NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING

and

MANAGEMENT PROXY CIRCULAR

WITH RESPECT TO THE

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

TO BE HELD ON MAY 23, 2012

INFORMATION CIRCULAR DATED APRIL 4, 2012

PAREX RESOURCES INC.
NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 23, 2012

TO THE HOLDERS OF COMMON SHARES

Notice is hereby given that the Annual General and Special Meeting of holders (the "**Meeting**") of common shares ("**Common Shares**") of Parex Resources Inc. ("**Parex**" or the "**Company**") will be held at **the Jamieson Place Conference Centre, 3rd Floor of Jamieson Place, 240-4th Avenue S.W., Calgary, AB T2P 4H4** on May 23, 2012 at 10:30 a.m. (Calgary time) for the following purposes:

1. to receive and consider the financial statements of the Company for the year ended December 31, 2011, the auditors' report thereon and the report of the Board of Directors;

2. to fix the number of directors to be elected at the Meeting at eight (8) members;

3. to elect eight (8) directors;

4. to appoint auditors and to authorize the directors to fix their remuneration as such;

5. to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution, re-approving the shareholder protection rights plan of the Company; and

6. to transact such further and other business as may properly come before the Meeting or any adjournment or adjournments thereof.

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

The record date for the determination of shareholders entitled to receive notice of and to vote at the Meeting is April 5, 2012 (the "**Record Date**"). Shareholders of the Company whose names have been entered in the register of shareholders at the close of business on that date will be entitled to receive notice of and to vote at the Meeting, provided that, to the extent a shareholder transfers the ownership of any of such shareholder's Common Shares after such date and the transferee of those Common Shares establishes that the transferee owns the Common Shares and requests, not later than 10 days before the Meeting, to be included in the list of shareholders eligible to vote at the Meeting, such transferee will be entitled to vote those Common Shares at the Meeting.

A shareholder may attend the Meeting in person or may be represented by proxy. Shareholders who are unable to attend the Meeting or any adjournment thereof in person are requested to date, sign and return the accompanying form of proxy for use at the Meeting or any adjournment or adjournments thereof. To be effective, the enclosed proxy must be mailed or faxed so as to reach or be deposited with Valiant Trust Company, 310, 606-4th Street S.W., Calgary, Alberta T2P 1T1, Fax (403) 233-2857 not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) prior to the time set for the Meeting or any adjournment or adjournments thereof.

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

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

In the event of a strike, lockout or other work stoppage involving postal employees, all documents required for delivery by the shareholder should be delivered by facsimile to Valiant Trust Company at (403) 233-2857.

DATED at Calgary, Alberta this 4th day of April, 2012.

BY ORDER OF THE BOARD OF DIRECTORS

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

PAREX RESOURCES INC.

Information Circular – Management Proxy Statement

For the Annual General and Special Meeting
of Shareholders to be Held on May 23, 2012

PROXIES

Solicitation of Proxies

This information circular – management proxy statement (the "Information Circular") is furnished in connection with the solicitation of proxies by or on behalf of the management of Parex Resources Inc. ("Parex" or the "Company") for use at the annual general and special meeting of the Company's shareholders ("**shareholders**" or "**Shareholders**") to be held at **the Jamieson Place Conference Centre, 3rd Floor of Jamieson Place, 240-4th Avenue S.W., Calgary, AB T2P 4H4** on May 23, 2012 at 10:30 a.m. (Calgary time), and any adjournment or adjournments thereof for the purposes set forth in the accompanying Notice of Meeting. Only shareholders of record on April 5, 2012 are entitled to notice of, and to attend and vote at, the Meeting, unless a shareholder has transferred any common shares ("**Common Shares**") subsequent to that date and the transferee shareholder, not later than 10 days before the meeting, establishes ownership of the Common Shares and demands that the transferee's name be included on the list of shareholders eligible to vote at the Meeting.

Unless otherwise stated information contained in this Information Circular is given as at April 4, 2012. **All amounts set forth in this Information Circular are stated in Canadian dollars.**

The persons named in the accompanying instrument of proxy are directors and/or officers of the Company. **As a shareholder submitting a proxy you have the right to appoint a person or company (who need not be a shareholder) to represent you at the Meeting other than the persons designated in the instrument of proxy furnished by Parex. To exercise this right you should insert the name of the desired representative in the blank space provided in the instrument of proxy and strike out the other names.** In order to be effective, the proxy must be mailed or faxed so as to be deposited with Valiant Trust Company, 310, 606-4th Street S.W., Calgary, Alberta T2P 1T1, Fax (403) 233-2857, not later than 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) prior to the time set for the Meeting or any adjournment or adjournments thereof.

Appointment of Proxies

Those shareholders who desire to be represented at the Meeting by proxy must mail or fax their proxy so as to be deposited with the Company's Transfer Agent and Registrar, Valiant Trust Company, 310, 606-4th Street S.W., Calgary, Alberta T2P 1T1, Fax (403) 233-2857, not later than 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) prior to the time set for the Meeting or any adjournment or adjournments thereof. A proxy must be executed by the shareholder or his attorney authorized in writing, or if the shareholder is a corporation, under its corporate seal by a duly authorized officer or attorney of the corporation.

The persons named in the accompanying instrument of proxy are directors and/or officers of Parex. A shareholder has the right to appoint a person or company (who need not be a Shareholder) to attend and act on such shareholder's behalf at the Meeting other than the persons designated in the instrument of proxy furnished by Parex. To exercise this right, the shareholder must strike out the name of the persons named in the proxy and insert the name of his or her nominee in the space provided and deposit the proxy with Parex at the place and within the time specified above for the deposit of proxies.

Persons Making the Solicitation

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

Exercise of Discretion by Proxy

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

Revocation of Proxies

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

Voting by Internet

Shareholders may use the internet site at www.valianttrust.com to transmit their voting instructions. Shareholders should have the form of proxy in hand when they access the web site and will be prompted to enter their Control Number, which is located on the form of proxy. If Shareholders vote by internet, their vote must be received not later than 10:30 a.m. (Calgary time) on May 18, 2012 or 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) prior to the time set for the Meeting or any adjournment or adjournments thereof. **The website may be used to appoint a proxy holder to attend and vote on a Shareholder's behalf at the Meeting and to convey a Shareholder's voting instructions. Please note that if a Shareholder appoints a proxy holder and submits their voting instructions and subsequently wishes to change their appointment, a Shareholder may resubmit their proxy and/or voting direction, prior to the deadline noted above. When resubmitting a proxy, the most recently submitted proxy will be recognized as the only valid one, and all previous proxies submitted will be disregarded and considered as revoked, provided that the last proxy is submitted by the deadline noted above.**

Advice to Beneficial Holders of Securities

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

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

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Company is authorized to issue an unlimited number of Common Shares without nominal or par value. As at April 3, 2012, there were 108,410,401 Common Shares issued and outstanding and outstanding stock options ("**Options**") to purchase 8,378,209 Common Shares, which have been granted to certain directors, officers, employees and consultants of the Company or of its foreign subsidiaries.

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

The Company has not declared or paid dividends on the Common Shares since incorporation and any decision made by the Parex Board of Directors to pay dividends from time to time will be based upon, among other things, the level of cash flow, results of operations and financial condition, the need for funds to finance ongoing operations and other business and legal considerations as the Parex Board of Directors considers relevant, including the satisfaction of the liquidity and solvency tests imposed by the *Business Corporations Act* (Alberta) for the declaration and payment of dividends.

The record date for the determination of shareholders entitled to receive notice of and to vote at the Meeting is April 5, 2012.

Pursuant to an Alternative Monthly Early Warning Report filed on SEDAR and dated August 10, 2011, Deans Knight Capital Management Ltd. ("**Deans Knight**") had direct or indirect control over 11,721,342 Common Shares which represented approximately 10.83 percent of the outstanding Common Shares as at such date. Deans Knight has not filed any subsequent reports to indicate if and how their shareholdings have changed since the August 10, 2011 report. To the best of the knowledge of the directors and executive officers of the Company, other than Deans Knight, no person or company, beneficially owns or controls or directs, directly or indirectly, Common Shares carrying more than ten percent (10%) of the votes attached to all of the issued and outstanding Common Shares.

MATTERS TO BE ACTED UPON AT THE MEETING

Receipt of the Financial Statements and Auditors' Report

At the Meeting, shareholders will receive and consider the financial statements of the Company for the year ended December 31, 2011 and the Auditors' Report thereon, but no vote by the shareholders with respect thereto is required or proposed to be taken.

Majority Voting for Directors

The Parex Board of Directors has adopted a policy stipulating that if the "WITHHOLD" votes in respect of the election of a director nominee at the Meeting represent more than the "FOR" votes, the nominee will submit his resignation within 90 days of the Meeting, for the Parex Board of Director's consideration. The Parex Board of Directors will consider such resignation and after reviewing the matter will determine, having regard to all matters it deems relevant, whether to accept such resignation or not. The Parex Board of Director's decision to accept or reject the resignation will be disclosed to the public within 90 days of the

Meeting. The nominee will not participate in any Parex Board of Director deliberations on the resignation. The policy does not apply in circumstances involving contested director elections.

Fixing the Number of Directors and Election of Directors

At the Meeting, it is proposed that the number of directors to be elected at the Meeting be fixed at eight (8) members and that eight (8) directors be elected to hold office until the next annual general meeting, or until their successors are elected or appointed. There are presently eight directors of the Company, each of whom will retire from office at the Meeting and will be put forward for re-election.

Unless otherwise directed, it is the intention of management to vote proxies in the accompanying form in favour of an ordinary resolution in favour of fixing the number of directors to be elected at the Meeting at eight (8) members, and in favour of the election as directors of the eight (8) nominees hereinafter set forth:

Curtis Bartlett
John Bechtold
Robert Engbloom
Wayne Foo
Norman McIntyre
Ron Miller
W.A. (Alf) Peneycad
Paul Wright

The names, province and country of residence of the persons nominated for election as directors, the number of voting securities of the Company beneficially owned or controlled or directed, directly or indirectly, the period served as director and the principal occupation of each are set forth below. Each of the directors listed below were previously directors of Petro Andina Resources Inc. ("**PARI**"), the common shares of which, through a series of transactions pursuant a plan of arrangement completed on November 6, 2009, were acquired by Pluspetrol Resources Corporation N.V. and shareholders of PARI received as partial consideration for their common shares of PARI, Common Shares and warrants of Parex.

Name, Province and Country of Residence	**Offices Held and Time as Director or Officer**	**Number of Common Shares Beneficially Owned or Controlled or Directed**	**Principal Occupation (for last 5 years)**
Norman McIntyre[3][8] Alberta, Canada	Chairman and a Director since September 29, 2009	569,020	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][8] Alberta, Canada	Director since September 29, 2009	120,835	Co-founder and Managing Director of MHI Energy Partners, a private investment firm. Over 20 years experience as an entrepreneur and manager, private equity investor and investment banker. Director of several private companies.
John Bechtold[2][3][8] British Columbia, Canada	Director since September 29, 2009	73,000	Currently a Director of Parkland Fuel Corporation, an independent marketer of fuels across Canada, Mr. Bechtold brings over 35 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.

Name, Province and Country of Residence	Offices Held and Time as Director or Officer	Number of Common Shares Beneficially Owned or Controlled or Directed	Principal Occupation (for last 5 years)
Robert Engbloom, Q.C. (2)(3)(8) Alberta, Canada	Director since September 29, 2009	111,039	Deputy Chair of Norton Rose Canada LLP, a national law firm in Canada and a member of the global Norton Rose 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(5)(8) Alberta, Canada	Director since August 28, 2009	2,070,702	Currently President and Chief Executive Officer of Parex. President and Chief Executive Officer of PARI from April, 2004 to November, 2009. President and Chief Executive Officer of Dominion Energy Canada Ltd. from 1998 to October 2002, and then Consultant to March 2003. Director of Pengrowth Energy Corporation.
Ron Miller (1)(6)(8) Alberta, Canada	Director since September 29, 2009	1,139,520	Co-founder and Managing Director of MHI Energy Partners, a private equity investment firm. Director of several private companies including Rhino Legal Finance Inc., Durham Group Inc. and Dreadnought Energy Inc. Member of the Institute of Corporate Directors having completed the Directors Education Program.
W.A. (Alf) Peneycad(2)(7)(8) Alberta, Canada	Director since September 29, 2009	395,365	Independent Businessman since 2006, including consulting to Norton Rose Canada LLP. 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 issuers being 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.
Paul Wright(1)(8) Alberta, Canada	Director since September 29, 2009	125,839	Currently works as a financial consultant and sits on the Boards of Directors and is Chairman of the Audit Committee for both Pan Orient Energy Corp. and Brickburn Funds Inc., a mutual fund company. He also 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) Members of the Finance and Audit Committee.

(2) Members of the Corporate Governance, Compensation and Human Resources Committee.

(3) Members of the Operations and Reserves Committee.

(4) Does not include 2,343,153 Common Shares which are held pursuant to trust arrangements by MHI Energy Advisory Inc., which Common Shares Mr. Bartlett has control over.

(5) Includes 886,742 Common Shares held by Mr. Foo's spouse.

(6) Includes (i) 1,087,445 Common Shares held by AREAH Investments Limited ("AREAH"), which company is controlled by Mr. Miller's spouse and a trust, the beneficiaries of which are Mr. Miller's spouse and children and which trust is not controlled by Mr. Miller; and (ii) 52,075 Common Shares held by Mr. Miller personally. Mr. Miller is the President of AREAH and in that capacity

controls and directs the Common Shares held by AREAH. Does not include 165,000 Common Shares held by a trust the beneficiaries of which are Mr. Miller's spouse and children and which trust is not controlled by Mr. Miller.

(7) Includes 249,928 Common Shares held by Mr. Peneycad's spouse and daughters.

(8) 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 *Business Corporations Act* (Alberta).

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

As at April 4, 2012, the directors and executive officers of the Company, as a group, beneficially owned or controlled or directed, directly or indirectly, 8,615,283 Common Shares constituting approximately 7.95 percent of the issued and outstanding Common Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

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

(a) is, as at the date of this Information Circular, or has been, within ten years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company (including Parex), that:

  (i) was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "**Order**") that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or

  (ii) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;

(b) is, as at the date of this Information Circular, or has been, within ten years before the date of this Information Circular, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(c) has, within the ten years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

In addition, no proposed director of the Company has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable shareholder in deciding whether to vote for a proposed director.

Appointment of Auditors

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

Certain information regarding the Company's Audit Committee, including the fees paid to the Company's auditors in the last fiscal year, that is required to be disclosed in accordance with National Instrument 52-110 of the Canadian Securities

Administrators is contained in the Company's annual information form for the year ended December 31, 2011, an electronic copy of which is available on the internet on the Company's SEDAR profile at www.sedar.com.

Approval of Shareholder Rights Plan

At the Meeting, shareholders will be asked to consider and, if deemed advisable, approve an ordinary resolution to re-approve the shareholder protection rights plan of Parex (the "**Parex Shareholder Rights Plan**").

Background

The Parex Shareholder Rights Plan has a term of three years and, if approved at the Meeting, will expire at the close of the annual general meeting of shareholders of Parex in 2015, unless it is reconfirmed at such meeting or it is otherwise terminated in accordance with its terms. Approval of the Parex Shareholder Rights Plan by shareholders is required by the Toronto Stock Exchange (the "**TSX**"). The Parex Shareholder Rights Plan is similar to plans adopted recently by several other Canadian issuers and approved or re-approved by their shareholders. The Parex Shareholder Rights Plan was originally approved by shareholders on October 30, 2009.

Objectives of the Parex Shareholder Rights Plan

The fundamental objectives of the Parex Shareholder Rights Plan are to provide adequate time for Parex' directors and shareholders to assess an unsolicited take-over bid for Parex, to provide the directors with sufficient time to explore and develop alternatives for maximizing shareholder value if a take-over bid is made, and to provide shareholders with an equal opportunity to participate in a take-over bid.

The Parex Shareholder Rights Plan encourages a potential acquirer who makes a take-over bid to proceed either by way of a "**Permitted Bid**" (described below), which generally requires a take-over bid to satisfy certain minimum standards designed to promote fairness, or with the concurrence of the directors of Parex. If a take-over bid fails to meet these minimum standards and the Parex Shareholder Rights Plan is not waived by the directors, the Parex Shareholder Rights Plan provides that holders of Common Shares, other than the acquiror, will be able to purchase additional Common Shares at a significant discount to market, thus exposing the person acquiring Common Shares to substantial dilution of its holdings.

In adopting the Parex Shareholder Rights Plan, the directors considered the existing legislative framework governing take-over bids in Canada. The directors believe such legislation currently does not provide sufficient time to permit shareholders to consider a take-over bid and make a reasoned and unhurried decision with respect to a take-over bid or give the directors sufficient time to develop alternatives for maximizing shareholder value. Shareholders also may feel compelled to tender to a take-over bid even if the shareholder considers such bid to be inadequate out of a concern that failing to tender may result in a shareholder being left with illiquid or minority-discounted Common Shares. This is particularly so in the case of a partial bid for less than all the Common Shares where the bidder wishes to obtain a control position but does not wish to acquire all of the Common Shares. Finally, while existing securities legislation has addressed many concerns related to unequal treatment of shareholders, there remains the possibility that control of an issuer may be acquired pursuant to private agreements in which a small group of shareholders disposes of securities at a premium to market price, which premium is not shared with the other shareholders.

It is not the intention of the directors in recommending the confirmation and ratification of the Parex Shareholder Rights Plan to either secure the continuance of the directors or management of Parex or to preclude a take-over bid for control of Parex. The Parex Shareholder Rights Plan provides that shareholders could tender to take-over bids as long as they meet the Permitted Bid criteria. Furthermore, even in the context of a take-over bid that does not meet the Permitted Bid criteria, the directors are always bound by their fiduciary duty to consider any take-over bid for Parex and consider whether or not they should waive the application of the Parex Shareholder Rights Plan in respect of such bid. In discharging such responsibility, the directors will be obligated to act honestly and in good faith and in the best interests of Parex and the shareholders.

A number of recent decisions rendered by the Canadian securities regulators relating to shareholder rights plans have concluded that a board faced with an unsolicited take-over bid will not be permitted to maintain a shareholder rights plan indefinitely to prevent the successful completion of the bid, but only for so long as the board of directors is actively seeking alternatives to the bid and there is a reasonable possibility that, given additional time, a value maximizing alternative will be developed. The Parex

Shareholder Rights Plan does not preclude any shareholder from utilizing the proxy rules to promote a change in the management or direction of Parex, and will have no effect on the rights of holders of Common Shares to requisition a meeting of shareholders in accordance with applicable rules.

In recent years, unsolicited bids have been made for a number of Canadian public companies, many of which had shareholder rights plans. The directors believe this demonstrates that the existence of the Parex Shareholder Rights Plan does not prevent the making of an unsolicited bid. Further, in a number of these cases, a change of control ultimately occurred at a price in excess of the original bid price. There can be no assurance, however, that the Parex Shareholder Rights Plan would serve to bring about a similar result.

The continuation of the existing outstanding Rights and the issuance of additional Rights in the future will not in any way alter the financial condition of Parex, impede its business plans, or alter its financial statements. In addition, the Parex Shareholder Rights Plan is initially not dilutive. However, if a "**Flip-in Event**" (described below) occurs and the Rights separate from the Common Shares as described below, reported earnings per Common Share and reported cash flow per Common Share on a fully-diluted or non-diluted basis may be affected. In addition, holders of Rights not exercising their Rights after a Flip-in Event may suffer substantial dilution.

Summary of the Parex Shareholder Rights Plan

The following is a summary of the principal terms of the Parex Shareholder Rights Plan, which summary is qualified by and is subject to the full terms and conditions of the Parex Shareholder Rights Plan. A copy of the Parex Shareholder Rights Plan is available on Parex' SEDAR profile at *www.sedar.com*. Except as otherwise defined herein, capitalized terms used herein have the meanings ascribed thereto in the Parex Shareholder Rights Plan.

Issue of Rights

Pursuant to the Parex Shareholder Rights Plan, one right ("**Right**") is issued and attached to each outstanding Common Share of Parex, any other securities or voting interests of Parex entitled to vote generally in the election of directors, and any securities convertible, exercisable or exchangeable into Common Shares. One Right will also be issued and attach to each Common Share issued hereafter, subject to the limitations set forth in the Parex Shareholder Rights Plan.

Acquiring Person

Transactions that are exempt from the operation of the Parex Shareholder Rights Plan include those whereby any person becomes the beneficial owner of 20% or more of the Common Shares as a result of, among other things: (i) an acquisition or redemption by Parex or a subsidiary of Parex of Common Shares which, by reducing the number of Common Shares outstanding or which may be voted, increases the proportionate number of Common Shares beneficially owned by any person; (ii) acquisitions pursuant to a Permitted Bid or Competing Permitted Bid (as described below); (iii) a share acquisition to which the application of the Parex Shareholder Rights Plan has been waived by the directors; (iv) a share acquisition pursuant to an amalgamation, merger, plan of arrangement or other statutory procedure having similar effect which has been approved by the holders of Common Shares by the requisite majority or majorities of the holders of Common Shares at a meeting of such holders duly called and held for such purpose; (v) an acquisition of Common Shares as a result of: an acquisition pursuant to a dividend reinvestment plan; a stock dividend, a stock split or other event pursuant to which a person becomes beneficial owner of Common Shares on the same pro rata basis as all other holders of Common Shares; the acquisition or exercise by such person of rights to purchase Common Shares distributed to such person in the course of a distribution to all holders of Common Shares pursuant to a rights offering or pursuant to a prospectus; or a distribution of Common Shares or securities convertible into or exchangeable for Common Shares (and the conversion or exchange of such convertible or exchangeable securities), made pursuant to a prospectus or a distribution by way of a private placement.

Also excluded from the definition of Acquiring Person is a person (a "**Grandfathered Person**") who is the Beneficial Owner of 20% or more of the outstanding Common Shares on the date of implementation of the Parex Shareholder Rights Plan; provided further, however, that this exemption shall not be, and shall cease to be, applicable to a Grandfathered Person in the event that such Grandfathered Person shall, after the date of implementation of the Parex Shareholder Rights Plan, become the Beneficial Owner of more than 1.0% of the number of Common Shares then outstanding in addition to those Common Shares already held by such person, other than through: (i) specified acquisitions of securities of Parex (including the issuance or exercise of stock options granted by Parex to such person); (ii) acquisitions pursuant to a Permitted Bid or Competing Permitted Bid (as described below); (iii) specified distributions of securities of Parex; (iv) certain other specified exempt acquisitions (including for portfolio managers, mutual companies and other similar entities with no present intention to take control of Parex); and (v) transactions to which the application of the Parex Shareholder Rights Plan has been waived by the directors.

Rights Exercise Privilege

The Rights will separate from the Common Shares to which they are attached and will become exercisable at the close of business (the "**Separation Time**") on the tenth business day after the earliest of: (a) the first date of public announcement that a person and/or others associated, affiliated or otherwise connected to such person, or acting in concert with such person, have become an Acquiring Person; (b) the date of commencement of, or first public announcement of the intent of any person to commence, a take-over bid, other than a Permitted Bid or a Competing Permitted Bid; or (c) such later date as the directors may determine in good faith. 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 (the "**Exercise Price**") equal to Cdn$50.00. At any time prior to the Rights becoming exercisable, the Parex Board of Directors may waive the operation of the Parex Shareholder Rights Plan with respect to certain events before they occur.

A transaction in which a person becomes an Acquiring Person is referred to as a "**Flip-in Event**". Any Rights held by an Acquiring Person on or after the earlier of the Separation Time or the first date of public announcement by Parex or an Acquiring Person that an Acquiring Person has become such, will become void upon the occurrence of a Flip-in Event. After the close of business on the tenth business day after the first public announcement of the occurrence of a Flip-in Event, each Right (other than those held by the Acquiring Person) will entitle the holder to purchase, for the exercise price, that number of Common Shares having an aggregate market price (based on the prevailing market price at the time of the consummation or occurrence of the Flip-in Event) equal to four times the Exercise Price.

Impact Once Parex Shareholder Rights Plan is Triggered

Upon a Flip-in Event occurring and the Rights separating from the attached Common Shares, reported earnings per common share on a fully diluted or non-diluted basis may be affected. Holders of Rights who do not exercise their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

By permitting holders of Rights other than an Acquiring Person to acquire Common Shares at a discount to market value, the Rights may cause substantial dilution to a person or group that acquires 20% or more of the voting securities of Parex other than by way of a Permitted Bid or other than in circumstances where the Rights are redeemed or the directors waive the application of the Parex Shareholder Rights Plan.

Certificates and Transferability

Before the Separation Time, certificates for Common Shares will also evidence one Right for each Common Share represented by the certificate.

Prior to the Separation Time, Rights will not be transferable separately from the attached Common Shares. From and after the Separation Time, the Rights will be evidenced by Rights certificates, which will be transferable and traded separately from the Common Shares. Shareholders will receive no other proof of or document of ownership of the Right.

Permitted Bids

The Parex Shareholder Rights Plan is not triggered if an offer to acquire Common Shares would allow sufficient time for the shareholders to consider and react to the offer and would allow shareholders to decide to tender or not tender without the concern that they will be left with illiquid Common Shares should they not tender.

A "**Permitted Bid**" is a take-over bid where the bid is made by way of a take-over bid circular and: (i) is made to all holders of Common Shares, other than the offeror, for all or a portion of the Common Shares held by those holders; and (ii) the bid must not permit Common Shares tendered pursuant to the bid to be taken up until not less than 60 days following the bid and only if, at such time, more than 50% of the Common Shares held by shareholders other than the bidder, its affiliates and Persons acting jointly or in concert with the bidder have been tendered pursuant to the take-over bid and not withdrawn.

A Permitted Bid is not required to be approved by the directors and such bids may be made directly to shareholders. Acquisitions of Common Shares made pursuant to a Permitted Bid or a Competing Permitted Bid do not give rise to a Flip-in Event.

Waiver and Redemption

The directors may, before the occurrence of a Flip-in Event, waive the application of the Parex Shareholder Rights Plan to a particular Flip-in Event that would occur as a result of a take-over bid made under a circular prepared in accordance with applicable securities laws to all holders of Common Shares. In such event, the directors shall be deemed to also have waived the application of the Parex Shareholder Rights Plan to any other Flip in Event occurring as a result of any other takeover bid made under a circular prepared in accordance with applicable securities laws to all holders of Common Shares prior to the expiry of any take-over bid for which the Parex Shareholder Rights Plan has been waived or deemed to have been waived.

The directors may also waive the application of the Parex Shareholder Rights Plan to an inadvertent Flip-in Event, on the condition that the person who became an Acquiring Person in the Flip-in Event reduces its Beneficial Ownership of Common Shares such that it is not an Acquiring Person within 8 days of the determination of the directors (or any earlier or later time specified by the directors).

Subject to the prior consent of the holders of Common Shares or Rights, until the occurrence of a Flip-in Event, the directors may, elect to redeem all but not less than all of the then outstanding Rights at Cdn$0.00001 per Right. In the event that a person acquires Common Shares pursuant to a Permitted Bid or a Competing Permitted Bid, then the directors shall, immediately upon the consummation of such acquisition, without further formality, be deemed to have elected to redeem the Rights at the redemption price.

Supplement and Amendments

Parex may, without the approval of the holders of Common Shares or Rights, make amendments: (i) to correct clerical or typographical errors, (ii) to maintain the validity and effectiveness of the Parex Shareholder Rights Plan as a result of any change in applicable legislation, regulations or rules thereunder, and (iii) as otherwise specifically contemplated therein. Any amendment referred to in (ii) must, if made before the Separation Time, be submitted for approval to the holders of Common Shares at the next meeting of shareholders and, if made after the Separation Time, must be submitted to the holders of Rights for approval.

At any time before the Separation Date, Parex may, with prior consent of the shareholders received at a special meeting called and held for such purpose, amend, vary or rescind any of the provisions of the Parex Shareholder Rights Plan or the Rights, whether or not such action would materially adversely affect the interests of the Rights generally.

At any time after the Separation Date, Parex may, with prior consent of the holders of Rights received at a meeting called and held for such purpose, amend, vary or rescind any of the provisions of the Parex Shareholder Rights Plan or the Rights, whether or not such action would materially adversely affect the interests of the Rights generally.

Approval Required

Shareholders will be asked at the Meeting to consider and, if thought advisable, to re-approve the Parex Shareholder Rights Plan. Accordingly, at the Meeting, Shareholders will be asked to consider and, if thought fit, approve an ordinary resolution in the following form:

"BE IT RESOLVED as an ordinary resolution of the shareholders of Parex Resources Inc. ("**Parex**" or the "**Company**"):

1. the shareholder protection rights plan of Parex (the "**Rights Plan**"), on the terms described in the accompanying management proxy circular of the Company be and the same is hereby ratified, confirmed and approved until the termination of the annual general meeting of the shareholders of the Company held in 2015, unless at such meeting shareholders have reconfirmed the Rights Plan for an additional period of time, and the Company is authorized to continue to issue Rights pursuant thereto;

2. any one director or officer of the Company be and is hereby authorized and directed to do all things and to execute and deliver all documents and instruments as may be necessary or desirable to carry out the terms of this resolution; and

3. notwithstanding that this resolution has been passed by the shareholders of the Company, the directors of the Company are hereby authorized and empowered to revoke this resolution, without any further approval of the shareholders of the Company, at any time if such revocation is considered necessary or desirable by the directors."

In order for the foregoing resolution to be passed, it must be approved by a simple majority of the votes cast by Shareholders in person or by proxy at the Meeting on such resolution.

Other Matters

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

STATEMENT OF EXECUTIVE COMPENSATION

General

The Company was incorporated in August 2009 and in September 2009 the Corporate Governance and Human Resources Committee of the Parex Board of Directors (the "**CG&HR Committee**") reviewed all aspects of compensation to be provided to the Company's executive officers, including the Chief Executive Officer ("**CEO**"), Chief Financial Officer ("**CFO**") and the three most highly compensated executive officers of the Company (including the Company's subsidiaries), other than the CEO and CFO, earning over $150,000 (collectively, the "**NEOs**" and in this Information Circular collectively referred to as the "**Executives**"). At the recommendation of the CG&HR Committee, the Parex Board of Directors approved an executive compensation program, based on the following guiding principles and key objectives:

Guiding Principles

- executive compensation must be directly linked to the Company's business model, strategy and goals;
- executive compensation aligns the CEO and executive incentives with the interests of shareholders; and
- the executive compensation program is founded on sound governance practices for the development and administration of executive compensation.

Key Objectives

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

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

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

The value of executive compensation is assessed as a total compensation package, based on the competitiveness of each key component, individually and in the aggregate. Total compensation levels are targeted at the median of the Company's peer comparator group when actual overall Executive and corporate performance is satisfactory. In 2011 the Company used the 2011 Mercer Total Compensation Survey, a third-party compensation survey used to compare pay levels and practices across the Canadian energy industry and the 2011 Lane Caputo International Oil & Gas Exploration & Production Compensation Survey, a third party compensation survey used to compare pay levels and practices for Canadian-based international oil and gas exploration and production companies whose primary operations are in foreign jurisdictions, to assess compensation against similar benchmark positions for each Executive. The Company also used the services of Lane Caputo Compensation Inc. to evaluate the proposed 2011 annual stock option grants for executives and independent directors against competitive market practice and institutional investor analysis. Total compensation is targeted to be comparable to above-median compensation when actual overall executive and corporate performance is exceptional and exceeds objectives. When overall executive and corporate performance is below satisfactory or falls short of threshold objectives, total compensation is targeted to be below the median of the peer comparator group.

Comparator Group

The market competitiveness of the Company's executive compensation program and each of its components is assessed relative to a peer comparator group of companies with similar size and scope.

The comparator group is comprised of oil and natural gas exploration, development and production companies with international operations. They are based principally in Calgary, Canada with each company having a significant operational focus outside of Canada. The companies in the comparator group are approved by the CG&HR Committee, upon management's recommendation. The composition of the group is reviewed annually by the CG&HR Committee for its ongoing business relevance to Parex.

For 2011, the peer comparator group consisted of companies in the 2011 Mercer Total Compensation Survey for the Canadian energy industry that met parameters typical of a junior exploration company with international operations similar to Parex and in the 2011 Lane Caputo International Oil & Gas Exploration & Production Compensation Survey for oil and natural gas exploration, development and production companies with international operations that are based principally in Calgary, Canada with significant operational focus outside of Canada.

Compensation Risk

The CG&HR Committee reviews the executive compensation program to be satisfied that it is structured to encourage decision making and outcomes that are in the best interest of Parex and its shareholders and to avoid the taking of inappropriate or excessive risks. The compensation structure rewards actions that result in a balance of the achievement of short-term goals and long-term strategies, and does not encourage sub-optimization or reward actions that could produce short term success at the cost of long term shareholder results. As well, annual budgets and quarterly and annual financial results are reviewed and approved by the Parex Board of Directors. The CG&HR Committee's risk oversight of the Company's executive compensation program is accomplished in the following ways:

- the compensation framework is structured to align with Parex's short and long term strategic plans, such that corporate objectives are a key factor in assessing executive and employee performance;

- a significant portion of executive compensation is at risk (it is not guaranteed) and is variable year over year. For example, annual bonuses are at the discretion of the Parex Board of Directors from year to year;

- bonus plan payouts are capped based on a percentage of salary and subject to overall maximum thresholds;

- the Option Plan is designed such that Options have a life of at least a five year period and therefore encourages long term sustainable share price appreciation;

- a balanced set of corporate performance goals is used to assess overall corporate results and to determine the corporate portion of the annual bonus program. These are also a major driver in determining the individual portions of the annual bonuses for executives and employees;

- third party verifications of appropriate elements of the corporate performance goals are incorporated before the results are finalized;

- threshold corporate performance goals must be met for each element of the analysis. If the objectives are not met, there will be a zero bonus payout for that element;

- recommendations for annual bonus payments are reviewed by the CG&HR Committee for recommendation to the Parex Board of Directors for approval, against corporate performance goal results and performance assessments completed with executives;

- special awards may be paid where significant contributions are made to the organization. Projects, key contributors and awards are recommended and ranked by the CG&HR Committee and approved by the Parex Board of Directors;

- compensation policies and practices in Parex's subsidiaries are substantially similar to those in Parex;

- compensation policies and practices are substantially similar for all executives and employees; and

- the compensation expense for NEO's is not a significant percentage of Parex's revenue.

The CG&HR Committee intends to monitor compensation governance and risk assessment practices, as these continue to evolve.

Executive Compensation Components

Target Compensation Mix

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

Position	Fixed Compensation Base Salary (% of Total Compensation)	At-Risk Compensation Incentive Bonus/Long-Term Incentives (% of Total Compensation)
Executives	27% - 48%	52% - 73%

Base Salary

The base salary amounts for each Executive are targeted at the median of the Company's peer comparator group and are reviewed annually. Variance from the median could occur on the basis of an executive's current and sustained performance, skills or potential, or based on material differences in the executive's responsibilities as compared to the peer comparator group. The base salary for the CEO is approved by the Parex Board of Directors, upon the recommendation of the CG&HR Committee. The base salary level for all other Executives is recommended by the CEO for consideration and approval by the CG&HR Committee. Decisions for all positions are based upon comprehensive analyses of market data for similar positions, including the peer comparator group and the noted industry compensation surveys.

Incentive Bonus

The target annual incentive bonus varies by executive position level and is set as 60 percent of base salary for the CEO and 50 percent of base salary for the Company's other Executives, other than for the General Manager Trinidad & Tobago, which is set at 40 percent.

Payment levels are weighted based on individual and corporate performance goals. The incentive bonus is paid within a range of between 50 percent and 150 percent of the target incentive bonus, provided minimum (threshold) performance is achieved, as follows:

			Incentive Bonus Range (Payment as % of Target Incentive Bonus)	
Position	**Performance Weighting Corporate/Individual**	**Target Incentive Bonus (% Base Salary)**	**Threshold**	**Maximum**
CEO	60%/40%	60%	50%	150%
CFO	50%/50%	50%	50%	150%
Chief Operating Officer	50%/50%	50%	50%	150%
VP Exploration & Business Development	50%/50%	50%	50%	150%
GM Trinidad & Tobago	50%/50%	40%	50%	150%

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

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

Long-Term Incentives

Long-term incentives are granted in order to attract and retain high quality Executives in a competitive market environment. These incentives are provided in the form of Options.

Options

The Stock Option Plan (as defined herein) is administered by the Parex Board of Directors. For a summary of the Stock Option Plan see "*Statement of Executive Compensation - Stock Option Plan*" in this Information Circular. Under the Stock Option Plan, grants to Executives other than the CEO are recommended by the CEO, reviewed by the CG&HR Committee and approved by the Parex Board of Directors. The Parex Board of Directors approves Option grants for the CEO, upon the recommendation of the CG&HR Committee. As of the date hereof, Options to purchase an aggregate of 8,378,209 Common Shares are issued and outstanding.

Options are normally granted to each Executive at the time of hire and are also granted annually. Replacement grants are not awarded, but previous grants can be taken into consideration when considering new grants of Options. Any grant of Options is subject to the restrictions of the Stock Option Plan.

The intent is for annual Option grants to be awarded late in the calendar year. This timing coincides with the end of the Company's annual long-term planning cycle and approval of strategic goals for the upcoming year. Awarding long-term incentives at the same time that the Company's goals are set is intended to reinforce Executives' focus on the long-term goals of the Company. Options were awarded to the Executives and all qualifying employees on November 11, 2011.

The number of Options granted to Executives takes into consideration Company and individual performance as well as the mix of all elements of the Executive's compensation. When setting grant levels, the Company considers competitive market information on Options and other forms of long-term incentives. In addition, the Stock Option Plan's dilutive impact on shareholders and numbers of Common Shares available for issuance are factored into the determination of Option grant levels. The target annual Option grant is calculated as the amount required, in addition to base salary and incentive bonus (using the expected value of the Option award at the time of the grant) to target the Executive's total compensation at the median of similar positions in the Company's peer comparator group. The Stock Option Plan provides for the issuance of Options to a maximum of 10 percent of the issued and outstanding Common Shares of the Company. Grant values are determined using the Black-Scholes methodology.

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

Performance Goals

The Parex Board of Directors approves corporate performance goals, based on business and performance measures commonly used in the oil and natural gas industry. Corporate goals for 2011 were approved in January 2011 for each of the performance areas. These goals included reserve additions, drilling timelines, finding and development costs for net reserve additions on a per barrel basis, exit oil production rate, safety record, balance sheet strength and funds from operations. Funds flow used in or from operations may from time to time be used by the Company in this respect; however, this term does not have a standardized meaning under GAAP 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. Funds flow used in or from operations is reconciled with comprehensive net income (loss) in the Consolidated Statements of Cash Flow. Parex calculates this performance goal by adjusting funds flow from operations for inventory and current income taxes.

Compensation Governance

CG&HR Committee

The CG&HR Committee of the Parex Board of Directors is responsible for reviewing all aspects of compensation to be provided to the Company's executive officers. The members of the CG&HR Committee are John Bechtold, Robert Engbloom and W.A. (Alf) Peneycad. The skills and experience that enable the members of the CG&HR Committee to make decisions on the suitability of the Company's compensation policies and practices and the independence of each member is summarized in the table below:

CG&HR Committee Member	Independent	Skills and Experience Relevant to CG&HR Committee
John Bechtold British Columbia, Canada	Yes	Currently a Director and member of the Compensation and Corporate Governance Committee of Parkland Fuel Corporation, an independent marketer of fuels across Canada, Mr. Bechtold brings over 35 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. Alberta, Canada	Yes	Deputy Chair of Norton Rose Canada LLP, a national law firm in Canada and a member of the global Norton Rose 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.
W.A. (Alf) Peneycad Alberta, Canada	Yes	Independent Businessman since 2006, including consulting to Macleod Dixon LLP. 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, Finance, Corporate Governance and Human Resource Committees.

Mandate of the CG&HR Committee

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

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

- ensuring that the Company's corporate governance system is effective and meets regulatory requirements;
- assessing and making recommendations regarding board and Committee mandates and performance;
- providing ongoing training and development for directors as required;
- establishing a process for identifying, recruiting, appointing, and electing directors and officers of the Company;
- monitoring, assessing and making recommendations regarding compensation, benefits, short and long term incentive programs and employee retention programs;
- ensuring alignment between the tactical performance of the officers and the Company and the strategic objectives and goals of the Company;
- assessing the adequacy of the Company's corporate governance, code of conduct and all significant policies and procedures which govern the Company's operations;
- periodically reviewing and evaluating the size, composition, compensation and charter of the Parex Board of Directors and Committees, the structure and mandates of the Committees, and position descriptions for the Chairs thereof and overall direct qualifications;
- reviewing and recommending to the Parex Board of Directors:
    - appointments of the officers of the Company;
    - the approval of terminations, and severance arrangements for officers;
    - approval of officer's annual compensation and benefits package and related terms of employment based on the officers' annual performance evaluations;
    - approval of annual compensation and benefits packages for the employees of the Company, employment contracts and other related terms of employment, including the forms of incentive compensation payable; and
    - overall budget salary increases for the Company's employees, including cash compensation consisting of salary and bonuses, and the number of new Options;
- reviewing annually the adequacy and form of directors' compensation to ensure it reflects the responsibilities and risks of membership on the Parex Board of Directors and its Committees and make recommendations relating to the director's compensation;
- reviewing overall human resource policies and procedures including recruitment, performance management, compensation, benefit programs, resignations/terminations, training and development, succession planning and organizational planning and design; and

- recommending to the Parex Board of Directors approval of the terms of the Stock Option Plan of the Company and any amendments thereto and approval of corporate performance measures and targets used to calculate Stock Option Plan annual grants and other compensation plans.

Compensation Consultants

Consultant	Date Retained	Mandate	Executive Compensation-Related Fees (includes GST)
Frances Behan Human Resources Consulting Inc. ("**Frances Behan**")	February 15, 2011	Review of the Korn Ferry International reports on Director Compensation for 2009 and 2010 pertaining to Parex Board of Directors Chair compensation and comparative analysis with energy sector and Parex peer companies.	$ 1,050
Lane Caputo Compensation Inc. ("**Lane Caputo**")	October 3, 2011	Reviewed Parex' proposed 2011 annual stock option grants against competitive market practice and institutional investor analysis, and analysis of the Stock Option Plan as against institutional investor guidelines.	$ 9, 240

The CG&HR Committee directed Management to retain Frances Behan and Lane Caputo respectively for the above noted reviews of director compensation and the proposed 2011 annual grant of Options. Frances Behan and Lane Caputo were not retained in 2010.

Parex participated in the Lane Caputo 2010 and 2011 International Exploration and Production Compensation surveys. For this participation, Parex paid a fee to Lane Caputo of $3,675 for each of the 2010 and 2011 surveys, inclusive of GST.

Other Information Concerning Executive Compensation

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

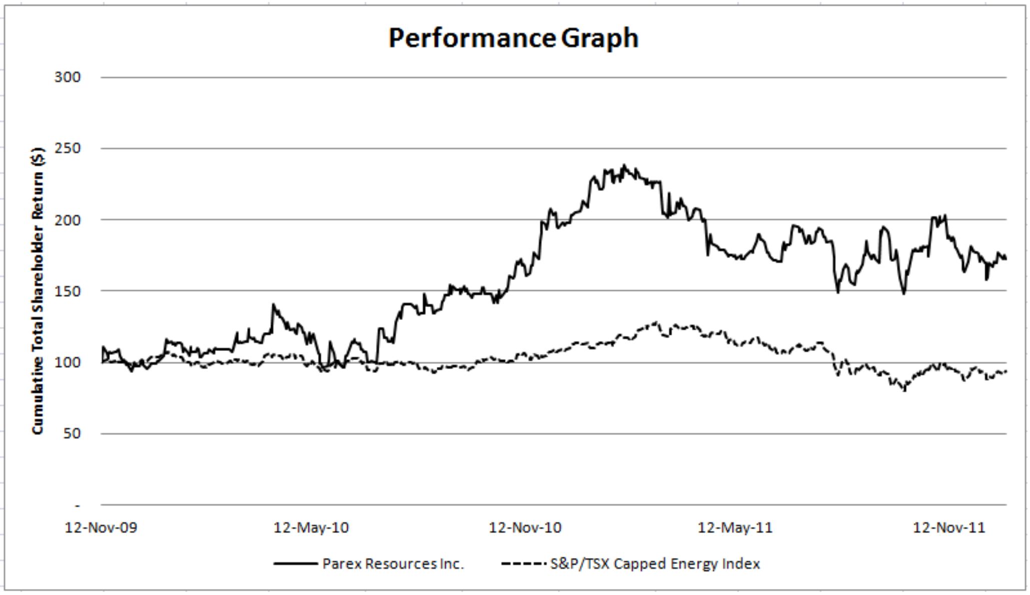
Parex also strongly discourages executives or directors from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of Parex equity securities granted as compensation or held, directly or indirectly, by the executives or director. However, other than as disclosed above, the Company does not currently have any written policies which prohibit such actions. The CG&HR Committee is considering recommending a written policy to the Parex Board of Directors in 2012 that would prohibit the purchasing of such financial instruments by any employees, officers or directors.

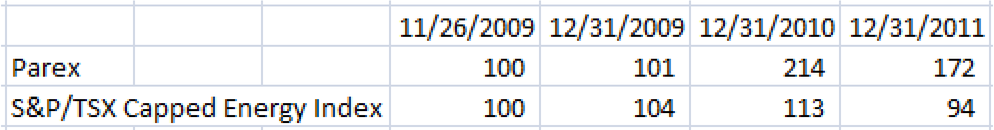
Changes to Executive Compensation

At this time, the Company does not intend to make any significant changes to its compensation policies and practices for 2012.

Performance Graph

The following graph shows the total cumulative shareholder return for $100 invested in the Common Shares of the Company, from the closing price on November 12, 2009, the date on which the Common Shares began trading on the TSX Venture Exchange, to December 30, 2011. The Company's Common Shares began trading on the TSX on October 3, 2011. The Company's total shareholder return is compared with the cumulative total return of the S&P/TSX Capped Energy Index.





	11/26/2009	12/31/2009	12/31/2010	12/31/2011
Parex	100	101	214	172
S&P/TSX Capped Energy Index	100	104	113	94

$100.00 invested in the Common Shares of the Company on November 12, 2009 would have resulted in a cumulative shareholder return of 72% on December 31, 2011. In comparison, the same amount invested in the S&P/TSX Capped Energy Index for the same period would have resulted in a cumulative shareholder return of minus 6%.

From November 12, 2009 to December 31, 2011, the total compensation paid to Parex NEO's as reported in the NEO Summary Compensation Table in this document increased by 25.6%. This analysis assumes a full year of total compensation for 2009 instead of the actual partial year which commenced on November 1, 2009 when the NEO's joined the Parex payroll in order to accurately compare total compensation for 2009 against 2010 and 2011.

The increase in NEO total compensation has been largely due to the significant increase from 2009 to 2011 of the grant date fair value of the Company's option-based awards. The option-based awards in the NEO Summary Compensation Table are based on the grant date fair value, which has been calculated using the Black-Scholes methodology, a commonly accepted practice for compensation setting among the Company's peer comparator group. It is the same methodology used by the Company to determine the accounting fair value of the options, in accordance with International Financial Reporting Standard 2 – Share Based Payments. The grant date fair value per option awarded in 2011 as compared to 2009 has increased consistent with the increase in Common Share price, as Black-Scholes methodology will calculate a higher value per option for a higher Common Share price, all other assumptions remaining equal.

NEO Summary Compensation Table(1)

Name and principal position	Year	Salary ($) (2)	Option-based awards ($)(3)	Non-equity incentive plan compensation ($)	All other cash compensation and perquisites(5) ($)	Total compensation(6) ($)
				Annual incentive plans(4)		
Wayne Foo President and Chief Executive Officer	2009	50,000	399,000	Nil	8,718	457,718
	2010	300,000	345,000	150,000	52,308	847,308
	2011	310,000	756,000	170,711	82,225	1,318,936
Kenneth Pinsky Vice President Finance, Chief Financial Officer and Corporate Secretary	2009	35,833	399,000	Nil	6,425	441,258
	2010	215,000	345,000	86,000	38,550	684,550
	2011	227,000	504,000	153,563	49,808	934,371
Barry Larson Vice President Operations and Chief Operating Officer	2009	45,833	399,000	Nil	8,093	452,926
	2010	275,000	345,000	104,500	48,558	773,058
	2011	283,250	504,000	124,842	78,121	990,213
David Taylor Vice President Exploration & Business Development	2009	39,167	399,000	Nil	6,925	445,092
	2010	235,000	345,000	94,000	41,550	715,550
	2011	245,000	504,000	144,109	65,917	959,026
Brian Lynam General Manager Trinidad & Tobago	2009	35,875	199,500	Nil	16,143	251,518
	2010	215,250	172,500	86,100	64,575	538,425
	2011	226,000	189,000	84,208	70,625	569,833

Notes:

(1) The Company does not provide long-term non-equity incentive plan compensation, pension plan or share-based awards.

(2) The NEO's commenced employment with the Company on September 29, 2009, with the Company becoming responsible for the first payroll effective November 1, 2009. The annual base salary for Mr. Foo, Mr. Pinsky, Mr. Larson, Mr. Taylor and Mr. Lynam in 2009 was $300,000, $215,000, $275,000, $235,000 and $215,250 respectively.

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

	Option Grant Date		
Assumption	**October 14, 2009**	**November 26, 2010**	**November 11, 2011**
Expected life of Options	3.0 years	3.0 years	3.0 years
Risk-free interest rate	2.08%	1.97%	1.08%
Expected volatility	64%	65%	48%
Expected dividend yield	0%	0%	0%
Grant date fair value per Option	$1.33	$3.45	$2.52

(4) No annual incentive plan bonuses were paid for 2009. Incentive plan bonuses for 2010 were paid in February 2011. Incentive plan bonuses for 2011 were paid in February 2012.

(5) All other cash compensation and perquisites include the value of paid parking and benefits payments equal to 15 per cent of the officer's base salary and foreign travel premium. Mr. Lynam's all other cash compensation and perquisites includes a foreign service premium and location allowance related to his expatriate assignment in Trinidad & Tobago.

(6) Total compensation equals salary plus all other cash compensation and perquisites and the grant date fair value of option based awards.

NEO Incentive Plan Awards

Outstanding Option-based awards(1)
(as at December 31, 2011)

Name	Grant Date	Number of securities underlying unexercised Options (#)	Option exercise price ($/Common Share)	Option expiration date	Value of unexercised in-the-money Options ($)(2)
Wayne Foo	October 14, 2009	300,000	3.04	October 14, 2014	1,179,000
	November 26, 2010	100,000	7.75	November 26, 2015	Nil
	November 11,2011	300,000	7.56	November 11,2016	Nil
Kenneth Pinsky	October 14, 2009	300,000	3.04	October 14, 2014	1,179,000
	November 26, 2010	100,000	7.75	November 26, 2015	Nil
	November 11,2011	200,000	7.56	November 26,2016	Nil
Barry Larson	October 14, 2009	300,000	3.04	October 14, 2014	1,179,000
	November 26, 2010	100,000	7.75	November 26, 2015	Nil
	November 11,2011	200,000	7.56	November 11,2016	Nil
David Taylor	October 14, 2009	300,000	3.04	October 14, 2014	1,179,000
	November 26, 2010	100,000	7.75	November 26, 2015	Nil
	November 11,2011	200,000	7.56	November 11,2016	Nil
Brian Lynam	October 14, 2009	150,000	3.04	October 14, 2014	589,500
	November 26, 2010	50,000	7.75	November 26, 2015	Nil
	November 11,2011	75,000	7.56	November 11,2016	Nil

Notes:

(1) There were no outstanding share-based awards for NEOs as at December 31, 2011.

(2) Based on market value of Common Shares at December 30, 2011 of $6.97.

The following table sets forth for each NEO, the value of option-based awards and share-based awards which vested during the year ended December 31, 2011 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2011.

Name	Option-based awards – Value vested during the year(1) ($)	Share-based awards – Value vested during the year ($)	Non-equity incentive plan compensation – Value earned during the year(2) ($)
Wayne Foo	393,000	N/A	170,711
Kenneth Pinsky	393,000	N/A	153,563
Barry Larson	393,000	N/A	124,842
David Taylor	393,000	N/A	144,109
Brian Lynam	196,500	N/A	84,208

Notes:

(1) Based on market value of Common Shares at December 30, 2011 of $6.97. There were no outstanding share based incentive plan awards for NEOs as at December 31, 2011.

(2) Incentive Plan bonuses for 2011 were paid in February 2012.

Stock Option Plan

The Company has a "rolling" stock option plan (the "**Stock Option Plan**") reserving a maximum of 10% of the issued and outstanding Common Shares for issuance pursuant to Options.

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

Description of the Plan

Eligibility

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

Administration

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

Exercise Price

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

Maximum Percentage of Common Shares Reserved

The aggregate number of Common Shares that may be issued pursuant to the exercise of Options awarded under the Stock Option Plan and all other share compensation arrangements of Parex is 10% of the Common Shares outstanding from time to time, subject to the following limitations:

1. the aggregate number of Common Shares reserved for issuance to any one person under the Stock Option Plan, together with all other share compensation arrangements of Parex, within a 12-month period, must not exceed 5% of the outstanding issue of Common Shares (on a non diluted basis);

2. the aggregate number of Common Shares reserved for issuance to any one insider (as defined in the Stock Option Plan) and such insider's associates pursuant to the Stock Option Plan, together with all other share compensation arrangements of Parex, must not exceed 5% of the outstanding issue of Common Shares;

3. the aggregate number of Common Shares issued to insiders pursuant to the Stock Option Plan, together with all other share compensation arrangements of Parex, within a 12-month period, must not exceed 10% of the outstanding issue of Common Shares;

4. the aggregate number of Common Shares issuable to Insiders pursuant to the Stock Option Plan, together with all other share compensation arrangements, at any time, must not exceed 10% of the issue of Common Shares;

5. the aggregate number of Common Shares reserved for issuance to any one participant employed to provide investor relations activities (as defined in the Stock Option Plan) within a 12-month period, must not exceed 2% of the outstanding issue of Common Shares;

6. the aggregate number of Common Shares reserved for issuance to consultants pursuant to the Stock Option Plan, together with all other share compensation arrangements of Parex, shall not exceed 2% of the outstanding issue of Common Shares; and

7. the aggregate number of Common Shares reserved for issuance to any single consultant under the Stock Option Plan, together with all other share compensation arrangements of Parex, within a 12-month period, shall not exceed 2% of the outstanding issue of Common Shares.

Transferability

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

Term and Vesting

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

Early Expiration

Unless otherwise provided in an agreement evidencing the grant of Options, Options shall terminate at the earlier of: (i) the close of business 90 days after the optionee ceasing (other than by reason of death but including termination with or without cause) to be at least one of an officer, director, employee (in active employment carrying out regular and normal duties), or consultant of Parex or a subsidiary of Parex, as the case may be, (ii) the close of business 90 days after the optionee has been provided with written notice of dismissal related to (i) above; and (iii) the expiry date of the Option. If before the expiry of an Option in accordance with the terms thereof a participant ceases to be an employee, officer, director or consultant by reason of the death of the participant, any unvested portion of such Option shall immediately vest. In addition, such Option may, subject to the terms thereof and any other terms of the Stock Option Plan, be exercised by the legal personal representative(s) of the participant's estate or at any time before 5:00 p.m. (Calgary time) up to one year after the date of death of the participant, or until the expiry date of the Option, if earlier.

Change of Control

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

Voluntary Black-Out Periods

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

Amendments to Options

The Parex Board of Directors may amend or discontinue the Stock Option Plan at any time without the consent of the participants provided that such amendment shall not alter or impair any Option previously granted under the Stock Option Plan except as permitted by the provisions of the Stock Option Plan and that such amendment or discontinuance has been approved, if required, by the TSX. The Parex Board of Directors may, with the approval of the participant, if required, amend the terms of any Option issued pursuant to the Stock Option Plan without approval of shareholders, unless otherwise required by the TSX.

In connection with the listing of the Common Shares on the TSX, the following housekeeping amendments to the Stock Option Plan were approved by the Parex Board of Directors in the year ended December 31, 2011:

- all references to the TSX Venture Exchange were amended to refer to the TSX;
- the definition of "market price" was amended to be the closing trading price per Common Share on the TSX (or if the Common Shares are not listed on the TSX, on such stock exchange as the Common Shares are then traded) on the last trading day preceding: (i) the issuance of news release in respect of the Option grant; or (ii) if a news release is not issued announcing the Option grant, the date of grant, or, if the Common Shares are not listed on any stock exchange, a price determined by the Parex Board of Directors;
- the definition of "Discounted Market Price" and all references in the Stock Option Plan to the discounted market price were deleted; and
- to include a limitation that the aggregate number of Common Shares issuable to Insiders pursuant to the Stock Option Plan, together with all other share compensation arrangements, at any time, must not exceed 10% of the issue of Common Shares.

Termination and Change of Control Benefits and Payments

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

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

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

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

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

Termination Event	Name	Incremental Compensation
Termination Without Cause	Mr. Foo Mr. Pinsky Mr. Larson Mr. Taylor	Retiring allowance equal to the sum of: (i) the Executive's annual base salary; plus (ii) the average of any cash bonuses paid in the two years preceding the termination date; plus (iii) an amount equal to the lesser of fifteen percent of the Executive's annual base salary or $50,000 to compensate for loss of benefits times a multiplier of one (1) times should the Executive's employment be terminated prior to the second anniversary of the effective date of the Employment Agreement, or two (2) times should the Executive's employment be terminated on or following the second anniversary of the effective date. The second anniversary of the effective date of the Employment Agreements for Mr. Foo, Mr. Pinsky, Mr. Larson and Mr. Taylor was November 2, 2011.
	Mr. Lynam	Severance payment of not less than nine (9) months of annual base salary plus an incentive compensation payment as determined by the Company, pro-rated for actual Company service in that calendar year.
Change of Control	Mr. Foo Mr. Pinsky Mr. Larson Mr. Taylor	All applicable incremental payments for Mr. Foo, Mr. Pinsky, Mr. Larson and Mr. Taylor are calculated as specified above for termination without cause.
Triggering Change of Control	Mr. Foo Mr. Pinsky Mr. Larson Mr. Taylor	All applicable incremental payments for Mr. Foo, Mr. Pinsky, Mr. Larson and Mr. Taylor are calculated as specified above for termination without cause, with the additional provision that the multiplier will be two (2) times regardless of the date of termination of employment.
Resignation For Good Reason	Mr. Foo Mr. Pinsky Mr. Larson Mr. Taylor	All applicable incremental payments for Mr. Foo, Mr. Pinsky, Mr. Larson and Mr. Taylor are calculated as specified above for termination without cause.

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

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

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

Estimated Incremental Compensation on Termination Without Cause, Resignation For Good Reason, or Upon a Change of Control (based on hypothetical termination as at December 31, 2011)

			Compensation Components			
Name	**Severance Period (months)**	**2X Annual Base Salary ($)**	**2X Average of Last 2 Incentive Bonus Payments (1) ($)**	**2X Annual Benefits ($)**	**Options ($)(2)**	**TOTAL ($)**
Wayne Foo	24	620,000	320,712	93,000	Nil	1,033,712
Kenneth Pinsky	24	454,000	239,564	68,100	Nil	761,664
Barry Larson	24	566,500	229,342	84,975	Nil	880,817
David Taylor	24	490,000	238,110	73,500	Nil	801,610
Brian Lynam	9	169,500(3)	84,208	N/A	Nil	253,708

Notes:

(1) The annual incentive plan bonuses for 2011 were not paid until February 2012, as previously disclosed in Note (4) to the NEO Summary Compensation Table. However, the 2011 bonus amounts are included in the incentive bonus calculations for the above table based on the assumption that they would have been included in the NEO's incremental compensation should there have been a termination on December 31, 2011 due to termination without cause, resignation for good reason or a change of control. Mr. Lynam's incentive bonus, should there have been a termination on December 31, 2011 due to termination without cause, resignation for good reason or a change of control, would have been as determined by the Company for the year 2011.

(2) Pursuant to the Employment Agreements for Mr. Foo, Mr. Pinsky, Mr. Larson, and Mr. Taylor, if the Executive's employment is terminated by the Company with or without cause, or the Executive elects to terminate his employment for good reason, the Executive may exercise any Options that were vested by the date of termination of employment for up to ninety (90) days following that date or the expiration date of the Options, whichever occurs first. All other Options would be terminated. Pursuant to the Employment Contract for Mr. Lynam, if the Executive's employment is terminated by the Company with or without cause, the Executive may exercise any Options that were vested by the date of termination of employment for up to ninety (90) days following that date or the expiration date of the Options, whichever occurs first. In accordance with the Stock Option Plan, in the event of a change in control of the Company, all unvested Options for each Executive shall vest and all issued and outstanding Options will immediately be exercisable for up to 30 days after the occurrence of such change of control, or at such earlier time as may be established by the Parex Board of Directors. Based on a hypothetical termination as at December 31, 2011 due to a change of control and based on the market value of Common Shares at that date of $6.97, the incremental compensation from Options for each of Mr. Foo, Mr. Pinsky, Mr. Larson and Mr. Taylor would have been $393,000 and for Mr. Lynam it would have been $196,500.

(3) Represents nine months of Mr. Lynam's base salary.

Estimated Incremental Compensation
Upon a Triggering Change of Control
(based on hypothetical termination as at December 31, 2011)

Name	Severance Period (months)	Compensation Components 2X Annual Base Salary ($)	2X Average of Last 2 Incentive Bonus Payments [1] ($)	2X Annual Benefits ($)	Options ($)[2]	TOTAL ($)
Wayne Foo	24	620,000	320,712	93,000	393,000	1,426,712
Kenneth Pinsky	24	454,000	239,564	68,100	393,000	1,154,664
Barry Larson	24	566,500	229,342	84,975	393,000	1,273,817
David Taylor	24	490,000	238,110	73,500	393,000	1,194,610
Brian Lynam	9	169,500 [3]	84,208	N/A	196,500	450,208

Notes:

(1) The annual incentive plan bonuses for 2011 were not paid until February 2012, as previously disclosed in Note (4) to the NEO Summary Compensation Table. However, the 2011 bonus amounts are included in the incentive bonus calculations for the above table, based on the assumption that they would have been included in the NEO's incremental compensation should there have been termination on December 31, 2011 due to a triggering change of control. Mister Lynam's incentive bonus, should there have been a termination on December 31, 2011 due to a triggering change of control, would have been as determined by the Company for the year 2011.

(2) In accordance with the Stock Option Plan, in the event of a change in control of the Company, all unvested Options for each Executive shall vest and all issued and outstanding Options will immediately be exercisable for up to 30 days after the occurrence of such change of control, or at such earlier time as may be established by the Parex Board of Directors. Options calculations are based on the market value of Common Shares at December 31, 2011 of $6.97.

(3) Represents nine months of Mr. Lynam's base salary.

Director Compensation

The Parex Board of Directors put in place a compensation program effective September 29, 2009 and updated the program in 2011 following a review of the Directors Compensation Program by an independent compensation consulting firm, Frances Behan Human Resources Consulting Inc. Directors who are also NEOs are not eligible to receive these payments with respect to their services as directors. The current Directors Compensation Program is as follows:

1. Directors are entitled to the following annual retainers to be paid in cash in quarterly instalments:
   - (a) $25,000 with respect to serving as a director;
   - (b) additional $60,000 with respect to serving as the Chairman of the Parex Board of Directors;
   - (c) additional $5,000 with respect to serving as the Vice-Chairman of the Parex Board of Directors (there was no director serving in this position during 2011);
   - (d) $5,000 with respect to each standing committee of the Parex Board of Directors on which they serve as a member;
   - (e) $7,500 with respect to serving as Chair of the Finance and Audit Committee; and
   - (f) $2,500 with respect to serving as chair of a standing committee of the Parex Board of Directors other than the Finance and Audit Committee.
2. Directors are entitled to a payment of $1,500 for attendance in person or by telephone at each Parex Board of Directors meeting or committee meeting of which they are a member. Where a director is not a committee member, the director

will receive a payment of $1,500 for attending a meeting of such committee, when requested to do so by the committee's chair.

3. Directors are also eligible to receive long-term incentive compensation in the form of participation in the Stock Option Plan. The number of Options granted, if any, is to be reviewed each year by the CG&HR Committee.

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

2011 Independent Director Compensation Table[1]

Name	**Fees earned ($)**	**Option-based awards[2] ($)**	**All other compensation[3] ($)**	**Total ($)**
Norman McIntyre	114,000	151,200	6,300	271,500
Curtis Bartlett	52,500	75,600	Nil	128,100
John Bechtold	70,500	75,600	Nil	146,100
Robert Engbloom	66,500	75,600	Nil	142,100
W.A.(Alf) Peneycad	58,000	75,600	Nil	133,600
Ron Miller	54,000	75,600	Nil	129,600
Paul Wright	61,500	75,600	Nil	137,100

Notes:

(1) The Company does not provide share-based awards, non-equity incentive plan compensation or a pension plan.

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

	Option Grant Date		
Assumption	**October 14, 2009**	**November 26, 2010**	**November 11, 2011**
Expected life of Options	3.0 years	3.0 years	3.0 years
Risk-free interest rate	2.08%	1.97%	1.08%
Expected volatility	64%	65%	48%
Expected dividend yield	0%	0%	0%
Grant date fair value per Option	$1.33	$3.45	$2.52

(3) All other compensation includes the value of paid parking.

Director Fees

Fees were paid to directors in 2011 in accordance with the schedule of annual retainers and meeting fees outlined under "*Director Compensation*" above. The number of meetings attended by each director is outlined under the "*Corporate Governance*" section of this Information Circular.

Incentive Plan Awards – Directors

In accordance with the directors' compensation program, incentive plan awards in the form of Options were provided to directors in 2011. No share-based equity compensation or non-equity incentive bonus compensation were provided.

The intent is for annual Option grants to be awarded late in the calendar year. This timing coincides with the end of the Company's long-term planning cycle and the setting of strategic goals for the upcoming year. On November 11, 2011, 60,000 options were awarded to the Chairman of the Parex Board of Directors and 30,000 options were awarded to each director then serving on the Parex Board of Directors.

The grant date fair value of Options has been calculated using the Black-Scholes methodology. It is the same methodology used by the Company to determine the accounting fair value of the Options, in accordance with International Financial Reporting Standard 2 – Share Based Payments

Outstanding Option-based Awards – Independent Directors(2)
(as at December 31, 2011)

Name	Grant Date	Number of securities underlying unexercised Options (#)	Option exercise price ($)/Common Share	Option expiration date	Value of unexercised in-the-money options ($)(1)
Norman McIntyre	October 14, 2009	75,000	3.04	October 14, 2014	294,750
	November 26, 2010	37,500	7.75	November 26, 2015	Nil
	November 11, 2011	60,000	7.56	November 11, 2016	Nil
Curtis Bartlett	October 14, 2009	50,000	3.04	October 14, 2014	196,500
	November 26, 2010	25,000	7.75	November 26, 2015	Nil
	November 11, 2011	30,000	7.56	November 11, 2016	Nil
John Bechtold	October 14, 2009	50,000	3.04	October 14, 2014	196,500
	November 26, 2010	25,000	7.75	November 26, 2015	Nil
	November 11, 2011	30,000	7.56	November 11, 2016	Nil
Robert Engbloom	October 14, 2009	50,000	3.04	October 14, 2014	196,500
	November 26, 2010	25,000	7.75	November 26, 2015	Nil
	November 11, 2011	30,000	7.56	November 11, 2016	Nil
Ron Miller	October 14, 2009	50,000	3.04	October 14, 2014	196,500
	November 26, 2010	25,000	7.75	November 26, 2015	Nil
	November 11,2011	30,000	7.56	November 11,2016	Nil
W.A.(Alf) Peneycad	October 14, 2009	50,000	3.04	October 14, 2014	196,500
	November 26, 2010	25,000	7.75	November 26, 2015	Nil
	November 11,2011	30,000	7.56	November 11,2016	Nil
Paul Wright	October 14, 2009	50,000	3.04	October 14, 2014	196,500
	November 26, 2010	25,000	7.75	November 26, 2015	Nil
	November 11,2011	30,000	7.56	November 11,2016	Nil

Notes:

(1) Based on the market value of Common Shares at December 30, 2011 of $6.97.

(2) The Company does not provide share based awards.

The following table sets forth for each independent director, the value of option-based awards and share-based awards which vested during the year ended December 31, 2011 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2011.

Name	Option-based awards – Value vested during the year[1] ($)	Share-based awards – Value vested during the year ($)[2]	Non-equity incentive plan compensation – Value earned during the year[3] ($)
Norman McIntyre	98,250	N/A	N/A
Curtis Bartlett	65,501	N/A	N/A
John Bechtold	65,501	N/A	N/A
Robert Engbloom	65,501	N/A	N/A
W.A.(Alf) Peneycad	65,501	N/A	N/A
Ron Miller	65,501	N/A	N/A
Paul Wright	65,501	N/A	N/A

Notes:

(1) Based on market value of Common Shares at December 30, 2011 of $6.97.

(2) The Company does not provide share based awards.

(3) The Company does not provide non-equity incentive plan compensation to independent directors.

Securities Authorized for Issuance Under Equity Compensation Plans

The following sets forth information in respect of securities authorized for issuance under the Company's equity compensation plans as at December 31, 2011. The only equity compensation plan is the Stock Option Plan.

Plan Category	Number of securities to be issued upon exercise of outstanding Options, warrants and rights (a)	Weighted average exercise price of outstanding Options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))[1]
Equity compensation plans approved by security holders	8,288,242	$5.79	2,541,795
Equity compensation plans not approved by security holders	Nil	Nil	Nil
Total	8,288,242	$5.79	2,541,795

Note:

(1) The Stock Option Plan provides for the issuance of Options to a maximum of 10 percent of the issued and outstanding Common Shares of the Company.

CORPORATE GOVERNANCE

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

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

GUIDELINES	COMMENTARY
1. Board of Directors	
(a) Disclose the identity of directors who are independent.	John Bechtold, Curtis Bartlett, Robert Engbloom, Norman McIntyre, Ron Miller, W.A. (Alf) Peneycad and Paul Wright are all independent within the meaning of NI 58-101.
(b) Disclose the identity of directors who are not independent, and describe the	Wayne Foo is not independent as he is the President and Chief Executive Officer of the Company.

GUIDELINES	COMMENTARY	
basis for that determination.		
(c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the Board of Directors does to facilitate its exercise of independent judgement in carrying out its responsibilities.	A majority of the members (seven of the eight members) of the Parex Board of Directors of the Company are independent. On at least an annual basis, the Parex Board of Directors conducts an analysis and makes a determination as to the "independence" of each member of the Parex Board of Directors.	
(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	<u>Name of Director</u>	<u>Name of Other Reporting Issuer</u>
	Curtis Bartlett	none
	John Bechtold	Parkland Fuel Corporation
	Wayne Foo	Pengrowth Energy Corporation
	Norman McIntyre	none
	Ron Miller	none
	Paul Wright	Pan Orient Energy Corp. Brickburn Funds Inc.
	Robert Engbloom	Superior Plus Corp.
	W.A. (Alf) Peneycad	Nimin Energy Canadian Wireless Trust R Split III Corp.
(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the Board of Directors does to facilitate open and candid discussion among its independent directors.	In accordance with the written mandates of the Parex Board of Directors and the Committees, each of the Parex Board of Directors and Committee meetings have scheduled in-camera sessions during which non-independent directors and members of management are not in attendance. The independent directors also hold meetings as required at which non-independent directors and members of management are not in attendance. Since January 1, 2011, ten such meetings have been held. The Finance and Audit Committee and CG&HR Committee and Operations and Reserves Committee of the Parex Board of Directors are all comprised entirely of independent directors.	
(f) Disclose whether or not the chair of the Board of Directors is an independent director. If the Board of Directors has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board of Directors has neither a chair that is independent nor a lead director that is independent, describe what the Board of Directors does to provide leadership for	The chair of the Parex Board of Directors of the Company is an independent director, Mr. Norman McIntyre. The Company has adopted a written description for the Chairman of the Parex Board of Directors detailing the roles and responsibilities of the position which include the following: • Determining the schedules and agendas of the meetings of the Parex Board of Directors and the shareholders; • Enabling the design and implementation of effective committees of the Parex Board of Directors including the selection of members; • Enhancing the Parex Board of Directors effectiveness through guiding the Parex Board of Directors composition and its succession planning, orientation of new directors and annual assessments of the Parex Board of Directors and	

GUIDELINES | **COMMENTARY**

its independent directors.

Committee effectiveness;

- Working with management to provide counsel and guidance regarding the strategic management process and definition of significant business challenges;
- Monitoring and evaluating the performance of the Chief Executive Officer and senior officers of the Company; and
- Facilitating communication between the Parex Board of Directors, management and shareholders.

(g) Disclose the attendance record of each director for all Board of Directors meetings held since the beginning of the issuer's most recently completed financial year.

Name	Board Meetings Attended / Held	Finance and Audit Committee Meetings Attended / Held	CG&HR Committee Meetings Attended / Held	Operations and Reserves Committee Meetings Attended/ Held
Curtis Bartlett(1)	9/10	5/5	n/a	n/a
Wayne Foo	10/10	n/a	n/a	n/a
John Bechtold(2)(3)	10/10	n/a	6/6	5/5
Robert Engbloom(2)(3)	9/10	n/a	6/6	5/5
Paul Wright(1)	10/10	5/5	n/a	n/a
Norman McIntyre(3)	10/10	n/a	n/a	5/5
Ron Miller(1)	10/10	5/5	n/a	n/a
W.A. (Alf) Peneycad(2)	10/10	n/a	6/6	n/a

Notes:

(1) Members of the Finance and Audit Committee.

(2) Members of the CG&HR Committee.

(3) Members of the Operations and Reserves Committee

2. **Board of Directors Mandate** – Disclose the text of the Board of Directors' written mandate. If the Board of Directors does not have a written mandate, describe how the Board of Directors delineates its role and responsibilities.

The mandate of the Parex Board of Directors is attached as Appendix "A" hereto.

3. **Position Descriptions**

(a) Disclose whether or not the Board of Directors has developed written position descriptions for the chair and the chair of each Board of Directors committee. If the Board of Directors has not developed written position descriptions for the chair and/or the chair of each Board of Directors committee, briefly describe how the Board of Directors delineates the role and responsibilities of each such position.

The Parex Board of Directors has developed a written position description for the Chair of the Parex Board of Directors. The Parex Board of Directors has also developed mandates for each of the Committees of the Parex Board of Directors which detail the composition, duties and responsibilities of the Committees. Each of the written mandates provide that the Committee shall appoint one member as Committee Chair who will lead the Committee meetings including determining agendas and schedules of the meetings, meeting with independent external consultants, and reporting Committee activity and recommendations to the Parex Board of Directors as a whole.

GUIDELINES	COMMENTARY
(b) Disclose whether or not the Board of Directors and CEO have developed a written position description for the CEO. If the Board of Directors and CEO have not developed such a position description, briefly describe how the Board of Directors delineates the role and responsibilities of the CEO.	The Parex Board of Directors has also developed a mandate for the CEO which details the duties and responsibilities of the CEO such as the following: • Providing leadership for the day-to-day management and operation of the activities of the Company including the development and implementation of operational policies; • Ensuring the integrity of the Company's internal control and management information systems; • Identifying the principal risks of the business and ensuring the implementation of systems to manage these risks; • Ensuring the Company meets all reporting requirements to the relevant authorities, and to its shareholders; • Developing a corporate organizational structure, related processes for managing employee and senior management performance, compensation and succession planning; • Developing, managing and providing oversight of a communication plan for the Company and acting as the principal spokesperson for the Company; and • Fostering a corporate culture that promotes ethical practices and encourages individual integrity and social responsibility.

4. Orientation and Continuing Education

GUIDELINES	COMMENTARY
(a) Briefly describe what measures the Board of Directors takes to orient new directors regarding (i) the role of the Board of Directors, its committees and its directors, and (ii) the nature and operation of the issuer's business.	The Chairman of the Parex Board of Directors in conjunction with the CG&HR Committee is mandated to facilitate the recruitment of new directors and ensure adequate orientation in order for new directors to fully understand the role the Parex Board of Directors and its Committees play in the organization. All new directors are provided with a comprehensive background of information about the Company and its operations to allow for informed decision making. The Company has an online secure site that provides the directors with regular information about the company. The Company coordinates an annual offsite strategic planning session for all directors and management to review the strategic planning, operations, and organizational development of the Company.
(b) Briefly describe what measures, if any, the Board of Directors takes to provide continuing education for its directors. If the Board of Directors does not provide continuing education, describe how the Board of Directors ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.	All members of the Parex Board of Directors are members of the Institute of Corporate Directors. Four directors, namely Norman McIntyre, Ron Miller, W.A. (Alf) Peneycad, and Paul Wright, have completed the Directors Education program. The Parex Board of Directors has agreed to pay the tuition for any director of the Company who enrols in one of the continuing education programs of the Institute of Corporate Directors. All directors have significant experience in the oil and natural gas industry and the majority are members of professional organizations such as the Association of Professional Engineers, Geologists and Geophysicists of Alberta, the Canadian Institute of Chartered Accountants, the Institute of Chartered Accountants of Alberta, the Law Society of Upper Canada, the Law Society of Alberta and the Canadian Bar Association. Each of those organizations have continuing education standards that apply to their members.

GUIDELINES	COMMENTARY
5. Ethical Business Conduct	
(a) Disclose whether or not the Board of Directors has adopted a written code for the directors, officers and employees. (i) disclose how a person or company may obtain a copy of the code; (ii) describe how the Board of Directors monitors compliance with its code, or if the Board of Directors does not monitor compliance, explain whether and how the Board of Directors satisfies itself regarding compliance with its code; and (iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.	As members of the Institute of Corporate Directors, the directors of the Company subscribe to the statement of ethics of that organization. The Company has had a code of conduct since the inception of the Company in 2009. It was most recently reviewed and amended in November 2011. A copy of the code of conduct can be obtained: • on the Company's website (under the Governance section); • on the Company's SEDAR profile at www.sedar.com; or • upon written request to the Company. The Parex Board of Directors conducts an annual assessment process, a part of which focuses on the ethical business conduct of the Parex Board of Directors and the organization as a whole. The Company has implemented a Whistleblower program throughout the organization. The Company has not filed any material change reports since inception of the Company that pertains to any conduct of a director or executive officer that constitutes a departure from the code of conduct.
(b) Describe any steps the Board of Directors takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.	The members of the Parex Board of Directors and executive officers are required to declare the nature and extent of any material interest in any transactions or agreements and may not vote in relation to any such matter. In certain cases an independent committee may be formed to deliberate on such matters in the absence of the interested party.
(c) Describe any other steps the Board of Directors takes to encourage and promote a culture of ethical business conduct.	The majority of the Parex Board of Directors is comprised of independent directors. In any situation where a potential conflict may arise, directors must disclose such conflict and absent him or herself from consideration of the particular transaction or agreement and voting as a result.
6. Nomination of Directors	
(a) Describe the process by which the Board of Directors identifies new candidates for Board of Directors nomination.	All members of the Parex Board of Directors are encouraged to: • identify skill sets that they deem most important in filling any director vacancies; and • become actively involved in identifying suitable candidates to fill such vacancies.
(b) Disclose whether or not the Board of Directors has a nominating committee composed entirely of independent directors. If the Board of Directors does not have a nominating committee composed entirely of independent directors, describe what steps the Board of Directors takes to encourage an objective nomination process.	The CG&HR Committee of the Parex Board of Directors is comprised entirely of independent directors and is responsible for the functions of a nominating committee

GUIDELINES	COMMENTARY
(c) If the Board of Directors has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.	The CG&HR Committee of the Parex Board of Directors is comprised entirely of independent directors and is responsible for oversight of the Company's Corporate Governance, Board Development, Executive Appointments and Compensation, Human Resources, Stock Option Plan, Disclosures and Performance Assessment functions.
7. Compensation	
(a) Describe the process by which the Board of Directors determines the compensation for the issuer's directors and officers.	The CG&HR Committee of the Parex Board of Directors reviews competitive market data from third-party sources for compensation for directors and officers of the Company and makes recommendations regarding the format and quantum of such compensation to the Parex Board of Directors for approval. As part of this process, external consultants may be engaged by the CG&HR Committee from time to time to conduct a competitive review of and to make specific recommendations on compensation for directors and officers of the Company. See "*Statement of Executive Compensation – Compensation Governance*" in this Information Circular.
(b) Disclose whether or not the Board of Directors has a compensation committee composed entirely of independent directors. If the Board of Directors does not have a compensation committee composed entirely of independent directors, describe what steps the Board of Directors takes to ensure an objective process for determining such compensation.	The CG&HR Committee of the Parex Board of Directors is comprised entirely of independent directors and is responsible for the functions of a compensation committee. See "*Statement of Executive Compensation – Compensation Governance*" in this Information Circular.
(c) If the Board of Directors has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.	The CG&HR Committee of the Parex Board of Directors is comprised entirely of independent directors and is responsible for oversight of the Company's Corporate Governance, Board Development, Executive Appointments and Compensation, Human Resources, Stock Option Plan, Disclosures and Performance Assessment functions. See "*Statement of Executive Compensation – Compensation Governance*" in this Information Circular.
8. Other Board of Directors Committees – If the Board of Directors has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.	The Company has established an Operations and Reserves Committee comprised entirely of independent directors, in accordance with National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**") guidelines. This Committee is responsible for: • assisting Management in fulfilling its responsibilities under NI 51-101 with respect to the oil and natural gas reserves evaluation process; • reviewing any public disclosure and regulatory filings with respect to any reserves evaluation and related oil and natural gas activities; • acting as the steward of the Company's operational performance; • reviewing the Company's operating, development and portfolio management strategies, capital allocation, budgeting and forecasting and ensuring that the Company has in place an adequate process to review all material capital investments; and • ensuring the adequacy of the Company's Health, Safety and Environmental emergency response policies, plans, reporting and resources.

GUIDELINES	COMMENTARY
9. **Assessments** – Disclose whether or not the Board of Directors, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board of Directors satisfies itself that the Board of Directors, its committees, and its individual directors are performing effectively.	The CG&HR Committee, in conjunction with the Chairman of the Parex Board of Directors, has responsibility for assessing the performance of the Parex Board of Directors as a whole, the Committees of the Parex Board of Directors and the individual directors. In January 2011, the Parex Board of Directors engaged an external consultant to conduct a Parex Board of Directors assessment review process. The consultant assembled input from each director on an independent and anonymous basis and prepared a report summarizing the information regarding specific areas the Parex Board of Directors felt could be improved to ensure continued effectiveness of the Parex Board of Directors, its Committees and the individual directors. The small size of the Parex Board of Directors allows for significant and consistent communication amongst the directors and management with respect to matters of effectiveness.

INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

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

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

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

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

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

OTHER MATTERS COMING BEFORE THE MEETING

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

ADDITIONAL INFORMATION

Additional information respecting the Company is available on SEDAR at www.sedar.com. Financial information respecting the Company is provided in the Company's comparative annual financial statements and management's discussion and analysis for its most recently completed financial year. Shareholders can access this information on SEDAR or by request to the Chief Financial Officer of the Company at 1900, 250 - 2nd Street S.W., Calgary, Alberta, T2P 0C1 or Fax (403) 265-8216.

APPENDIX "A"

MANDATE OF THE BOARD OF DIRECTORS

1. Purpose of the Mandate of the Board of Directors

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

2. Purpose of the Board of Directors

a) The primary responsibility of the Board of Directors (the "**Board**") is to foster the long-term success of the Corporation consistent with the Board's responsibilities to the shareholders.

b) The Board has the responsibility to oversee the conduct of the business of the Corporation and to oversee Management which is responsible for the day-to-day conduct of business. In performing its functions, the Board also considers the legitimate interests which other stakeholders such as employees, regulators, surface rights owners, aboriginals, industry associations, suppliers, customers and communities may have in the Corporation. In overseeing the conduct of the business, the Board, through the Chief Executive Officer, shall set the standards of conduct for the Corporation.

c) The Board has the statutory authority and obligation to protect and enhance the assets of the Corporation, and the Directors are charged with protecting the interests of all shareholders, both present and future, of the Corporation.

3. General Legal Obligations of the Board

a) Alberta law identifies the following as legal requirements for the Board:

  i) To oversee the management of the business and affairs of the Corporation.

  ii) To act honestly and in good faith with a view to the best interests of the Corporation.

  iii) To exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

b) The Board is responsible for directing Management to ensure that legal requirements have been met, and that documents and records have been properly prepared, approved and maintained.

4. Procedures and Organization

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

a) The Board retains the responsibility for managing its own affairs including:

  i) Selecting the Chair, or an acting Chair, if the Chair is absent from the meeting.

  ii) Nominating candidates for election to the Board.

  iii) Constituting committees to the Board.

  iv) Recommending director compensation.

b) Subject to the Articles of the Corporation and the *Business Corporations Act* (Alberta), the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

5. Expectations of Management

a) The Board expects management to work diligently towards enhancing the Corporation's performance by ensuring that existing operations are managed prudently and that new business development opportunities are sought.

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

6. Board Size

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

7. Independence

a) In that the Board must develop and voice objective judgment on corporate affairs, independently of Management, practices promoting Board independence will be pursued. This includes constituting the Board with a majority of independent directors (as defined in National Instrument 52-110 – Audit Committees). Certain tasks suited to independent judgments will be delegated to specialized Board Committees that are comprised mainly of independent Directors wherever possible. The Board will develop broad standards to determine whether Directors are independent. The Board will disclose both the standards and the annual determinations as required by law.

b) The Board will be responsible for having the independent directors conduct a session without the presence of Management at all regularly scheduled Board meetings.

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

8. Nomination

a) The Board shall, prior to nominating any directors on behalf of the Corporation:

   i) Consider what competencies and skills the Board, as a whole, should possess; and

   ii) Assess what competencies and skills each existing director possesses.

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

9. Duties and Responsibilities

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

a) Selection of Management & Succession Planning

The Board has the responsibility to:

(1) Appoint and replace the Chief Executive Officer ("CEO"), to monitor CEO performance, to approve CEO compensation and to provide advice and counsel to the CEO in the execution of the CEO's duties.

(2) Be responsible for plans being made for management succession and development.

b) **Oversight of Management**

i) Assess each Officer's contribution to the implementation and achievement of the Corporation's strategic plan measured by performance against objectives established by the Board.

ii) Establish a formal process for determining the Officers' compensation, in part, by using established criteria and objectives for measuring performance.

iii) Acting upon the advice of the CEO, and the recommendation of the Corporate Governance, Compensation and Human Resources Committee, the Board has the responsibility to approve the appointment and remuneration of all corporate officers.

c) **Strategic Operating and Capital Plans**

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

The Board has the responsibility to:

(1) Oversee the development and approval of the mission of the Corporation.

(2) Review, with Management, and approve the strategic plan for the Corporation.

(3) Approve the annual operating and capital plans and budgets.

(4) Approve material or significant acquisitions.

(5) Review progress in respect to the achievement of the goals and objectives established in the strategic, operating and capital plans.

(6) Be responsible for Management ensuring it has identified the principal risks of the Corporation's business and has taken reasonable steps to ensure that Management has implemented appropriate systems to effectively monitor and manage these risks with a view to the long-term viability of the Corporation and its assets, and that it conduct an annual review of the associated risks.

(7) Be responsible for congruence between the strategic plan, stakeholder expectations and Management's performance.

d) **Policies and Procedures**

The Board has the responsibility to:

(1) Approve and monitor compliance with all significant policies and procedures which govern the Corporation's operations.

(2) Direct Management to implement systems which are designed to ensure that the Corporation operates at all times within applicable laws and regulations, and to the highest ethical, social and moral standards.

e) **Monitoring and Acting**

The Board has the responsibility to:

(1) Monitor the Corporation's progress towards its goals and objectives, and to revise and alter its direction through Management in light of changing circumstances.

(2) Approve any payment of dividends and new financings.

(3) Direct Management to ensure systems are in place for the implementation and integrity of the Corporation's internal control and management information systems.

(4) Be responsible for having an audit process in place for the Corporation, which can inform the Board of the integrity of the financial data and compliance of the financial information with generally accepted accounting principles.

(5) Implement adequate measures for receiving feedback from the Corporation's stakeholders.

f) **Compliance Reporting and Corporate Communications**

The Board has the responsibility to:

(1) Oversee that the financial performance of the Corporation is adequately reported to shareholders, other security holders and regulators on a timely and regular basis.

(2) Oversee that the Corporation's financial results are reported fairly and in accordance with generally accepted accounting principles.

(3) Oversee that procedures are in place to effect the timely reporting of any other developments that have a significant and material impact on the value of the Corporation.

(4) Oversee that the corporate oil and gas reserve report fairly represents the quantity and value of corporate reserves in accordance with generally accepted engineering principles.

(5) Report annually to shareholders on the Board's stewardship for the preceding year (the Annual Report).

(6) Oversee that the Corporation has in place a policy to enable the Corporation to communicate effectively with its shareholders and the public generally.

10. Meetings

a) The Board shall meet at least once in each fiscal quarter, either in person or by round robin. Additional meetings can be scheduled as required, at the discretion of the Board. Each director has a responsibility to attend and participate in Board meetings. Telephonic attendance is permissible with approval from the Chairman.

b) At each Board meeting, there shall be a private session of the independent directors from which the non-independent directors will be excused.

11. Legal Requirements

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

12. Mandate Review

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