Company does implement such technologies, there is no assurance that the Company will do so successfully. One or more of the technologies currently utilized by the Company or implemented in the future may become obsolete. In such case, the Company's business, financial condition and results of operations could be affected adversely and materially. If the Company is unable to utilize the most advanced commercially available technology, or is unsuccessful in implementing certain technologies its business, financial condition and results of operations could also be adversely affected in a material way.

Marine Fuel Oil Sulphur Specification

As a specialized agency of the United Nations and the main regulatory body for the shipping industry, the International Maritime Organization ("**IMO**") is the global standard-setting authority for the safety, security and environmental performance of international shipping. IMO has set a global limit for sulphur in fuel oil used on board ships of 0.5 weight percent from January 1, 2020, drastically changed from the current upper limit of 3.5 weight percent. The IMO's goal is to significantly reduce the amount of sulphur oxide emanating from ships and it expects major health and environmental benefits for the world, particularly for populations living close to ports and coasts.

Refineries worldwide currently blend around three million barrels per day of high sulphur Residual Fuel Oil ("**RFO**") with lighter oil to make bunker fuel oil for the shipping industry. RFO is an outlet at the refinery for difficult to process crude components, usually high sulphur residuum. Sulphur reduction for RFO is more difficult than for lighter distillates as the asphaltene content in RFO requires more costly and complex processing.

Parex' crude production does contain sulphur residuum and is on average considered heavy crude oil. Most of Parex' crude is processed by complex refineries that were designed to process a heavy crude blend such as Parex crude oil production. However, after 2020, the availability of complex refining capacity may become more scarce. This IMO sulphur regulation has the potential to materially adversely impact our crude marketing and may materially contribute to increased widening of the light to heavy crude oil differential, distressing pricing for heavier crude oils. The severity of the impact depends on the enforcement of the regulation, the ability of ship owners to install scrubbers, worldwide heavy sour crude production and additional heavy processing availability.

Risk Management of Commodity Prices or Currency

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

agreements to receive currencies at a fixed price or fix interest rates of floating rate-based debt. Therefore, and as above with commodity price risk management, there are risks associated with any currency or interest rate swap, or commodity derivative agreement.

Litigation

In the normal course of the Company's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions. Potential litigation may develop in relation to personal injuries (including resulting from exposure to hazardous substances, property damage, property taxes, land and access rights, environmental issues, including claims relating to contamination or natural resource damages and contract disputes). The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Company and, as a result, could have a material adverse effect on the Company's assets, liabilities, business, financial condition and results of operations. Even if the Company prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from business operations, which could have an adverse affect on the Company's financial condition.

Breach of Confidentiality

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

Income Taxes

The Company and its subsidiaries file all required income tax returns and the Company believes that it is in full compliance with applicable Canadian, Colombian, Barbadian, and Bermudian tax laws; however, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Company's tax filings, whether by re-characterization of exploration and development expenditures, or questioning the deductibility of expenses or otherwise, such reassessment may have an impact on current and future taxes payable.

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

Diversification

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

Expansion into New Activities

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

Earnings of the Company

The Company's accounting policies conform to IFRS which constitutes generally accepted accounting principles in Canada. Accounting under IFRS may result in non-cash charges and /or write-downs of net assets in the financial statements on a

quarterly basis. Similarly, non-cash gains and reversals of asset write-downs may also be recorded from time-to-time. Income statement volatility resulting from such non-cash gains and losses under IFRS may be viewed unfavorably by the market and could result in an inability to borrow funds and/or could result in a decline in the price of the Common Shares.

Accounting Adjustments

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

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

Cash from Subsidiaries

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

Dependence on Management

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

Ability to Attract and Retain Qualified Personnel

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

Credit Facilities

The Company currently has a credit facility and the amount authorized thereunder is dependent on the borrowing base determined by its lenders. The Company is required to comply with covenants under its credit facility which may, in certain cases, include certain financial ratio tests, which from time to time either affect the availability, or price, of additional funding and in the event that the Company does not comply with these covenants, the Company's access to capital could be restricted or, if drawn, repayment could be required. Events beyond the Company's control may contribute to the failure of the Company to comply with such covenants. In addition, the Company's Credit Facility may impose operating and financial restrictions on the

Company that could include restrictions on, the payment of dividends, repurchase or making of other distributions with respect to the Company's securities, incurring of additional indebtedness, the provision of guarantees, the assumption of loans, making of capital expenditures, entering into of amalgamations, mergers, take-over bids or disposition of assets, among others. The Company's lenders use the Company's reserves, commodity prices, applicable discount rate and other factors, to periodically determine the Company's borrowing base. Commodity prices continue to be depressed and have fallen dramatically since 2014, and while prices have recently increased they remain volatile as a result of various factors including actions taken to limit OPEC and non-OPEC production and increasing production by US shale producers. Depressed commodity prices could reduce the Company's borrowing base, reducing the funds available to the Company under the credit facility. This could, if the Credit Facility is drawn, result in the requirement to repay a portion, or all, of the Company's indebtedness.

Internal Controls

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

Reputational Risk Associated with the Company's Operations

The Company's business, operations or financial condition may be negatively impacted as a result of any negative public opinion towards the Company or as a result of any negative sentiment toward, or in respect of, the Company's reputation with stakeholders, special interest groups, political leadership, the media or other entities. Public opinion may be influenced by certain media and special interest groups' negative portrayal of the industry in which the Company operates as well as their opposition to certain oil and natural gas projects. Potential impacts of negative public opinion or reputational issues may include delays or interruptions in operations, legal or regulatory actions or challenges, blockades, increased regulatory oversight, reduced support for, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licenses and increased costs and/or cost overruns. The Company's reputation and public opinion could also be impacted by the actions and activities of other companies operating in the oil and natural gas industry, particularly other producers, over which the Company has no control. In particular, the Company's reputation could be impacted by negative publicity related to environmental damage, loss of life, injury or damage to property caused by the Company's operations, or due to opposition from special interest groups opposed to oil and natural gas development. In addition, if the Company develops a reputation of having an unsafe work site it may impact the ability of the Company to attract and retain the necessary skilled employees and consultants to operate its business.

Reputational risk cannot be managed in isolation from other forms of risk. Credit, market, operational, insurance, regulatory and legal risks, among others, must all be managed effectively to safeguard the Company's reputation. Damage to the Company's reputation could result in negative investor sentiment towards the Company, which may result in limiting the Company's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Company's securities.

Dividends

The Company has not paid any dividends on its outstanding Common Shares. Payment of dividends in the future will be dependent on, among other things, cash flow, results of operations, financial condition of the Company, the need for funds to finance ongoing operations and other considerations, as the Board of Directors considers relevant. See *Dividend Policy*.

Forward-Looking Statements May Prove Inaccurate

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

Additional information on the risks, assumptions and uncertainties are found under the heading "*Forward Looking Statements*" of this Annual Information Form.

ADDITIONAL INFORMATION

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

SCHEDULE "A"

FORM 51-101F3

REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE

Report of Management and Directors on Reserves Data and Other Information

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

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

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

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

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

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

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

DATED as of this 3rd day of March , 2021.

(signed) "*Imad Mohsen*"
Imad Mohsen
President and Chief Executive Officer

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

(signed) "*Bob MacDougall*"
Bob MacDougall
Chairman of the HSE and Reserves Committee

(signed) "*Wayne Foo*"
Wayne Foo
Chairman of the Board of Directors

SCHEDULE "B"
FORM 51-101F2
REPORT ON RESERVES DATA
BY INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR

Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor

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

1. We have evaluated the Company's reserves data as at December 31, 2020. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2020, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.
3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "**COGE Handbook**") maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).
4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended December 31, 2020, and identifies the respective portions thereof that we have evaluated and reported on to the Company's board of directors:

Independent Qualified Reserves Evaluator or Auditor	Effective Date of Evaluation Report	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate)			
			Audited	Evaluated	Reviewed	Total
GLJ Ltd.	December 31, 2020	Colombia	—	3,341,084	—	3,341,084
Totals			<u>—</u>	<u>3,341,084</u>	<u>—</u>	<u>3,341,084</u>

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

EXECUTED as to our report referred to above:

GLJ Ltd., Calgary, Alberta, Canada, February 4, 2021

Original Signed by Patrick A. Olenick, P.Eng.
Vice President

SCHEDULE "C"

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

1. Overall Purpose & Objectives

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

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

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

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

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

As the Corporation is a reporting issuer under applicable securities laws the Board adopts the following Mandate for the Committee which reflects, among other things, compliance with stock exchange and legal requirements and guidelines for financial reporting.

2. Composition

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

3. Meetings

- (a) The Audit Committee shall meet at least quarterly with Management, and at least quarterly with the external auditors, such meetings generally coinciding with the release of interim or year-end financial information. Special meetings may be convened as required upon the request of the Audit Committee or the officers of the Corporation.
- (b) A quorum shall be a majority of the members of the Audit Committee.

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

4. Reporting / Authority

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

5. Duties & Responsibilities

(a) Financial Information and Shareholder Communication

Review:

- (i) the audited annual financial statements and unaudited quarterly financial statements with Management and the external auditors (including disclosures under "Management's Discussion & Analysis"), in conjunction with the report of the external auditors, and obtain explanation from Management of all material variances between comparative reporting periods. Upon satisfactory completion of the review, the Committee will recommend that the Board approve the annual and quarterly financial statements and management's discussion and analysis;
- (ii) shareholder communications based on the quarterly and annual financial statements, including, without limitation, all annual and interim earnings press releases;
- (iii) the Corporation's annual information form;
- (iv) press releases and all other public disclosure containing audited or unaudited financial information or financial guidance; and
- (v) significant accounting and tax compliance issues where there is choice among various alternatives or where application of a policy has a material effect on the financial results of the Corporation.

(b) Internal Controls

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

- (D) major changes to the Corporation's disclosure controls and procedures and management information systems; and
- (E) spending authority and approval of limits.
- (ii) Oversee Management's reporting on internal controls and disclosure controls and procedures.
- (c) **Enterprise Risk Management (“ERM”)**
 - (i) Review and assess the identification and management of ERM matters pertaining to the Audit Committee.
- (d) **External Auditors**
 - (i) instruct the auditors that: (a) they are ultimately accountable to the Audit Committee (as representatives of the shareholders of the Corporation); (b) they must report directly to the Committee; and (c) the Committee is responsible for the appointment (subject to shareholder approval), compensation, retention, evaluation and oversight of the Corporation's external auditors;
 - (ii) oversee the independence of the auditors and take such actions as it may deem necessary to satisfy it that the Corporation's auditors are independent within the meaning of applicable securities laws by, among other things: (a) requiring the independent auditors to deliver to the Audit Committee on a periodic basis a formal written statement delineating all relationships between the independent auditors and the Corporation; and (b) actively engaging in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors and taking appropriate action to satisfy itself of the auditors' independence;
 - (iii) annually:
 - (A) recommend to the Board an independent accounting firm to conduct the annual audit;
 - (B) review with Management and auditors the purpose and scope of the audit examination, review the terms of the external auditors' engagement and the fees for the annual audit;
 - (C) review and recommend to the Board the compensation of the external auditors;
 - (D) assess the qualifications and performance of the auditors, taking into account the opinions of Management, and present conclusions to the Board;
 - (E) obtain and review a report by the external auditors describing: the firm's internal quality control procedures; any material issues raised by the most recent internal quality control review (or peer review) of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm and any steps taken to deal with such issues;
 - (F) ensure compliance with any legal requirements regarding the rotation of applicable partners of the external auditors, on a regular basis, as required;
 - (G) obtain a certificate attesting to the external auditors' independence, which identifies all relationships between the external auditors and the Corporation;
 - (H) review all reportable events, including disagreements, unresolved issues and consultations, as defined in National Instrument 51-102 – *Continuous Disclosure Obligations* (as amended or replaced from time to time) of the Canadian Securities Administrators ("**NI 51-102**"), on a routine basis, whether or not there is a change of auditors; and
 - (I) meet independently with auditors in the absence of Management to discuss any issues which the auditors may wish to bring forward including any restrictions imposed by Management or significant accounting issues in which there was a disagreement with Management;
 - (iv) review the performance of the auditors and recommend to the Board the replacement or termination of the independent auditors (subject to required shareholder approvals) when circumstances warrant;
 - (v) where there is a change of auditor, review all issues related to the change, including information to be included in the notice of change of auditors (NI 51-102) and the planned steps for an orderly transition;

- (vi) generally oversee the work of the external auditor, including resolving any issues that arise between Management and the external auditors;
- (vii) pre-approve engagements for non-audit services provided by the external auditors or their affiliates, together with estimated fees and potential issues of independence; and
- (viii) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.

(e) **Audit**

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

(f) **Legal**

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

(g) **Budget and Forecast of Operations**

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

(h) **New Business Development**

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

(i) **Audit Committee Evaluation and Complaints**

Periodically, in conjunction with the Corporate Governance Committee:

- (i) assess individual Audit Committee member and Chair performance and evaluate the performance of the Audit Committee as a whole, including its processes and effectiveness;
- (ii) review the Corporation's procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters;
- (iii) review the Corporation's procedures for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;
- (iv) take the steps necessary to address and resolve all instances or allegations of fraud or other complaints reported to the Audit Committee in accordance with the Corporation's Whistleblower Policy; and

- (v) develop and approve Audit Committee member eligibility criteria, identify directors qualified to become Committee members and recommend appointments to and removals from the Audit Committee.

(j) **ESTMA**

Review and report to the Board on the procedures in place for reporting and certification under the *Extractive Sector Transparency Measures Act* (Canada) ("**ESTMA**") at such time as Parex is required to comply with ESTMA.

(k) **Environmental, Social and Governance ("ESG")**

- (i) In collaboration with the ESG Steering Committee (the "**ESG Committee**") review and assess ESG-related risks relevant to the Corporation, including those identified in the Corporation's annual ESG report.
- (ii) Regularly review the Corporation's risk management policies, processes and analyses relative to addressing ESG risks.
- (iii) Review the Corporation's annual ESG report and other ESG related disclosures in furtherance of executing on the Committee's duties and responsibilities set forth in this Mandate.

6. Other Duties & Responsibilities

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

7. Finance and Audit Committee Evaluation

Annually in conjunction with the Corporate Governance and Nominating Committee:

- (a) Assess individual Committee member and Chair performance and evaluate the performance of the committee as a whole, including its processes and effectiveness.
- (b) Develop and approve committee member eligibility criteria, identify directors qualified to become Committee members and recommend appointments to and removals from the Committee.

8. Mandate Review

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

9. Authorization

This Audit Committee Mandate is hereby approved on behalf of the Board this 30th day of October, 2009 as amended on November 9, 2011, November 13, 2013, November 2, 2015, October 4, 2017, March 5, 2018, and February 4, 2021.

Paul Wright
Chairman of the Audit Committee
Parex Resources Inc.

Wayne Foo
Chairman of the Board of Directors
Parex Resources Inc.