



**ANNUAL INFORMATION FORM
FOR THE YEAR ENDED
DECEMBER 31, 2014**

MARCH 19, 2015

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ABBREVIATIONS AND CONVENTIONS

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

Oil and Natural Gas Liquids		Natural Gas	
bbls	barrels	Mcf	one thousand cubic feet
Mbbls	one thousand barrels	MMcf	one million cubic feet
MMbbls	one million barrels	bcf	one billion cubic feet
NGLs	natural gas liquids	Mcf/d	one thousand cubic feet per day
bbls/d	barrels of oil or natural gas liquids per day	MMcf/d	one million cubic feet per day
Mbbls/d	one thousand barrels per day		

Other

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

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

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

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	6.290
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.4047
hectares	acres	2.4710

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

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

Unless otherwise specified, information in this Annual Information Form is as at the end of the Company's most recently completed financial year, being December 31, 2014.

CURRENCY AND EXCHANGE RATES

The following table sets forth, for each of the periods indicated, the high and low rates of exchange of Canadian dollars into U.S. dollars, the average of the exchange rates during each such period and the end-of-period rate. Such rates are shown as, or are derived from, the reciprocals of the noon buying rates in New York City for cable transfers payable in Canadian dollars, as available on the Bank of Canada website. On March 18, 2015, the noon buying rate for one U.S. dollar in Canadian dollars as certified by the Bank of Canada was \$1.2771.

	Year Ended December 31		
	2014	2013	2012
Highest rate during the period	1.1643	1.0697	1.0418
Lowest rate during the period	1.0614	0.9839	0.9710
Average noon spot rate for the period	1.1045	1.0299	0.9996
Rate at the end of the period	1.1601	1.0636	0.9949

Note:

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

NON-GAAP TERMS

Funds flow used in, or from operations, operating netback per barrel and adjusted net income may from time to time be used by the Company, but do not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. Funds flow used in, or from operations includes all cash generated from operating activities and is calculated before changes in non-cash working capital. Adjusted net income is determined by adding back any losses or deducting any gains associated with the Company's derivative financial liability and adjusting for non-cash impairment charges. Operating netback per barrel equals sales revenue (excluding commodity risk management gains/losses), less royalties, production expense and transportation expense, divided by total equivalent sales volume excluding purchased oil volumes. Management uses these non-GAAP measures for its own performance measurement and to provide shareholders and investors with additional measurements of the Company's efficiency and its ability to fund a portion of its future capital expenditures.

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

"**Acquisition Agreement**" means the purchase agreement among Parex Colombia, the Vendor and Subco dated April 20, 2011, pursuant to which the Company, through Parex Colombia, agreed to purchase the Acquired Assets, through the acquisition of all of the shares of Subco, as described in more detail under *General Development of the Business – History of the Company*;

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

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

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

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

"**Debentures**" means the Cdn\$85,000,000 aggregate principal amount of 5.25 percent convertible unsecured subordinated debentures of the Company;

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

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

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

"**Material Subsidiary**" means: (i) a direct or indirect subsidiary of Parex which has total assets that exceed 10 percent of the consolidated assets of Parex; (ii) a direct or indirect subsidiary of Parex which has revenues that exceed 10 percent 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 percent of the consolidated assets of Parex and revenues that exceed 10 percent of the consolidated revenues of Parex;

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

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

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

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

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

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

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

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

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

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

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

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

"**Ramshorn Acquisition**" means the acquisition by Parex Bermuda of all of the class A shares of Ramshorn, as described in more detail under *General Development of the Business – History of the Company*;

"**Remora Acquisition**" means the indirect acquisition by the Company of the Acquired Assets pursuant to the Acquisition Agreement through the acquisition of all of the shares of Subco, which owns all of the Acquired Assets, as described in more detail under *General Development of the Business – History of the Company*;

"**Remora Purchase Price**" means the purchase price for the Acquired Assets of \$255,000,000, subject to closing adjustments;

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

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

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

"**Tax Act**" means the *Income Tax Act* (Canada), R.S.C. 1985, c. 1 (5th Supp.), as amended, including the regulations promulgated thereunder, each as amended from time to time;

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

"**TSXV**" means the TSX Venture Exchange, Inc.;

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

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

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

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

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

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

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

Selected Oil and Gas Terms

"**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 prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society), as amended from time to time;

"**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);

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

"GLJ Report" means the report of GLJ dated February 13, 2015 evaluating the oil and natural gas reserves of the Company as at December 31, 2014;

"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;

"ICE Brent" means Intercontinental Exchange Brent;

"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;

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

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

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

FORWARD LOOKING STATEMENTS

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

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

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

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

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

Although the forward-looking statements contained in this Annual Information Form are based upon assumptions which Management believes to be reasonable, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this Annual Information Form, Parex has made assumptions regarding, but not limited to: current commodity prices and royalty regimes; availability of skilled labour; timing and amount of capital expenditures; uninterrupted access to infrastructure; future exchange rates; the price of oil, NGLs and natural gas; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; effects of regulation by governmental agencies; recoverability of reserves; royalty rates; future operating costs; receipt of regulatory approvals; that the Company will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Company's conduct and results of operations will be consistent with its expectations; that the Company will have the ability to develop the Company's oil and 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 that 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."

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

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

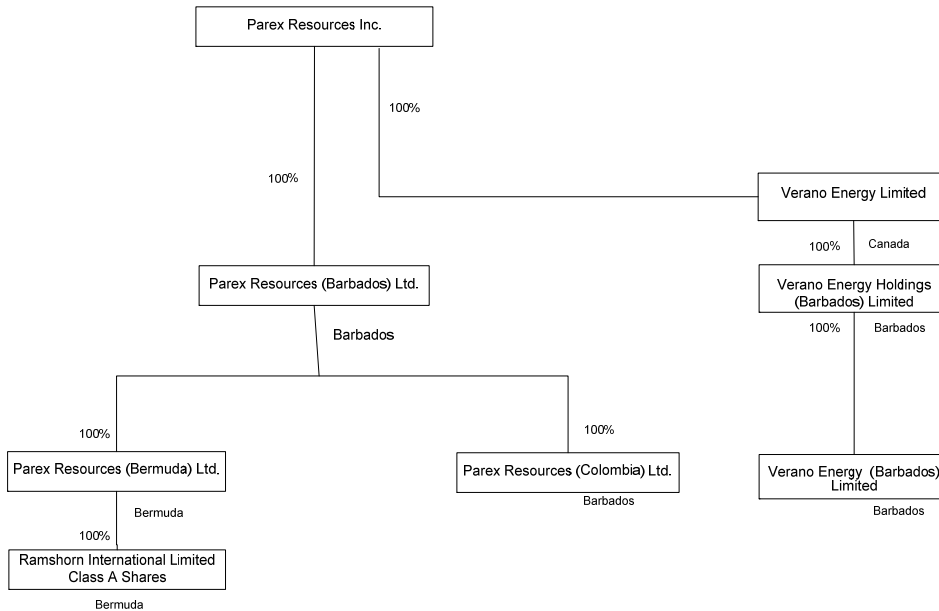
<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation and Laws of Incorporation</u>	<u>Registered Holder of Voting Securities and Percentage Held</u>	<u>Business Conducted</u>
Parex Resources (Barbados) Ltd.	Barbados (<i>Companies Act of Barbados</i> and licensed under the <i>International Business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

At December 31, 2014, all of the Company's activities in Trinidad were conducted through Parex Trinidad, a company duly incorporated under the laws of Trinidad & Tobago. As of February 19, 2015, Parex Barbados, the sole shareholder of Parex Trinidad, completed a transaction with West Indian Energy Group Limited pursuant to which West Indian Energy Group Limited purchased all of the shares of Parex Trinidad. Upon the completion of such transaction, Parex Trinidad ceased to be a Subsidiary of Parex.

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, Verano Energy, Parex E&P Colombia B.V. and Ramshorn in order to provide these Subsidiaries with support services from Canada.

Corporate Structure

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



Note:

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

The Company's organizational structure facilitates its business as a multijurisdictional company whose operations are located outside of Canada. Parex has four subsidiaries whose activities in Colombia 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 four Colombian branches as it has completed four corporate acquisitions since inception. In time the Company expects to amalgamate or merge these subsidiaries doing business in Colombia into one entity.

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

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

GENERAL DEVELOPMENT OF THE BUSINESS

History of the Company

Parex was originally incorporated on August 17, 2009 for the purpose of completing the Arrangement (as defined below) and prior to completion of the Arrangement did not carry on any active business other than in connection with the Arrangement and related matters.

In connection with a statutory arrangement (the "**Arrangement**") carried out pursuant to Section 193 of the ABCA involving PARI, Pluspetrol and certain other parties, Pluspetrol, through a series of transactions, acquired all of the outstanding PARI Common Shares. Under the Arrangement, a holder of PARI Common Shares received, for each PARI Common Share, Cdn\$7.65 in cash, one Common Share of Parex and one-tenth of a Parex Warrant. Each whole Parex Warrant entitled the holder thereof to purchase one Common Share at a price of Cdn\$3.00 for a period of 30 days from the effective date of the Arrangement, which occurred on November 6, 2009.

Pursuant to the Arrangement, Parex acquired PARI's assets located in Colombia and Trinidad & Tobago and related obligations through the acquisition of all of the issued and outstanding C&T Cos Shares. The C&T Cos were indirect wholly owned subsidiaries of PARI formed for the purpose of engaging in the business of acquiring properties and exploring for, developing and producing crude oil and natural gas in Trinidad & Tobago and Colombia. Parex Barbados holds all of the issued and outstanding common shares of Parex Trinidad and Parex Colombia.

Upon completion of the Arrangement, Parex became a reporting issuer in each of the Provinces of Canada and the Common Shares commenced trading on the TSXV on November 12, 2009.

On June 29, 2011, Parex Colombia, completed the acquisition of the Acquired Assets through the purchase of all of the shares of an indirect wholly-owned subsidiary of the Vendor, Parex Energy Colombia Ltd. (formerly, Remora Energy Colombia Ltd.), for consideration of \$255 million, subject to closing adjustments. Prior to the Remora Acquisition, Parex Colombia held the remaining 50 percent working interest in the Acquired Assets. The Remora Purchase Price was funded with a portion of the net proceeds of a bought deal financing completed by the Company, pursuant to which the Company issued 31.05 million subscription receipts of Parex, which were automatically converted into one Common Share on completion of the Remora Acquisition, and the Debentures, for total combined gross proceeds of Cdn\$302.35 million.

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

On May 23, 2012, Parex entered into a \$200 million senior secured credit facility with a syndicate of banks led by a major Canadian bank. The initial borrowing base was \$50 million but has since been increased to \$200 million. See *Bank Debt* in this Annual Information Form.

On May 31, 2013, Parex Colombia completed the purchase of its partner's 50 percent working interest in the Cabrestero block of Colombia (the "**Cabrestero Block**") for \$12.5 million before adjustments.

On July 9, 2013, Parex Colombia signed a farm-in agreement for the VMM-11 block (the "**VMM-11 Block**") in the Middle Magdalena Basin of Colombia, which is currently subject to regulatory approval from the ANH.

On July 26, 2013, Parex Colombia completed the purchase of its partner's 50 percent working interest in the Morpho block of Colombia (the "**Morpho Block**") in return for a 4% net profit interest royalty.

On August 1, 2013, Parex Colombia signed an assignment agreement for a 100 percent working interest and operatorship of the Cebucan block in the Llanos Basin of Colombia (the "**Cebucan Block**"). Pursuant to the terms of the agreement, at the assignment of such working interest by the regulator, Parex will pay \$4.5 million. The assignment process was completed on January 15, 2015.

On August 19, 2013, Parex Trinidad entered into a farm-out agreement for the Moruga Block (as defined herein) in Trinidad. Under the terms of the farm-out agreement, the farmee earned a 20 percent participating interest in the Moruga Block after providing Parex Trinidad with a \$2 million payment. The farmee, as contract operator is also entitled to earn an additional 31 percent participating interest in the block upon completion of certain work obligations. Under the terms of the farm-out agreement, if all the Moruga Block farm-out agreement terms were fulfilled by the farmee, Parex Trinidad will transfer operatorship to the farmee and reduce its participating interest from 83.8 percent to 32.8 percent.

On September 18, 2013, Parex Trinidad, as operator of the onshore Central Range Shallow Block and Central Range Deep Block notified the Trinidad & Tobago Ministry of Energy and Energy Affairs that it would relinquish both Central Range Blocks, effective immediately. Parex Trinidad has satisfied the contractual relinquishment obligations as per the requirements of the Central Range Block production sharing contracts.

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

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

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

On May 5, 2014, Parex Colombia signed a farm-in agreement with Ecopetrol S.A. ("**Ecopetrol**"), subject to the execution of the *covenio Contract* with Agencia Nacional de Hidrocarburos ("**ANH**"), for the joint development of the Capachos Block in the northern foothills of the Llanos Basin (the "**Capachos Block**"). Pursuant to the terms of the farm-in agreement, Parex Colombia will pay 100% of the cost of two wells in the Capachos Block to re-activate the field and earn a 50% working interest and operatorship of the block, subject to regulatory approval from ANH.

The Capachos Block is approximately 8 kilometers long, has multi-zone potential at a depth of approximately 16,000 feet and has produced light oil prior to being shut-in.

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

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

On July 23, 2014, Parex Colombia successfully participated in the 2014 Colombia Bid Round. Parex Colombia qualified as a potential operator in conventional and unconventional blocks pursuant to the regulations of the bid round. As a result of the 2014 Colombia Bid Round, Parex Colombia was awarded 100% working interest in Block VMM9 in the Middle Magdalena Basin of Colombia ("**Block VMM9**") and Block VIM-1 in the Interior Magdalena Basin of Colombia ("**Block VIM-1**").

On September 18, 2014, Parex Colombia signed an exploration and production agreement with the ANH for the unconventional Block VMM9. Block VMM9 is approximately 152,314 gross acres and is subject to an initial base royalty of 9%. The first phase of the agreement has a term of 36 months and a current commitment of approximately \$89 million.

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

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

As of February 19, 2015, Parex Barbados, the sole shareholder of Parex Trinidad, completed a transaction with West Indian Energy Group Limited pursuant to which West Indian Energy Group Limited purchased all of the shares of Parex Trinidad. Upon the completion of such transaction, Parex Trinidad ceased to be a Subsidiary of Parex.

Operational Activities

For a description of the Company's exploration, development and production activities in 2012, 2013 and 2014, 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, 2012

- achieved annual average oil production in 2012 of 11,407 bbls/d, an increase of 113% over average 2011 production volumes of 5,345 bbls/d;
- realized Brent referenced sales price of \$109.18/bbl and an operating netback of \$73.41/bbl;
- generated year end funds flow from operations of \$241.6 million (\$2.23 per share basic) and adjusted net income of \$32.6 million (\$0.30 per share basic). Funds flow increased due to continued strong operating netbacks, production growth and exploration success;
- the Company participated in drilling 33 gross wells in Colombia and 2 in Trinidad, resulting in 25 oil wells, 6 disposal wells and 4 dry and abandoned, for a success rate of 87 percent; and
- the Company began 2012 with interests in 6 blocks in Colombia and production primarily from the Kona field and exited 2012 with interests in 14 blocks in Colombia and a diversified production base of ten fields.

Year ended December 31, 2013

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

Year ended December 31, 2014

- achieved annual average oil production in 2014 of 22,526 bbls/d, an increase of 42% over average 2013 production volumes of 15,854 bbls/d;
- realized Brent referenced sales price of \$88.54/bbl and an operating netback of \$47.81/bbl;
- generated funds flow from operations in 2014 of \$293.9 million (\$2.44 per share basic). Funds flow increased from the prior year due to production growth from exploration and appraisal success;
- the Company participated in drilling 38 gross wells in Colombia resulting in 25 oil wells, 6 disposal wells, 1 untested and 6 dry and abandoned, for a success rate of 81 percent; and
- increased land holdings in Colombia by 759,076 net acres to 2,176,098 net acres.

See *Principal Properties* in this Annual Information Form.

Significant Acquisitions

Other than the Verano Arrangement described under *General Development of the Business - History of the Company*, Parex did not complete any significant acquisitions during its most recently completed financial year for which disclosure is required under Part 8 of NI 51-102. See *General Development of the Business - History of the Company*. A business acquisition report in the form of Form 51-102F4 in respect of the Verano Arrangement was filed by Parex and is available on Parex' SEDAR profile at www.sedar.com.

DESCRIPTION OF THE BUSINESS AND OPERATIONS

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

Parex 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 percent of the voting shares of Parex Trinidad. Parex Barbados also holds 100 percent of the voting shares of Parex Colombia and Parex Bermuda. Parex Barbados also facilitates future capitalization of its subsidiaries.

Parex Resources (Colombia) Ltd.

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

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

On January 30, 2009, PARI and CESC signed joint venture agreements ("**Acuerdo Union Temporal**") for each of the 2008 Blocks with each partner having a 50 percent 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 acquired the 50 percent interest of CESC in the 2008 Blocks through the acquisition of Subco pursuant to the Remora Acquisition. As a result, Parex Colombia holds a 100 percent interest in the 2008 Blocks and assumed the letters of credit to the ANH in respect of the additional 50 percent of the work commitments for the 2008 Blocks.

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

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

On September 23, 2011, PACLS signed a farm-in agreement with Petroamerica in respect of the El Eden Block, which is located south-west of Block LLA-16 and the Los Ocarros Block in the Llanos Basin. The farm-in, which

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

On March 16, 2012, Parex Colombia entered into a farm-in agreement with Cepsa Colombia S.A. ("**Cepsa**") for the Cabretero Block requiring PACLS to pay 100 percent of the drilling costs associated with the Kitaro-1 exploration well to earn a 50 percent interest in the Cabretero Block. PACLS fulfilled the farm-in commitment in July 2012 and received ANH recognition of the farm-in and as operator of the Cabretero Block in December 2012.

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

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

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

On August 1, 2013, Parex Colombia signed an assignment agreement for 100 percent working interest and operatorship of the Cebucan Block. Pursuant to the terms of the assignment agreement, at the assignment of such working interest by the ANH, Parex Colombia will pay \$4.5 million. The current exploration phase requires drilling one exploration well.

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

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

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

On May 5, 2014, Parex Colombia signed a farm-in agreement with Ecopetrol, subject to the execution of the *covenio Contract* with ANH, for the joint development of the Capachos Block. Pursuant to the terms of the farm-in

agreement, Parex Colombia will pay 100% of the cost of two wells in the Capachos Block to re-activate the field and earn a 50% working interest and operatorship of the block, subject to regulatory approval from the ANH. The Capachos Block is approximately 8 kilometers long, has multi-zone potential at a depth of approximately 16,000 feet and has produced light oil prior to being shut-in.

On July 18, 2014, Parex Colombia signed a farm-in agreement for the exploration area of Block LLA-10, subject to regulatory approval. Pursuant to the terms of the farm-in agreement, Parex Colombia will pay 89% of the dry-hole cost of one exploration well to earn 44.5% working interest and operatorship. Block LLA-10 is approximately 189,500 gross acres and is subject to an initial base royalty of 11%.

On October 21, 2014, Parex Colombia signed an assignment agreement with Petromont Colombia S.A. Sucursal Colombia to acquire 5.5% working interest of Block LLA-10 for a total consideration of \$850,000, giving Parex Colombia an aggregate 50% working interest in the Block LLA-10, subject to regulatory approval.

On July 23, 2014, Parex Colombia successfully participated in the 2014 Colombia Bid Round. Parex Colombia qualified as a potential operator in conventional and unconventional blocks pursuant to the regulations of the bid round. As a result of the 2014 Colombia Bid Round, Parex Colombia was awarded 100% working interest in Blocks VMM 9 and VIM-1.

On September 18, 2014, Parex Colombia signed an exploration and production agreement with the ANH for Block VMM9. Block VMM9 is approximately 152,314 gross acres and is subject to an initial base royalty of 9%. The first phase of the agreement has a term of 36 months and a current commitment of approximately \$89 million.

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

See *Principal Properties*.

Parex Resources (Bermuda) Ltd.

Parex Bermuda was incorporated on April 9, 2012 under the *Companies Act* of Bermuda. Parex Bermuda does not directly own any operating oil or natural gas assets. Parex Bermuda owns all of the class A shares of Ramshorn as acquired by Parex Bermuda pursuant to the Ramshorn Acquisition, which occurred on April 12, 2012. Parex Bermuda also facilitates the capitalization and growth of the Company's other subsidiaries.

See *General Development of the Business – History of the Company, Principal Properties, Legal Proceedings and Regulatory Actions*.

Ramshorn International Limited

Ramshorn was incorporated on November 3, 2003 under the *Companies Act* of Bermuda for the purpose of carrying on oil exploration and development activity in Colombia. On April 12, 2012 Parex Bermuda acquired the class A shares of Ramshorn pursuant to the Ramshorn Acquisition. In addition to class A shares, Ramshorn has issued and outstanding class B shares, all of which are owned by a third party entity, Shona Energy International Limited, which class B shares were issued in connection with a joint venture for certain oil and gas interests in Peru in which Ramshorn has no economic interest. Ramshorn and Parex Bermuda, on the one hand, and Shona Energy International Limited, on the other, have indemnified each other so that the Ramshorn class A shares derive no economic benefits or liabilities associated with the class B shares and the Peru joint venture and the class B shares derive no economic benefits or liabilities of the Colombia operations.

The primary assets of Ramshorn currently consist of working interests in exploration contracts for Llanos Basin Blocks, LLA-32 and LLA-34.

See *General Development of the Business – History of the Company, Principal Properties, Legal Proceedings and Regulatory Actions*.

Verano Energy Limited and its Subsidiaries

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

Verano's direct and indirect foreign subsidiaries consist of: (i) P1 Energy Holdings Inc., Verano Energy Holdings (Barbados) Limited, P1 Energy Sigma Corp. and Verano Energy (Barbados) Ltd., each of which were formed pursuant to the *Companies Act* of Barbados; (ii) Verano Energy Corp., which was formed pursuant to the Laws of Panama; and (iii) Verano Energy S.A.S., which was formed pursuant to the *Companies Act* of Colombia. Each of Verano's direct and indirect subsidiaries had been engaged in the acquisition, exploration, development and production of oil and gas properties in Colombia. The only Verano entities that continue to actively engage in business are Verano Energy and its operating branch in Colombia.

The primary assets of Verano and its direct and indirect foreign subsidiaries currently consist of working interests in exploration contracts Llanos Basin Blocks LLA-17, LLA-32 and LLA-34. See *Principal Properties*.

Verano and its direct and indirect foreign subsidiaries also hold, subject to royalty interest, an 84% working interest in the La Rompida Block in Colombia (10,234 gross hectares). The La Rompida Block had one development well and two producing wells. During 2013, the La Rompida Block produced 6 boe/d (5 boe/d net) and was shut in prior to block expiration commencing December 31, 2013. There was no production from the La Rompida Block during 2014.

See *Principal Properties*.

Parex Energy Colombia Ltd.

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

See *General Development of the Business – History of the Company and Principal Properties*.

Parex Resources (Trinidad) Ltd.

Parex Trinidad was incorporated on February 6, 2008 under the *Companies Act*, 1995 of Trinidad & Tobago for the purposes of carrying on oil exploration and development activities in Trinidad & Tobago. As of February 19, 2015, Parex Barbados, the sole shareholder of Parex Trinidad, completed a transaction with West Indian Energy Group Limited pursuant to which West Indian Energy Group Limited purchased all of the shares of Parex Trinidad. Upon the completion of such transaction, Parex Trinidad ceased to be a Subsidiary of Parex.

The following is a summary of Parex Trinidad's oil exploration and development activities in Trinidad & Tobago from December 12, 2007 to December 31, 2014. As of the date hereof, the Company does not have any oil exploration and development activities in Trinidad & Tobago.

Central Range Blocks

On December 12, 2007, PARI entered into a joint venture agreement (the "**JVA**") with Voyager Energy Ltd. ("**VEL**" or "**Voyager**"), now a wholly owned subsidiary of Niko Resources Ltd. ("**Niko**") relating to participation in the production sharing contracts ("**PSCs**") with the Republic of Trinidad & Tobago for the central range deep blocks (the "**Central Range Deep Blocks**") and central range shallow horizon blocks (the "**Central Range Shallow Blocks**") and collectively with the Central Range Deep Blocks, the "**Central Range Blocks**").

Parex Trinidad entered into joint operating agreements with Niko and the Petroleum Company of Trinidad & Tobago ("**Petrotrin**") respecting the operations of each of the Central Range Blocks. These joint operating agreements provide Petrotrin with the right to participate for a 35 percent net working interest in any development on the Central Range Shallow Block and for a 20 percent net working interest in any development on the Central Range Deep Blocks. See *Principal Properties – Trinidad & Tobago*.

Work activity on the Central Range Blocks by Parex Trinidad has included:

- a 5,500 linear kilometre airborne geophysical survey;
- two two-dimensional ("**2D**") seismic acquisition programs totalling 274 kilometres of acquired seismic; and
- drilled and completed two exploration wells on the Central Range Shallow Blocks, which were deemed non-commercial.

The Company purchased a performance bond and provided a guarantee to the underwriters of the bond in the amount of \$33 million to cover its and Niko's share of the financial guarantees required under the PSCs for the original initial 48-month exploration phase on the Central Range Blocks, which exploration phase was subsequently extended to 72 months. The performance bond terminated on September 19, 2012 and was not extended. In the event of default by Niko, the JVA provides that Niko's working interest shall vest in Parex Trinidad.

On September 18, 2013, Parex Trinidad, as operator of the onshore Central Range Blocks notified the Trinidad & Tobago Ministry of Energy and Energy Affairs (the "**MEEA**") that it will relinquish both Central Range Blocks. Parex Trinidad has satisfied the contractual relinquishment obligations as per the requirements of the Central Range Block production sharing contracts.

Moruga Block

On September 16, 2009, Parex Trinidad entered into an agreement with Primera Oil and Gas Limited and Primera Energy Resources Ltd. (together, "**Primera**") (the "**Farm In**") to farm in to the interests of these companies in the Moruga Block Exploration and Production Licence located in South Central Trinidad (the "**Moruga Block**"). The terms of the Farm In required Parex Trinidad to drill two exploration wells on the Moruga Block with one well achieving a minimum depth of 10,500 feet and the other to be drilled to a minimum depth of 8,600 feet or to the top of the Cretaceous section. In connection with the Farm In, an application has been made for Parex Trinidad to become the operator of the Moruga Block. The Farm In and transfer of operatorship to Parex Trinidad was subject to approval by the MEEA and the Ministry of Finance of the Republic of Trinidad & Tobago.

The Company (through Parex Trinidad) has drilled three wells on the Moruga Block since 2010. On April 27, 2011, Parex Trinidad received written communication from the MEEA that Parex Trinidad has fulfilled the earning commitments for the Moruga Block. Parex Trinidad earned a 50 percent working interest in the Moruga Block by paying 95 percent of all costs, to a maximum of \$13.3 million of which \$12.6 million was paid, for drilling and evaluating the two exploration wells on the Moruga Block. Parex Trinidad also received the assignment of the working interests and the transfer of operatorship from the MEEA in 2012 and continues to re-evaluate follow-up

appraisal locations to the Moruga Block Snowcap-1 discovery. Parex Trinidad drilled two additional exploration prospects on the Moruga Block in 2012, both of which were deemed non-commercial.

In June 2012 Parex Trinidad purchased an additional 33.8 percent working interest in the Moruga Block for approximately \$10 million, increasing its working interest in the Moruga Block to 83.8 percent.

On August 19, 2013, Parex Trinidad entered into a farm-out agreement for the Moruga Block. Under the terms of the farm-out agreement, the farmee earned a 20 percent participating interest in the Moruga Block after providing Parex Trinidad with a \$2 million payment. The farmee, as contract operator will also earn an additional 31 percent participating interest in the block upon completion of: (i) paying 100 percent of Parex Trinidad's costs to work-over Snowcap-1 well and place it on production; (ii) paying 100 percent of Parex Trinidad's costs to drill, complete and test an exploration well within 9 months of the farm-out agreement's effective date; and (iii) paying 100 percent of Parex Trinidad's costs to drill, complete and test a second exploration well within 6 months of the rig release of the first exploration well. Under the terms of the farm-out agreement, if all the Moruga Block farm-out agreement's terms are fulfilled by the farmee, Parex Trinidad will transfer operatorship to the farmee and reduce its participating interest from 83.8 percent to 32.8 percent.

At December 31, 2014, all of the Company's activities in Trinidad were conducted through Parex Trinidad.

Competitive Conditions

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

Risks of Foreign Operations

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

Bankruptcy and Similar Procedures

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

Reorganizations

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 for the amalgamation of Subco with Parex Colombia. See *Corporate Structure – Intercorporate Relationships*.

Employees

The following table details the Company's employees as of December 31, 2014, 2013 and 2012:

	Number of Employees		
	2014	2013	2012
Calgary	41	39	30
Colombia	232	154	137
Trinidad	5	13	17
Total	278	206	184

As of February 19, 2015, the Company ceased to have any employees in Trinidad.

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 2015. The Company is exposed to potential environmental liability in connection with its business of oil and 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, the 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. 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 2014, 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, 2014, which have been filed on SEDAR and are considered not to be material.

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

Community Relations

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

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

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

PRINCIPAL PROPERTIES

As at December 31, 2014, the Company's principal land holdings and exploration blocks were as follows:

	<u>Working Interest</u>	<u>Gross Acres⁽¹⁾</u>	<u>Net Acres⁽²⁾</u>	<u>Parex 2014 Annual Production (bopd)</u>
Colombia Llanos Basin				
<i><u>Operated Properties</u></i>				
Block LLA-16	100%	157,610	157,610	1,935
Block LLA-20	100%	144,290	144,290	216
Block LLA-24	100%	147,100	147,100	-
Block LLA-26	100%	184,061	184,061	-
Block LLA-29	100%	69,915	69,915	-
Block LLA-30	100%	117,322	117,322	816
Block LLA-57	100%	104,532	104,532	-
Los Ocarros Block	50%	110,436	55,218	5,000
Block LLA-17	63%	108,726	68,497	71
El Eden Block	60%	109,249	65,549	257
Cabrestero Block	100%	29,562	29,562	1,492
Block LLA-40	50%	163,090	81,545	300
Cebucan Block	100%	109,150	109,150	-
Cerrero Block ^{(3) (4)}	65%	108,973	70,832	61
Capachos Block ⁽³⁾	50%	32,037	16,019	-
Block LLA-32	70%	100,325	70,228	3,041
Block LLA-10 ⁽³⁾	50%	189,544	94,772	-
<i><u>Non-Operated Properties</u></i>				
Block LLA-34	55%	82,286	45,257	9,327
Balay	10%	4,500	450	10
Colombia Magdalena				
<i><u>Operated Properties</u></i>				
VMM-11 Block ⁽³⁾	100%	116,826	116,826	-
Morpho	100%	51,398	51,398	1
VIM-1 Block	100%	223,651	223,651	-
VMM-9 Block	100%	152,314	152,314	-
 Total		 <u>2,616,897</u>	 <u>2,176,098</u>	 <u>22,526</u>

Notes:

- (1) "Gross" means acres in which the Company has an interest.
- (2) "Net" means the Company's interest in the gross acres.
- (3) Lands are subject to farm-in agreement earning terms and/or regulatory approval. Capachos is also subject to the execution of the *convenio Contract* between Ecopetrol and ANH.
- (4) 40% net working interest of Parex excludes the Chacharo evaluation area within the Cerrero Block.

On an ongoing basis, exploration properties that are deemed non-commercial will be relinquished in due course. Accordingly, the gross versus net acres described above, for the blocks that are noted, may decrease over time as lands deemed non-commercial are released.

Colombia

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

Block LLA-16 (100% working interest)

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

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

The Java field was discovered in 2012 mid way between the Kona and Sulawesi fields. Currently two wells have been drilled into the structure and facilities have been installed. Production averaged 21 bbl/day in 2014 as the field was only on production for the month of December.

Block LLA-30 (100% working interest)

In early 2013, the Vivania Este-1, Adalia Norte-1 and Adalia-1 wells were drilled. Vivania Este-1 and Adalia Norte-1 were both tested and suspended. Adalia-1 was brought on-stream in March 2013 and average oil production for 2013 was 900 bbl/d of 38° API at a depth of approximately 5,300 feet. During the fourth quarter of 2013, Adalia-2 and Adalia-3 were drilled. Adalia-3 was completed for production in early 2014 and Adalia-2 was tested in 2014 indicating low rate light oil in a poorer quality reservoir. Average production from the Adalia field in 2014 was 816 bopd.

Los Occaros Block (50% working interest)

In 2011, PACLS farmed into the Los Ocarros Block and drilled the Las Maracas-2 side track to earn a 50% interest in the Los Ocarros Block. During 2012, Parex and its partner drilled seven wells at Las Maracas targeting extension of the Mirador reservoir, which also discovered oil in the Gacheta and Une reservoirs. In 2013, an additional seven wells were drilled to exploit the Mirador, Gacheta and Une reservoirs resulting in six producing wells and one disposal well. In 2014, one additional producing well and one disposal well were drilled in the field. Average net oil production for 2014 was 5,000 bbl/d net (10,000 bbl/d gross). On May 27, 2014, Las Maracas field was declared commercial. The Las Maracas field's cumulative oil production exceeded 5 million bbls in January 2014 and, as a result, the High Price Participation Royalty threshold was reached. See *Industry Conditions, Colombia, High Price Participation*.

Cabrestero Block (100% working interest)

In 2012, PACLS farmed into the Cabrestero Block and drilled the Kitaro-1 well to earn a 50% interest in the block. The well was cased and initially tested in the Une formation. In August of 2012, the Kitaro-1 well was recompleted in the Mirador formation as the temporary facility did not have capacity to handle increasing water production from the Une formation. The Kitaro-2 well was drilled as a follow-up well and was produced over a two week period

from the Guadalupe formation at an average rate of 200 bbl/d net (400 bbl/d gross) until water breakthrough, at which point the well was recompleted in the Mirador formation. In 2012, the Akira prospect was drilled from the Kitaro location to test the Guadalupe formation at a depth of 9,500 feet. The Akira-1 well was placed on production from the Guadalupe formation and produced at rates of 300-400 bbl/d.

On May 31, 2013, Parex Colombia completed the purchase of its partner's 50 percent 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 ("**OTP**") expansion which was commissioned in second quarter of 2014. Delineation of the Akira field continued in 2014 with the drilling of Akira 7, 8, 9, 9st, 10 and 11.

Average net oil production from the Cabrestero Block in 2014 was 1,492 bbl/d net (1,492 bbl/d gross) as the Akira field remained choked back for much of 2014 in a production management strategy. As Kitaro/Akira fields are 100% owned, this field is used by Parex Colombia to maintain steady production and is used as a "swing field" to maintain corporate production targets. The Kitaro field crude density is 20° API, while the Akira field crude density is 15° API.

Block LLA-34 (55% working interest)

Parex obtained its 55 percent interest in block LLA-34 ("**Block LLA-34**") through the purchase of the class A shares of Ramshorn by Parex Bermuda in April 2012 and the purchase of the Verano Shares pursuant to the Verano Arrangement in June 2014. This block is adjacent to Block LLA-32 (see below). During 2012, Parex and its partners drilled the Tua prospect and made a discovery in the Guadalupe and Mirador reservoirs. Two additional follow up wells were successfully drilled and placed on production at Tua, and a water disposal well was drilled at Max field. In 2013, an additional three delineation wells were drilled at Tua, which were all placed on production. Parex and its partners also discovered the Tigana and Tarotaro reservoirs in 2013, drilling a total of four wells in Tarotaro and two wells in Tigana. Both fields are productive in the Guadalupe and Mirador reservoirs and produce oil of 15° to 20° API. In 2014, Parex and partners decided that further drilling at Tarotaro and Max were to be postponed allowing for focus on the development of Tigana and Tua. In 2014, Parex and its partners delineated the Tigana field by drilling an additional 6 wells, 5 of which are producers and 1 that is to be completed as an injector. An additional 5 wells were drilled at Tua, delineating the pool further and providing 4 oil producers with 1 well (Tua 10) remaining to be tested.

Average net oil production from Block LLA-34 in 2014 was 9,327 bbl/d net (18,381 bbl/d gross).

The Company and its partners will focus on optimization of facilities in LLA 34 during 2015 and will drill up to 4 additional wells depending on commodity pricing.

Block LLA-32 (70% working interest)

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

Average net oil production from Block LLA-32 in 2014 was 3,039 bbl/d net (4,875 bbl/d gross).

In 2015 the Company will focus on the commissioning of a gas facility on Block LLA-32 to produce the high rate gas and condensates in the Une to allow recovery of hydrocarbon liquids and shipment of processed gas south to Block LLA-34 and the Cabretero Block for the use in power generation.

Block LLA-40 (50% working interest)

Parex obtained its 50% interesting in Block LLA-40 through the purchase of the class A shares of Ramshorn by Parex Bermuda in April 2012. The block had a four well commitment and in 2014 Parex and its partners drilled the 4 commitment wells resulting in two light oil discoveries at Celtis and Begonia, and two disposal wells at Berbena and Ardisia. The Celtis and Begonia fields commenced production in March and April 2014 and 2014 average net oil production from Block LLA-40 was 300 bbl/d gross (600 bbl/d gross). In 2015 the Company will evaluate the oil production rates from Celtis and Begonia prior to investing any further capital.

Summary of Block Commitments as of March 19, 2015

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

Blocks	Exploration Phase	Current Phase Expiry Date	Outstanding Gross Financial Commitment	Outstanding Net Financial Commitment	Current Commitment
LLA-10 ⁽⁴⁾	Phase 1 (Current)	Pending Extension	\$2,400,000	\$1,200,000	Seismic (done) + 1 exploratory well
LLA-16	Phase 2 (Current)	7/1/2015	-	-	2 exploratory wells (done)
LLA-17 ⁽¹⁾	Phase 2 (Current)	9/12/2015	\$4,600,000	\$2,898,000	2 exploratory wells (done)
LLA-20 ⁽³⁾	Phase 2 (Current)	7/28/2015	\$2,500,000	\$2,500,000	2 exploratory wells (1 pending)
LLA-24	Phase 2 (Current)	6/23/2016	\$3,100,000	\$3,100,000	Seismic + 2 exploratory wells (pending)
LLA-26 ⁽³⁾	Phase 1 (Current)	4/19/2015	\$15,000,000	\$15,000,000	Seismic (done) + 3 exploratory wells (2 pending)
LLA-29 ⁽³⁾	Phase 1 (Suspended)	Pending Extension	\$16,750,000	\$16,750,000	Seismic (done) + 5 exploratory wells (4 wells pending)
LLA-30	Phase 2 (Current)	4/19/2016	\$5,000,000	\$5,000,000	2 exploratory wells
LLA-32	Phase 2 (Current)	8/20/2015	-	-	2 exploratory wells (done)
LLA-34	Phase 2 (Current)	9/10/2015	-	-	2 exploratory wells (done)
LLA-40	Phase 2 (Current)	3/22/2017	\$3,000,000	\$1,500,000	1 exploratory well
LLA-57	Phase 2 (Current)	3/22/2017	\$3,000,000	\$3,000,000	1 exploratory well

Blocks	Exploration Phase	Current Phase Expiry Date	Outstanding Gross Financial Commitment	Outstanding Net Financial Commitment	Current Commitment
VIM-1	Phase 1 (Current)	Pending Extension	\$23,190,800	\$23,190,800	Seismic + 1 exploratory well
VMM-9	Phase 0 (Current)		-	-	
	Phase 1	Pending Extension	\$89,090,800	\$89,090,800	Seismic + 5 exploratory wells
VMM-11 ⁽⁴⁾	Phase 1 & 2 (Current)	9/15/2017	\$6,000,000	\$6,000,000	Seismic (done) + 1 exploratory well (pending)
El Eden ⁽²⁾	Phase 1 PEP (Current)	11/21/2015	-	-	1 exploratory well (done)
Los Ocarros ⁽²⁾	Phase 1 PEP (Current)	11/13/2015	-	-	1 exploratory well (done)
Cabrestero	Phase 5 (Expired)	Under discussion	\$4,000,000	\$4,000,000	1 exploratory well
Cerrero ⁽²⁾⁽⁴⁾	Phase 1 PEP (Current)	9/5/2016	\$4,000,000	\$2,600,000	1 exploratory well
Cebucan	Phase 5 (Current)	4/5/2015	\$4,000,000	\$4,000,000	1 exploratory well
Jagueyes	Phase 3(suspended)		\$,900,000	\$855,000	Activity pending
TOTAL			\$186,531,600	180,684,600	

Note:

- (1) Although it has completed its work program commitments, Block LLA-17 has a financial commitment outstanding.
- (2) Posterior Exploratory Program.
- (3) Contract includes an aggregate value for the total commitments per phase. Therefore an individual allocation per activity has been done on a pro rata basis.
- (4) Lands are subject to farm-in agreement earning terms and/or regulatory approval.

Trinidad & Tobago

As at December 31, 2014, Parex Trinidad had an interest in the Moruga Block and had the right to explore for hydrocarbons in the Southern Basin of onshore Trinidad. In 2014, Parex Trinidad had no oil and natural gas production or oil and natural gas reserves. See *Description of the Business and Operations – Parex Resources (Trinidad) Ltd.*

As of February 19, 2015, Parex Barbados, the sole shareholder of Parex Trinidad, completed a transaction with West Indian Energy Group Limited pursuant to which West Indian Energy Group Limited purchased all of the shares of Parex Trinidad. Upon the completion of such transaction, Parex Trinidad ceased to be a Subsidiary of Parex.

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, 2014. The effective date of the Reserves Data is December 31, 2014 and the preparation date of the Reserves Data is February 13, 2015. 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 13, 2015 with an effective date of December 31, 2014. The Reserves Data summarize the oil reserves of the Company and the net present values of future net revenue for such reserves using forecast prices and costs as at December 31, 2014. All of the Company's oil production and oil reserves are located in the Llanos Basin of Colombia. Currently, Parex Trinidad has no oil production or booked oil reserves. The Company does not have any heavy oil, coalbed methane, synthetic oil, bitumen, hydrates, shale gas, shale oil or NGL production or reserves and had an immaterial amount of natural gas reserves and did not have any natural gas production in the year ended December 31, 2014.

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

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

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

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

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

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

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

SUMMARY OF OIL AND GAS RESERVES
as at December 31, 2014
FORECAST PRICES AND COSTS

Reserve Category	Light and Medium Oil		Total Oil Equivalent⁽²⁾	
	Gross⁽¹⁾ (Mbbbl)	Net⁽¹⁾ (Mbbbl)	Gross (Mboe)	Net (Mboe)
PROVED				
Developed Producing	20,232	17,052	20,342	17,155
Developed Non-Producing	2,362	1,813	2,394	1,842
Undeveloped	16,992	13,233	17,688	13,893
TOTAL PROVED	39,586	32,098	40,424	32,890
PROBABLE	26,943	20,862	28,001	21,864
TOTAL PROVED PLUS PROBABLE	66,529	52,959	68,425	54,754
POSSIBLE	34,841	25,977	35,556	26,654
TOTAL PROVED PLUS PROBABLE PLUS POSSIBLE	101,370	78,936	103,981	81,407

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) Total oil equivalent includes an immaterial amount of natural gas reserves for each reserves category.

**SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE
as at December 31, 2014
FORECAST PRICES AND COSTS**

Reserves Category	Before Income Tax Discounted at (%/year)					After Income Taxes Discounted at (%/year)					Unit Value Before Income Tax Discounted at 10%/ year ⁽¹⁾ (\$/boe)
	0	5	10	15	20	0	5	10	15	20	
	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	
PROVED	622,236	576,408	537,861	505,011	476,693	538,675	498,786	465,331	436,893	412,430	31.35
Developed Producing											
Developed Non- Producing	52,450	44,081	37,611	32,531	28,487	38,576	32,478	27,758	24,048	21,090	20.42
Undeveloped	501,396	397,940	321,159	263,004	218,153	325,882	251,941	197,774	157,291	126,487	23.12
TOTAL PROVED	1,176,082	1,018,429	896,630	800,547	723,333	903,132	783,205	690,864	618,232	560,008	27.26
PROBABLE	1,100,366	847,135	674,628	552,421	462,852	689,133	520,110	407,000	328,260	271,514	30.86
TOTAL PROVED PLUS PROBABLE	2,276,448	1,865,564	1,571,258	1,352,968	1,186,186	1,592,265	1,303,315	1,097,863	946,491	831,522	28.70
POSSIBLE	1,460,896	1,026,348	763,366	593,808	478,517	931,113	639,303	465,693	355,737	282,297	28.64
TOTAL PROVED PLUS PROBABLE PLUS POSSIBLE	3,737,344	2,891,912	2,334,624	1,946,776	1,664,702	2,523,378	1,942,618	1,563,556	1,302,229	1,113,819	28.68

Notes:

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

**TOTAL FUTURE NET REVENUE (UNDISCOUNTED)
as at December 31, 2014
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)	Future Net Revenue Before Future Income Taxes (\$000's)	Future Income Taxes (\$000's)	Future Net Revenue After Future Income Taxes (\$000's)
Proved Reserves	2,471,912	479,707	541,243	251,530	23,350	1,176,082	272,950	903,132
Proved Plus Probable Reserves	4,466,363	928,466	872,809	360,865	27,775	2,276,448	684,183	1,592,265
Proved Plus Probable Plus Possible Reserves	7,188,584	1,622,022	1,314,533	480,780	33,906	3,737,344	1,213,966	2,523,378

**FUTURE NET REVENUE
BY PRODUCTION GROUP
as at December 31, 2014
FORECAST PRICES AND COSTS**

RESERVES CATEGORY	PRODUCTION GROUP⁽²⁾	FUTURE NET REVENUE BEFORE INCOME TAXES (discounted at 10%/year) (\$000's)	UNIT VALUE (\$/boe)
Proved Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	896,630	27.26
Proved Plus Probable	Light and Medium Crude Oil (including solution gas and other by-products)	1,571,258	28.70
Proved Plus Probable Plus Possible	Light and Medium Crude Oil (including solution gas and other by-products)	2,334,624	28.68

Note:

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

Pricing Assumptions

The following tables set forth the benchmark reference prices, as at December 31, 2014, 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, 2014
FORECAST PRICES AND COSTS**

Year	WTI Cushing Oklahoma (\$US/bbl)	ICE Brent	Medium Crude Oil 29° API (\$Cdn/bbl)	Hardisty Heavy 12° API (\$Cdn/bbl)	Inflation Rates⁽²⁾ (%/Year)	Exchange Rate⁽³⁾ (\$US/\$Cdn)
2014	93.06	99.89	89.86	74.23	2.0	0.905
Forecast ⁽⁴⁾						
2015	62.50	67.50	61.47	48.89	2.0	0.875
2016	75.00	82.50	76.00	60.68	2.0	0.875
2017	80.00	87.50	81.43	65.09	2.0	0.875
2018	85.00	90.00	86.86	69.49	2.0	0.875
2019	90.00	95.00	92.29	73.90	2.0	0.875
2020	95.00	100.00	97.71	78.30	2.0	0.875
2021	98.54	101.35	100.87	80.87	2.0	0.875
2022	100.51	103.38	102.89	82.51	2.0	0.875
2023	102.52	105.45	104.95	84.17	2.0	0.875
2024	104.57	107.56	107.04	85.87	2.0	0.875
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.

Average historical prices for the year ended December 31, 2014, were \$US99.89/bbl for crude oil at ICE Brent.

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, 2014 against such reserves as at December 31, 2013 based on forecast prices and cost assumptions. All of the Company's evaluated reserves are located in Colombia.

FACTORS	Light And Medium Oil ⁽¹⁾		
	Proved (Mbbl)	Probable (Mbbl)	Proved Plus Probable (Mbbl)
December 31, 2013	17,155	14,270	31,425
Extensions	14,044	6,993	21,037
Improved Recovery	-	-	-
Infill Drilling	-	-	-
Technical Revisions	8,267	(114)	8,153
Discoveries	3,196	2,042	5,238
Acquisitions	5,146	3,753	8,898
Dispositions	-	-	-
Economic Factors	-	-	-
Production	(8,222)	-	(8,222)
December 31, 2014	39,586	26,944	66,529

Note:

- (1) The Company has not presented a reserves reconciliation for total oil equivalent reserves. Such reconciliation would include an immaterial amount of natural gas reserves (5,026 MMcf (838 MBOE)) in the proved category and 11,375 MMcf (1,895 MBOE) in the proved plus probable category.

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.

In general, the Company plans to develop all of the proved undeveloped reserves over the next two years. In some cases, it will take longer than two years to develop these reserves. There are a number of factors that could result in delayed or cancelled development, including the following: (i) changing economic conditions (due to commodity pricing, operating and capital expenditure fluctuations); (ii) changing technical conditions (including production anomalies, such as water breakthrough or accelerated depletion); (iii) multi-zone developments (for instance, a prospective formation completion may be delayed until the initial completion formation is no longer economic); (iv) a larger development program may need to be spread out over several years to optimize capital allocation and facility utilization; and (v) surface access issues (including those relating to land owners, weather conditions and regulatory approvals). For more information, see *Risk Factors* herein.

Proved and Probable Undeveloped Reserves

The following tables set forth the proved undeveloped reserves and the probable undeveloped reserves, each by product type, attributed to Parex' assets for the years ended December 31, 2014, 2013 and 2012 and, in the aggregate, before that time 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 and Medium Oil (Mbbbl) ⁽¹⁾	
	First Attributed	Cumulative at Year End
Prior thereto	2,300	1,667
2012	2,981	4,096
2013	5,032	8,363
2014	9,661	16,992

Note:

- (1) The GLJ Report also attributes to Parex' assets for the year ended December 31, 2014, an immaterial amount of proved undeveloped natural gas reserves of 4,174 MMcf (cumulative at year-end). For the year ending December 31, 2013, GLJ had allocated 596 MMcf of proved undeveloped natural gas reserves (cumulative at year end). No proved undeveloped natural gas reserves were attributed for the years ended December 31, 2012 and 2011 or prior thereto.

The GLJ Report disclosed Company gross proved undeveloped reserves of 16,992 Mbbbl before royalties. These are reserves which can be estimated with a high degree of certainty to be recoverable, provided a significant expenditure is made to render them capable of production. The Company has in place discretionary capital expenditure plans for 2015 and 2016 to drill the necessary locations and construct the necessary facilities to permit proved undeveloped reserves to be reclassified as proved developed reserves. Should such capital expenditures be made, it is expected that these undeveloped reserves would be reclassified as proved developed reserves. Such expenditures are reflected in the future development costs disclosed herein. Undeveloped reserves are expected to be developed within the next two years. See *Principal Properties* in this Annual Information Form.

Probable Undeveloped Reserves

Year	Light and Medium Oil (Mbbbl) ⁽¹⁾	
	First Attributed	Cumulative at Year End
Prior thereto	6,208	3,959
2012	2,218	2,490
2013	7,586	10,795
2014	9,839	19,424

Note:

- (1) The GLJ Report also attributes to Parex' assets for the year ended December 31, 2014, an immaterial amount of probable undeveloped natural gas reserves of 5,545 MMcf (cumulative at year-end). For the year ending December 31, 2013, GLJ had allocated 981 MMcf of probable undeveloped natural gas reserves (cumulative at year end). No probable undeveloped natural gas reserves were attributed for the years ended December 31, 2012 and 2011 or prior thereto.

The GLJ Report disclosed Company gross probable undeveloped reserves of 19,424 Mbbbl before royalties. Probable reserves are less certain to be recovered than proved reserves. The Company has in place discretionary capital expenditure plans for 2015 and 2016 to drill the necessary locations and construct the necessary facilities to permit probable undeveloped reserves to be reclassified as proved. Should such capital expenditures be made, it is expected that these undeveloped reserves would be reclassified as proved. This reclassification will also depend in large part upon the performance of new and existing wells.

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

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

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

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

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
2015	31,469	39,169
2016	101,643	118,754
2017	66,260	86,054
2018	31,239	50,208
2019	9,520	31,120
Total for all years undiscounted	251,530	360,865
Total for all years discounted at 10% per year	205,375	283,812

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

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

Other Oil and Natural Gas Information

Unless otherwise stated, the following information is presented as at December 31, 2014. 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, 2014. The Company did not have a working interest in any natural gas wells.

	Oil Wells				Other Wells ⁽³⁾	
	Producing		Non-Producing		Gross ⁽¹⁾	Net ⁽²⁾
	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾		
Colombia	50	33.3	33	26.93	38	28.28
Trinidad	-	-	-	-	-	-

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, 20 (17.35 net) oil wells were capable of production and had reserves assigned to them and 0 (0 net) oil wells were capable of production that had no reserves assigned to them. None of the non-producing oil wells have been placed on production as of date of this Annual Information Form.

Properties with No Attributed Reserves

The following table sets out Parex and its Subsidiaries' developed and undeveloped land holdings as at December 31, 2014.

	Developed Acres		Undeveloped Acres		Total Acres	
	Gross	Net	Gross	Net	Gross	Net
Colombia	8,409	5,479	2,749,217	2,242,974	2,757,626	2,248,453
Trinidad	-	-	7,443	2,441	7,443	2,441

All of Parex and its Subsidiaries' unproved properties are located in Trinidad & Tobago and Colombia. See *Principal Properties*. The following calculation represents Parex' estimate on land expiration during 2015 and is based on the following assumptions:

- (i) On Blocks that are at the end of the Exploration Period, Parex has assumed that will enter Posterior Exploration Period ("PEP") Phase 1. Therefore, 50% of the exploration acreage (less Evaluation and Exploitation Areas) will be relinquished;
- (ii) On Blocks that are on the first phase of the PEP, Parex has assumed that will enter Phase 2 of the PEP. Therefore, 50% of the PEP exploration acreage (less Evaluation and Exploitation Areas) will be relinquished.

Within the next year, 564,853 gross (459,795 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 23, "*Financial Instruments and Financial Risk Management*" and Note 25, "*Commitments*", to the consolidated financial statements of the Company for the year ended December 31, 2014, which information is incorporated herein by reference and can be found on the Company's website at www.parexresources.com and on SEDAR at www.sedar.com. The nature of crude oil operations exposes the Company to risks associated with fluctuations in commodity prices and foreign currency exchange rates. Periodically, the Company may manage these risks through the use of derivative instruments. The Board of Directors of the Company periodically reviews the results of all risk management activities on all outstanding positions.

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

Term	Commodity	Counterparty	bbl/d	Price /bbl	Option Type
March 1 – March 31, 2015	Crude Oil	Scotiabank	5,000	\$55.00 - \$66.60	Collar
March 1 – March 31, 2015	Crude Oil	Scotiabank	3,000	\$55.00 - \$68.00	Collar
April 1 – April 30, 2015	Crude Oil	Scotiabank	5,000	\$55.00 - \$68.25	Collar
April 1 – April 30, 2015	Crude Oil	Scotiabank	3,000	\$55.00 - \$69.75	Collar
April 1 – April 30, 2015	Crude Oil	Scotiabank	2,000	\$55.00 - \$67.00	Collar
May 1 – May 31, 2015	Crude Oil	Scotiabank	5,000	\$55.00 - \$68.75	Collar

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

Term	Reference	Counterparty	Type	Amount USD	Price (COP)
September 5, 2014 to April 30, 2015	Colombian Peso	Scotiabank	Put	\$15 million	1,850
September 5, 2014 to April 30, 2015	Colombian Peso	Scotiabank	Call	\$15 million	2,100

	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⁾
Stratigraphic Test	0	0	0	0	0	0	0	0	0	0
Dry	5	4.5	0	0	1	0.55	0	0	6	5.05
Total	14	10.45	0	0	19	13.1	5	3.2	38	26.75

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, 2014, 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 \$37.0 million. These obligations will be settled over the useful lives of the underlying assets, which currently extend up to 20 years. The 5 percent discounted present value of this amount is approximately \$24.2 million. The Company does not expect to incur the majority of these expenditures over the next three financial years.

Environmental Liabilities

Liabilities for environmental costs are recognized in the period in which they are incurred, normally when the asset is developed and the associated costs can be estimated. These liabilities are in addition to the decommissioning liabilities due to government regulations that require the Company to perform additional mitigation against the environmental issues attributed to water usage and deforestation from oil and gas activities performed. In addition, the timing of expected settlement of the environmental liabilities differs from the timing of expected settlement of the decommissioning liabilities. Environmental expenditures that relate to current or future revenues are expensed or capitalized as appropriate. In the Company's audited and consolidated financial statements as at December 31, 2014, the estimated total inflated, undiscounted amount required to settle the environmental obligations was approximately \$14.0 million. These obligations are expected to be settled over the next 5 years. The 7 percent discounted present value of this amount is approximately \$10.3 million. The Company expects to incur approximately \$8.4 million of these expenditures over the next three financial years.

Production Estimates

The following table sets out the volumes of gross and net production estimated in the GLJ Report for the year ended December 31, 2015, which is reflected in the estimate of future net revenue disclosed in the forecast price tables contained under *Statement of Reserves Data and Other Oil and Gas Information – GLJ Report*. The total production estimates disclosed in the following table include an immaterial amount of production related to natural gas reserves. The GLJ Report does not estimate any volumes of gross or net production related to heavy oil or NGLs.

	Light and Medium Oil		Total	
	(bbls/d)		(boe/d)	
	Gross	Net	Gross	Net
Proved Producing	25,954	22,502	26,121	22,658
Developed Non-Producing	918	772	929	782
Undeveloped	762	701	968	896
Total Proved	27,634	23,975	28,017	24,336
Total Probable	2,166	1,867	2,219	1,917
Total Proved Plus Probable	29,800	25,842	30,236	26,253
Total Possible	1,925	1,751	1,993	1,816
Total Proved Plus Probable Plus Possible	31,724	27,593	32,229	28,068

Note:

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

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

Tigana, Colombia

	Light and Medium Oil		Total	
	(bbls/d)		(boe/d)	
	Gross	Net	Gross	Net
Proved Producing	7,407	6,216	7,407	6,216
Developed Non-Producing	-	-	-	-
Undeveloped	-	-	-	-
Total Proved	7,407	6,216	7,407	6,216
Total Probable	397	311	397	311
Total Proved Plus Probable	7,804	6,528	7,804	6,528
Total Possible	68	54	68	54
Total Proved Plus Probable Plus Possible	7,871	6,582	7,871	6,582

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 2014				Year Ended 2014
	Dec. 31	Sept. 30	June 30	Mar. 31	December
Average Daily Production ⁽¹⁾					
Light and Medium Oil (Bbl/d)	26,544	25,175	19,876	18,425	22,526
Average Price Received (net of quality adjustment)					
Light and Medium Oil (\$/Bbl)	60.08	94.40	104.53	103.42	87.60
Royalties Paid					
Light and Medium Oil (\$/Bbl)	6.64	10.89	15.06	14.48	11.23
Operating and Transportation Expenses (\$/BOE)					
Light and Medium Oil (\$/Bbl)	28.23	30.12	27.82	27.74	28.56
Netback Received (\$/BOE) ⁽²⁾					
Light and Medium Oil (\$/Bbl)	25.21	53.39	61.65	61.20	47.81

Notes:

- (1) Before deduction of royalties.
- (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) Parex Trinidad did not have any prior oil and natural gas production or oil and natural gas reserves in the year ended December 31, 2014.

The following table indicates the Company's average daily production from its important fields for the year ended December 31, 2014:

	Light and Medium Oil (Bbls/d)	BOE (BOE/d)
Las Maracas	5,000	5,000
Tigana	3,962	3,962
Tua	3,091	3,091
Kananaskis	1,980	1,980
Kona	1,770	1,770
Akira	1,361	1,361
Adalia	816	816
Total	17,980	17,980

Parex Trinidad did not have any oil and natural gas production or oil and natural gas reserves in the year ended December 31, 2014.

DIVIDEND POLICY

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

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Company consists of an unlimited number of Common Shares without nominal or par value. As at March 18, 2015, there were 134,759,403 Common Shares issued and outstanding. The following is a description of the rights, privileges, restrictions and conditions attaching to the Common Shares.

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

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

BANK DEBT

On May 23, 2012, Parex entered into a \$200 million senior secured credit facility with a syndicate of banks led by a major Canadian bank with a borrowing base of \$50 million. The credit facility borrowing base was increased in each of 2013 and 2014, and as at March 10, 2015 the facility consists of a reserve-based revolving facility with a borrowing base of \$200 million including an operating line of \$20 million. The revolving facility has a two year term, and may be extended by Parex for an additional 365 days after attaining syndicate approval. The facility is subject to re-determination of the borrowing base semi-annually on November 30 and May 31 of each year. The borrowing base is determined based on, among other things, the Company's reserve report, results of operations, the lenders' view of the current and forecasted commodity prices and the current economic environment. In the event that the syndicate reduces the borrowing base below the amount drawn at the time of redetermination, the Company has 180 days to eliminate any shortfall by providing additional security or guarantees satisfactory to the lenders or repaying amounts in excess of the new re-determined borrowing base. Advances under the revolving facility bear interest at rates ranging from US base rate or LIBOR plus 2.50% - 3.50% per annum, depending on utilization. Advances on the operating line bear interest at rates ranging from Canadian prime plus 1.50% - 2.50% per annum, dependent on utilization. Undrawn amounts under the revolving facility bear a commitment fee ranging from 0.5% to 0.7% per annum, dependent on utilization. Repayments of principal are not required provided that the borrowings

under the facility do not exceed the authorized borrowing amount and the Company is in compliance with all covenants, representations and warranties. Key covenants include a rolling four quarter total funded debt to EBITDA test of 3.50:1, and other business operating covenants customary for a facility of this type. The authorized borrowing amount is subject to an interim review as discussed above. Security is provided for by a first fixed and floating charge debenture over all assets of Parex, a pledge of the shares of material subsidiaries and general assignment of book debts.

MARKET FOR SECURITIES

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

	Price Range		Volume
	High (Cdn\$/share)	Low (Cdn\$/share)	
2015			
January	7.65	5.97	19,413,382
February	9.24	7.00	21,608,988
March (1 to 18)	8.24	7.19	10,449,740
2014			
January	7.46	6.57	7,936,286
February	8.70	7.15	12,014,507
March	9.50	8.55	14,321,475
April	11.19	9.33	11,579,383
May	12.36	10.43	16,718,062
June	13.25	11.74	22,587,263
July	15.49	12.25	28,840,417
August	15.17	13.35	13,118,262
September	14.27	11.98	19,930,300
October	12.88	9.52	25,010,559
November	10.51	7.77	18,002,667
December	8.15	6.07	28,817,379

During 2014, the Debentures were listed and posted for trading on the TSX under the symbol "PXT.DB". The following sets forth the price range and volume of the Debentures traded or quoted on the TSX (as reported by such exchange) for the periods indicated, in Canadian dollars. The Debentures were redeemed in full on September 25, 2014 and were delisted from trading on the TSX on September 25, 2014.

	Price Range		Volume
	High (Cdn\$/Debenture)	Low (Cdn\$/Debenture)	
2014			
January	104.51	101.00	923,000
February	108.50	103.00	2,095,000
March	113.97	108.00	2,555,000
April	121.99	113.50	5,721,000
May	147.11	119.00	7,504,000
June	130.55	123.80	8,722,000
July	153.00	124.60	7,133,000
August	144.84	134.72	6,143,000
September (1 to 25)	140.00	118.36	4,161,000

PRIOR SALES

During the year ended December 31, 2014, the Company granted: (i) an aggregate of 1,889,375 stock options to acquire an aggregate of 1,889,375 Common Shares with a weighted average exercise price of Cdn\$10.16; and (ii) an aggregate of 789,050 restricted share units to acquire an aggregate of 789,050 Common Shares.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

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

DIRECTORS AND OFFICERS

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

Name, Province and Country of Residence	Offices Held and Time as Director or Officer ⁽⁴⁾	Principal Occupation (for last 5 years)
Norman McIntyre ⁽³⁾⁽⁴⁾ California, USA	Director and Chairman since September 29, 2009	Independent Businessman since 2004. President of Petro-Canada from 2002 to 2004. Executive Vice President of Petro-Canada from 1995 to 2002. Member of the Institute of Corporate Directors having completed the Directors Education Program.
Curtis Bartlett ⁽¹⁾⁽⁴⁾ Alberta, Canada	Director since September 29, 2009	Co-founder and Partner at Lorem Partners, a private equity investment firm. Over 25 years of experience as an entrepreneur and private equity investor. Director of several private companies.
John Bechtold ⁽²⁾⁽³⁾⁽⁴⁾ Quebec, Canada	Director since September 29, 2009	Currently a Director of Parkland Fuel Corporation, an independent marketer of fuels across Canada, Mr. Bechtold brings over 40 years of broad oil, gas and energy related experience. He served at Petro-Canada from 1977 until retirement in a number of leadership roles. Following retirement he has also served on the Board of Directors of the British Columbia Oil & Gas Commission which regulates oil and natural gas activity in that province.
Robert Engbloom, Q.C. ⁽²⁾⁽³⁾⁽⁴⁾ Alberta, Canada	Director since September 29, 2009	Senior Partner of Norton Rose Fulbright Canada LLP, a national law firm in Canada and a member of the global Norton Rose Fulbright Group. Mr. Engbloom has more than 30 years of experience in the areas of mergers and acquisitions, governance, corporate and securities law. His broad experience spans a range of businesses both public and private, operating nationally and internationally, primarily in the energy industry.
Wayne Foo ⁽⁴⁾ Alberta, Canada	President and Chief Executive Officer since September 29, 2009 and Director since August 28, 2009	Currently President and Chief Executive Officer of Parex. 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.
Barry Larson Alberta, Canada	Chief Operating Officer since September 29, 2009	Currently Chief Operating Officer of Parex. Director of Madalena Ventures. Vice President of Operations of Vermilion Oil and Gas (Trinidad) Ltd. from January 2003 to May 2004. Co-founder and Vice President of Aventura Energy Inc. from 1999 to 2003, a company that operated in Trinidad & Tobago and Argentina.
Ron Miller ⁽¹⁾⁽⁴⁾ Alberta, Canada	Director since September 29, 2009	Co-founder and Partner of Lorem Partners, a private equity investment firm. Director of several private companies and one non-profit. Member of the Institute of Corporate Directors having completed the Directors Education Program.

Name, Province and Country of Residence	Offices Held and Time as Director or Officer ⁽⁴⁾	Principal Occupation (for last 5 years)
W.A. (Alf) Peneycad ⁽²⁾⁽⁴⁾ Alberta, Canada	Director since September 29, 2009	Independent Businessman since 2006. Previously Vice President, General Counsel and Chief Compliance Officer for Petro-Canada from 2003 to 2006. Vice President, General Counsel and Corporate Secretary of Petro-Canada prior to 2003. Director for several other Canadian public companies including NiMin Energy Corp., Canadian Wireless Trust, and R Split III Corp. where he holds positions on the Audit and Finance, Corporate Governance and Human Resource Committees. Member of the Institute of Corporate Directors having completed the Directors Education Program.
Kenneth Pinsky Alberta, Canada	Chief Financial Officer and Corporate Secretary since September 29, 2009	Currently Chief Financial Officer and Corporate Secretary of Parex. Previously, Chief Financial Officer of Ultima Energy Trust, a TSX listed Royalty Trust from 2001 to June 2004, and the Chief Financial Officer and director of a Canadian based private exploration and production company from September 2004 to January 2008.
David Taylor Alberta, Canada	Executive Vice President, Exploration & Business Development since September 29, 2009	Currently Executive Vice President Exploration and Business Development of Parex. Prior thereto, Vice President, Exploration and International Operations with Husky Energy from August 2000 to July 2007 and Vice President, Exploration for Renaissance Energy from June 1998 to August 2000.
Paul Wright ⁽¹⁾⁽⁴⁾ Alberta, Canada	Director since September 29, 2009	Currently works as a financial consultant and sits on the Board of Directors of one non-profit organization. Mr. Wright is a Chartered Accountant with over 30 years of industry experience. He has worked in senior financial roles in both domestic and international oil and natural gas companies. Member of the Institute of Corporate Directors having completed the Directors Education Program.

Notes:

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

As at March 19, 2015, the directors and officers of Parex, as a group, beneficially owned or controlled or directed, directly or indirectly, 8,800,506 Common Shares or approximately 6.53 percent of the issued and outstanding Common Shares.

Cease Trade Orders

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

Bankruptcies

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

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

Penalties or Sanctions

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

CONFLICTS OF INTEREST

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

FINANCE AND AUDIT COMMITTEE INFORMATION

Finance and Audit Committee Mandate and Terms of Reference

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

Composition of the Finance and Audit Committee

The members of the Finance and Audit Committee are Paul Wright, Ron Miller, and Curtis Bartlett. 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 and sits on the Board of Directors of one non-profit organization. Mr. Wright is a Chartered Accountant with over 30 years of industry experience. He has worked in senior financial roles in both domestic and international oil and natural gas companies. Member of the Institute of Corporate Directors having completed the Directors Education Program.
Ron Miller Calgary, Alberta	Yes	Yes	Co-founder and Partner of Lorem Partners, a private equity investment firm. Director of several private companies and one non-profit organization. Until the completion of the Arrangement in November 2009, he acted as director and chair of the Audit Committee for PARI. Mr. Miller earned his Bachelor of Commerce degree from the University of Alberta in 1987, his Chartered Accountant designation while articling with KPMG in 1990, and his ICD.D designation in 2009.
Curtis Bartlett Calgary, Alberta	Yes	Yes	Co-founder and Partner at Lorem Partners, a private investment firm. Over 25 years of experience as an entrepreneur and private equity investor. Director of several private companies. Previously a director of PARI until the completion of the Arrangement in November 2009.

Pre Approval of Policies and Procedures

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

External Auditor Service Fees

Audit Fees

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

Nature of Services	Fees Paid to Auditor in the Year Ended December 31, 2014 (Cdn\$)	Fees Paid to Auditor in the Year Ended December 31, 2013 (Cdn\$)
Audit Fees ⁽¹⁾	508,035	415,457
Audit-Related Fees ⁽²⁾	-	-
Tax Fees ⁽³⁾	125,207	164,121
All Other Fees ⁽⁴⁾	284,417	96,869
Total	917,659	676,447

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 Accountants, Suite 3100, 111 – 5th Avenue S.W., Calgary, Alberta, T2P 5L3.

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

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of the Company and other than as disclosed below, as at December 31, 2014, there were no material legal proceedings to which the Company was a party or which any of its respective properties was the subject matter of, nor were there any such proceedings known to the Company to be contemplated as at such date.

Parex, Parex Bermuda and Ramshorn have been named as defendants in a lawsuit (the "**Lawsuit**") filed in the 61st Judicial District Court of Harris County, Texas (the "**Texas Court**") along with other parties, including Nabors Industries Ltd. and a Bermuda-domiciled company, Nabors Global Holdings II Limited, by a Texas based private company (the "**Plaintiff**"). The Lawsuit relates to a share purchase agreement entered into by the Plaintiff and Nabors Global Holdings II Limited (the "**Seller**") (prior to the agreement entered into by Parex Bermuda and the Seller for the purchase of Ramshorn's class A shares) respecting the proposed purchase by the Plaintiff of the class A shares of Ramshorn, which prior agreement the Plaintiff claims was improperly terminated by the Seller. The Plaintiff is seeking specific performance remedies or, in the alternative, actual, consequential and exemplary damages. Each of Parex, Parex Bermuda and Ramshorn specially appeared in the Lawsuit to challenge the jurisdiction of the Texas Court and to seek dismissal of the claims against them.

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

On January 28, 2014, the Texas Appeal Court reversed the decision of the Texas Court respecting Parex and dismissed all of the Plaintiffs' claims against Parex for lack of jurisdiction. The Texas Appeal Court also affirmed the decision of the Texas Court dismissing all of the Plaintiff's claims against Parex Bermuda for lack of jurisdiction. Lastly, the Texas Appeal Court affirmed the decision of the Texas Court respecting Ramshorn such that Ramshorn remains subject to the Lawsuit. The causes of action alleged against Ramshorn in the Lawsuit all relate to acts and conduct by Ramshorn that the Plaintiff alleges took place prior to Parex Bermuda's acquisition of Ramshorn. On February 12, 2014, the Plaintiff filed a combined motion requesting an initial reconsideration by the Texas Appeal Court of its decision regarding the dismissal of Parex and Parex Bermuda as ruled on January 28, 2014. The Plaintiff's motion was entirely rejected by the Texas Appeal Court on March 6, 2014. On April 18, 2014, the Plaintiff filed Petitions for Review in the Supreme Court of Texas (the "**Texas Supreme Court**"), asking the Texas Supreme Court to grant discretionary review of the Texas Appeal Court's decision with regard to Parex and Parex Bermuda. In response, on May 16, 2014, Ramshorn filed a Conditional Cross-Petition for Review, asking the Texas Supreme Court to grant review of the Texas Appeal Court's decision as to Ramshorn if it decided to grant the

Plaintiff's Petitions For Review. In October 2014, the Texas Supreme Court requested briefs on the merits by all parties. Since that time the parties have filed their opening briefs, responses and replies as to each party to the appeal. The final briefs were filed in late February 2015.

On March 7, 2014 the Plaintiff filed a Statement of Claim at the Court of Queen's Bench of Alberta (the "**Alberta Statement of Claim**") naming Parex, Parex Bermuda and RBC Dominion Securities, Inc. as defendants and setting forth causes of action and remedies substantially the same as have been alleged in the Lawsuit. To date, the Alberta Statement of Claim filed by the Plaintiff has not been served on either Parex or Parex Bermuda, and accordingly no action by either company in respect of the Alberta Statement of Claim is currently required. On February 24, 2015, the Plaintiff obtained an order from the Court of Queen's Bench of Alberta extending the time for service of the Alberta Statement of Claim to June 6, 2015 and allowing the Plaintiff to serve the Alberta Statement of Claim outside of Canada upon Parex Bermuda.

During the year ended December 31, 2014, 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 percent of the outstanding voting securities of the Company, or any other Informed Person (as defined in NI 51-102) or any known associate or affiliate of such persons, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or would materially affect the Company or any of its subsidiaries.

MATERIAL CONTRACTS

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

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

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under NI 51-102 by Parex other than GLJ, Parex' independent reserves evaluators, and PricewaterhouseCoopers LLP, Chartered 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 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

According to the Economic Intelligence Unit Country Forecast (March 2015), GDP growth in Colombia was 4.2 percent in 2014 and expected to be 3.9 percent in 2015. Colombian inflation is expected to average between 2-4 percent in 2015-2019, within the central bank's target range. The Colombian peso is expected to average COP 2,475:\$1 in 2015, compared with COP 2002:\$1 in 2014. The current credit default swap ("**CDS**") rate, which provides an indication of counter-party credit risk, is currently approximately 174 basis points for the Government of Colombia.

Royalties

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

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

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

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

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

High Price Participation

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

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

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

Crude oil production with a quality higher than 15° and lower than 22° API and a WTI oil price of \$65/bbl results in a production share equivalent to an incremental 9 percent royalty, bringing the total government royalty to approximately 18 percent for a production area with production less than 10,000 bbl/d, excluding potential X-Factor. Threshold prices are adjusted annually and high price share is calculated after base royalties and X-Factor if applicable.

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

X-Factor

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

Summary of Fiscal Terms by ANH Exploration Contract

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

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

Note:

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

Income Tax

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

On December 23rd, 2014, the Colombian government enacted new legislation containing tax rate changes effective January 1, 2015. The CREE tax that was previously introduced as a temporary measure was made permanent and an additional surtax was introduced for 2015 to 2018 fiscal periods. Accordingly, the CREE surtax rate during this period will be as follows: 2015: 5%; 2016: 6%; 2017: 8% and 2018: 9%. These increases will result in a consolidated income tax, CREE tax and CREE surtax rate of: 39% for 2015; 40% for 2016; 42% for 2017; and 43% for 2018. Under current legislation, the consolidated rate is set to revert to 34% in 2019 and onwards.

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

Regulatory Regime

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

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

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

If a discovery is made, the contractor has the option to request an appraisal period of up to two years, depending on the size and scope of the evaluation plan proposed. If, in the opinion of the ANH, there is sufficient reason, this period may also be extended. If the evaluation plan relates to a natural gas or heavy oil field, two additional years

may be granted because of the complex planning and marketing required. At the end of this phase, the contractor must declare commerciality or return the block.

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

Relinquishment of part or all the licence area depends on the phase in which operations are. Under normal circumstances the contractor must relinquish 50 percent 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 percent. Another 25 percent must be relinquished after the two-year evaluation phase expires. The operator and the ANH may also agree on the relinquishment of certain parts of a licence area during the initial six-year exploration period as part of the contract and on a block by block basis, depending on the scope of the exploration work program and the size of the area. The contractor also has the option to relinquish all or part of the area after each exploration phase.

Environmental Regulation

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

Planning

The Colombian Ministry of Environment, Housing and Territorial Development (the "MADVT") 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 MADVT awards an environmental licence. When a discovery is made, the environmental licence typically allows for a maximum one year of production testing, while the company prepares a new EIA and EMP for the development of a permanent oil and natural gas production field and development drilling.

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

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

Compliance

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

Market Conditions

Colombia has a well-developed oil infrastructure system, comprising over 6,000 kilometres of crude and product pipelines. The system is concentrated on transporting crude from the main producing basins (Llanos and the Magdalenas), via a central hub at Vasconia in the interior, to Colombia's main oil export terminal at Coveñas on the

Caribbean coast. Additionally, a key line runs separately 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. At present, Phase 1 of the Bicentenario Pipeline is expected to begin transporting 120,000 bbls/d of crude oil from the Llanos Basin (Araguaney) to Banadia. Future phases would increase the capacity to 330,000 bbls per day of crude oil and terminate the pipeline at the port of Coveñas.

Colombia currently operates five refineries, all of which are owned by Ecopetrol. Two of these, Barrancabermeja and Cartagena, are main fuels refineries, accounting for almost all of the country's refining capacity. The remaining three refineries are small and simple. Total crude processing capacity is approximately 330,000 bbls/d. Current expansion plans are to increase processing capacity to approximately 415,000 bbls/d by 2017 with increased capabilities to process heavy and sour crude oil blends.

RISK FACTORS

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

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

Colombia

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

Guerrilla Activity in Colombia

A 40-year armed conflict between government forces and anti-government insurgent groups and illegal paramilitary groups, both thought to be funded by the drug trade, continues in Colombia. Insurgents continue to attack civilians and violent guerrilla activity continues in many parts of the country. The Putumayo region has been prone to guerrilla activity in the past. Pipelines have also been targets, including the Trans-Andean export pipeline which transports oil from the Putumayo region. The Catatumbo basin borders Venezuela and has historically been an area of high security risk where there continues to be guerrilla activity. Parex Colombia subsidiaries does not currently have interests in either the Putumayo region or Catatumbo basin. At present, the Company has its primary operations in the Llanos basin which has not experienced any significant anti-government insurgency conflict since the Company began operations in Colombia in 2009.

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

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

United States Relations with Colombia

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

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

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

Canada relations with Colombia

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

General

Commodity Prices, Markets and Marketing

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

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

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

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

Social Disruptions and Instability

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

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

Reserve Estimates

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

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

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

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

Additional Financing

Depending on future exploration, development, acquisition and divestiture plans, Parex may require additional financing. The ability of Parex to arrange any such financing in the future will depend in part upon the prevailing capital market conditions, risk associated with the international operations, as well as the business performance of Parex. Periodic fluctuations in commodity prices may affect lending policies for potential future lenders. This in turn could limit growth prospects in the short run or may even require Parex to dedicate existing cash balances or cash flow, dispose of properties or raise new equity to continue operations under circumstances of declining energy prices, disappointing drilling results, or economic or political dislocation in foreign countries. There can be no assurance that Parex will be successful in its efforts to arrange additional financing on terms satisfactory to Parex. This may be further complicated by the limited market liquidity for shares of smaller companies, restricting access to some institutional investors. 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.

Conditions in the Oil and Natural Gas Industry

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

The impact on the oil and natural gas industry from commodity price volatility is significant. During periods of high prices, producers may generate sufficient cash flows to conduct active exploration programs without external capital. Increased commodity prices frequently translate into very busy periods for service suppliers triggering

premium costs for their services. The cost of purchasing land or properties and work commitments associated with new exploration blocks similarly can increase in price during these periods. During low commodity price periods, acquisition costs drop, as do internally generated funds to spend on exploration and development activities. With decreased demand, the prices charged by the various service suppliers may also decline.

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

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

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

Exploration, Development and Production Risks

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

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

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

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

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

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

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

Global Financial Markets

Market events and conditions, including disruptions in the international credit markets and other financial systems and the American and European sovereign debt levels have caused significant volatility in commodity prices. These events and conditions have caused a decrease in confidence in the broader U.S. and global credit and financial markets and have created a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively impacted company valuations and are likely to continue to impact the performance of the global economy going forward. Worldwide crude oil commodity prices are expected to remain volatile in the near future as a result of global excess supply, recent actions taken by OPEC and ongoing global credit and liquidity concerns. This volatility may affect the Company's ability to obtain equity or debt financing on acceptable terms.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

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

Environmental Regulation and Risks

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

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

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

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

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

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

Gathering and Processing Facilities and Pipeline Systems

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

All of the Company's production is delivered for shipment on facilities owned by third parties and over which the Company does not have control. From time to time, these facilities may discontinue or decrease operations, either as a result of normal servicing requirements or as a result of unexpected events. A discontinuation or decrease of operations could materially adversely affect the Company's ability to process its production and to deliver the same for sale.

Reliance on Third Party Operators

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

Natural Disasters and Weather-Related Risks

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

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

Labour Relations

Parex operates in countries that have large state sponsored or owned oil and gas companies that have traditionally employed unionized personnel. From time to time the unions attempt or threaten to disrupt field operations and

crude oil transportation activities of their employers which may directly or indirectly effect the operations of Parex and for which Parex has no control over.

Foreign Subsidiaries

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

Risks of Foreign Operations

Parex' operations may be adversely affected by changes in foreign government policies and legislation or social instability and other factors which are not within the control of Parex, including, but not limited to: nationalization, expropriation of property without fair compensation or marketable compensation, or renegotiation or nullification of existing concessions and contracts; the imposition of specific drilling obligations and the development and abandonment of fields; changes in energy and environmental policies or the personnel administering them; changes in oil and natural gas pricing policies; the actions of national labour unions; currency fluctuations and devaluations; currency exchange controls; economic sanctions; and royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which Parex' operations will be conducted, as well as risks of loss due to civil strife, acts of war, terrorism, guerrilla activities and insurrections. Parex' operations may also be adversely affected by laws and policies of Trinidad & Tobago and 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 Trinidad & Tobago or Colombia, Parex may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgements in such other jurisdictions. Parex may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, Parex' exploration, development and production activities in Colombia could be substantially affected by factors beyond Parex' control, any of which could have a material adverse effect on Parex.

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

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

Stage of Development

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

Security and Insurance

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

Legal Systems

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

Potential Conflicts of Interest

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

Regulatory

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

Issuance of Debt

From time to time, the Company may enter into transactions to acquire assets or shares of other organizations. These transactions may be financed in whole or in part with debt, which may increase the Company's debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and

development plans, the Company may require additional debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Company's articles nor its bylaws limit the amount of indebtedness that the Company may incur. The level of the Company's indebtedness from time to time, could impair the Company's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Availability of Drilling Equipment and Access

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

Title to Assets

The assignment of working interests under the exploration and production contracts in the jurisdictions in which the Company operates is a detailed and time-consuming process. The Company's properties may be subject to unforeseen title claims. 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. Company does not warrant title to the oil properties.

Dilution

The Company may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Company which may be dilutive.

Market Price of Common Shares

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

Cost of New Technologies

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

Alternatives to and Changing Demand for Petroleum Products

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

Hedging

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

Litigation

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

Breach of Confidentiality

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

Income Taxes

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

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

Diversification

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

Expansion into New Activities

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

Accounting Adjustments

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

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

Cash from Subsidiaries

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

Dependence on Management

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

Ability to Attract and Retain Qualified Personnel

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

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.

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

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 which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2014, estimated using forecast prices and costs.

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

The Operations and 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 Operations and Reserves Committee of the board of directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and natural gas activities and has reviewed that information with management. The board of directors has 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 51-102F2 which is the report of the independent qualified reserves evaluator on the reserves data; and
- (c) the content and filing of this report.

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

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

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

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

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

DATED as of this 19th day of March, 2015.

SCHEDULE "B"

**FORM 51-101F2
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, 2014. The reserves data are estimates of proved reserves, probable reserves, and proved plus probable plus possible reserves and related future net revenue as at December 31, 2014, 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.

We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "**COGE Handbook**") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. 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.
4. The following table sets forth the estimated 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 by us for the year ended December 31, 2014, and identifies the respective portions thereof that we have evaluated and reported on to the Company's board of directors:

Independent Reserves Evaluator	Description and Preparation Date of Evaluation Report	Location of Reserves	Net Present Value of Future Net Revenue (before income tax, 10% discount rate)			
			Audited	Evaluated	Reviewed	Total
GLJ Petroleum Consultants Ltd.	February 13, 2015	Colombia	M\$ -	M\$ 1,571,258	M\$ -	M\$ 1,571,258

5. 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.
6. We have no responsibility to update our report referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.
7. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

EXECUTED as to our report referred to above.

GLJ Petroleum Consultants Ltd., Calgary, Alberta, dated February 13, 2015.

GLJ Petroleum Consultants Ltd.

Per: (signed) "Keith M. Braaten"

Keith M. Braaten, P. Eng.

SCHEDULE "C"

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

1. Overall Purpose & Objectives

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

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

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

The Audit Committee shall also take the steps necessary to address and resolve all instances or allegations of fraud reported to the Audit Committee.

2. Composition

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

3. Meetings

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

4. Reporting / Authority

- (a) Following each meeting, the Audit Committee 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.
- (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 of Directors 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) 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**

Review annually and approve as required:

- (i) 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.
- (ii) Internal control systems maintained by the Corporation.
- (iii) Major changes to management information systems.
- (iv) Spending authority and approval of limits.

(c) **Enterprise Risk Management**

Review periodically the Corporation's:

- (i) Risk assessment and risk management policies.
- (ii) Hedging strategies, policies, objectives and controls.
- (iii) Risk retention philosophy and resulting exposure to the Corporation.
- (iv) Loss prevention policies and programs in the context of competitive and operational consideration.
- (v) Insurance programs.
- (vi) Directors' and Officers' insurance coverage.
- (vii) Procedures for the control, identification and reporting of fraudulent acts.

(d) **External Auditors**

Annually:

- (i) Recommend to the Board of Directors an independent accounting firm to conduct the annual audit.
- (ii) Review with Management and auditors the purpose and scope of the audit examination, review the terms of the external auditors' engagement and set the fees for the annual audit.
- (iii) Assess the qualifications, performance and independence of the auditors, taking into account the opinions of Management, and present conclusions to the Board.

- (iv) 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.
- (v) Obtain a certificate attesting to the external auditors' independence, which identifies all relationships between the external auditors and the Corporation.
- (vi) Review all reportable events, including disagreements, unresolved issues and consultations, as defined in National Instrument 51-102 as adopted by the Canadian Securities Regulatory Authorities ("NI 51-102"), on a routine basis, whether or not there is a change of auditors.
- (vii) 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.
 - (A) 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.
 - (B) Generally oversee the work of the external auditor, including resolving any issues that arise between Management and the external auditors.
 - (C) Pre-approve engagements for non-audit services provided by the external auditors or their affiliates, together with estimated fees and potential issues of independence.
- (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.
 - (v) Prepare an Audit Committee report as may be required by the relevant securities commissions to be included in the Corporation's annual Management Proxy Circular.
- (f) **Press**
 - (i) Review of press releases and other publicly circulated documents containing financial information or financial guidance.

(g) Legal

- (i) Review annually the legal expenses incurred by the Corporation.

(h) Budget and Forecast of Operations

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

(i) New Business Development

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

(j) Audit Committee Evaluation and Complaints

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) Develop and approve Audit Committee member eligibility criteria, identify Directors qualified to become Committee members and recommend appointments to and removals from the Audit Committee.

6. Other Duties & Responsibilities

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

7. Mandate Review

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

8. Authorization

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