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 22, 2013

INFORMATION CIRCULAR DATED APRIL 4, 2013

PAREX RESOURCES INC.
NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 22, 2013

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 Livingston Club, Plus 15 level of the Livingston Building South Tower, 222-3rd Avenue S.W., Calgary, AB T2P 0B4 on May 22, 2013 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, 2012, 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 approving a restricted share unit plan for the Company and ratifying the grant of restricted share units pursuant to the restricted share unit plan; 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 4, 2013 (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 SW, 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, 2013.

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 22, 2013

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 Livingston Club, Plus 15 level of the Livingston Building South Tower, 222-3rd Avenue S.W., Calgary, AB T2P 0B4 on May 22, 2013 at 10:30 a.m. (Calgary time), and any adjournment or adjournments thereof for the purposes set forth in the accompanying Notice of Annual General and Special Meeting. Only shareholders of record on April 4, 2013 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, 2013. **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 SW, 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. See also "*Voting by Internet*" in this Information Circular.

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 SW, 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. See also "*Voting by Internet*" in this Information Circular. 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 Annual General and Special Meeting and this Information Circular will be borne by Parex. In addition to solicitation by mail, proxies may be solicited by personal interviews, telephone or by other means of communication and by directors and officers of Parex, who will not be specifically remunerated therefor. While no arrangements have been made to date by Parex, Parex may contract for the distribution and solicitation of proxies for the Meeting. The costs incurred by Parex in soliciting proxies will be paid by Parex.

Exercise of Discretion by Proxy

The Common Shares represented by the instrument of proxy enclosed with this Notice of Annual General and Special Meeting and this Information Circular will be voted for or against or withheld from voting on any ballot that may be called for in accordance with the instructions of the shareholder, but if no specification is made, they will be voted in favour of the matters set forth in the proxy. If any amendments or variations are proposed at the Meeting or any adjournment thereof to matters set forth in the proxy and described in the accompanying Notice of Annual General and Special Meeting and this Information Circular, or if any other matters properly come before the Meeting or any 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 17, 2013 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.**

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

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

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 4, 2013, there were 108,513,751 Common Shares issued and outstanding and outstanding stock options ("**Options**") to purchase 9,487,052 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 4, 2013.

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, 2012 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 Directors' 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 Directors' 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 (8) 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(9)	Number of Common Shares Beneficially Owned or Controlled or Directed	Principal Occupation (for last 5 years)
Norman McIntyre(3)(4) 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.

Name, Province and Country of Residence	Offices Held and Time as Director or Officer[9]	Number of Common Shares Beneficially Owned or Controlled or Directed	Principal Occupation (for last 5 years)
Curtis Bartlett [1][5] Alberta, Canada	Director since September 29, 2009	139,815	Co-founder and Partner at Lorem Partners, a private equity investment firm. Over 20 years of experience as an entrepreneur and private equity investor. Director of several private companies.
John Bechtold[2][3] 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 40 years of broad oil, gas and energy related experience. He served at Petro-Canada from 1977 until retirement in a number of leadership roles. Following retirement he has also served on the Board of Directors of the British Columbia Oil & Gas Commission which regulates oil and natural gas activity in that province.
Robert Engbloom, Q.C. [2][3] 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[6] Alberta, Canada	Director since August 28, 2009	2,070,702	Currently President and Chief Executive Officer of Parex. President and Chief Executive Officer of Dominion Energy Canada Ltd. from 1998 to October 2002, and then Consultant to March 2003. Director of Pengrowth Energy Corporation.
Ron Miller [1][7] Alberta, Canada	Director since September 29, 2009	1,341,020	Co-founder and Partner of Lorem Partners, a private equity investment firm. Director of several private companies. Member of the Institute of Corporate Directors having completed the Directors Education Program.
W.A. (Alf) Peneycad[2][8] Alberta, Canada	Director since September 29, 2009	417,532	Independent Businessman since 2006. Previously Vice President, General Counsel and Chief Compliance Officer for Petro-Canada from 2003 to 2006. Vice President, General Counsel and Corporate Secretary of Petro-Canada prior to 2003. Director for several other Canadian public companies including NiMin Energy Corp., Canadian Wireless Trust, and R Split III Corp. where he holds positions on the Audit and Finance, Corporate Governance and Human Resource Committees. Member of the Institute of Corporate Directors having completed the Directors Education Program.
Paul Wright[1] 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) Includes 530,520 Common Shares held in a joint account with Mr. McIntyre's spouse.

(5) Does not include 2,161,653 Common Shares which are held pursuant to trust arrangements by MHI Energy Advisory Inc. ("**MHI**"). Mr. Bartlett is the President of MHI and in that capacity controls and directs the Common Shares held by MHI.

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

(7) Includes (i) 1,290,745 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) 50,275 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.

(8) Includes 267,495 Common Shares held by Mr. Peneycad's spouse and daughters.

(9) 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, 2013, the directors and executive officers of the Company, as a group, beneficially owned or controlled or directed, directly or indirectly, 8,696,430 Common Shares constituting approximately 8.1 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 two fiscal years, that is required to be disclosed in accordance with National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators is contained in the Company's annual information form for the year ended December 31, 2012, an electronic copy of which is available on the internet on the Company's SEDAR profile at www.sedar.com.

Approval of Restricted Share Unit Plan

On October 16, 2012, the Parex Board of Directors approved the adoption by Parex of a restricted share unit plan (the "**RSU Plan**"). The RSU Plan allows the Parex Board of Directors to grant restricted share units ("**RSUs**"), each of which is a unit that is equivalent in value to a Common Share and that upon vesting and exercise results in the holder thereof being issued a Common Share for a nominal exercise price. As the RSU Plan is a security based compensation arrangement, approval from Shareholders will be sought at the Meeting to ratify the approval of the RSU Plan and the granting of RSUs in accordance with the RSU Plan. If Shareholder approval of the RSU Plan is not obtained at the Meeting, the RSU Plan will be of no effect.

Purpose of the Plan

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

The Parex Board of Directors may grant RSUs to a director, officer or employee of, or a person or company engaged by one or more of the entities comprising the Parex Group to provide services for payment for an initial, renewable or extended period intended to be twelve months or more (collectively, "**Service Providers**").

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

Administration of the Plan

The Parex Board of Directors administers the RSU Plan. Among other things, the Parex Board of Directors has the authority to: (a) determine the individuals to whom RSUs may be granted; and (b) grant RSUs on such terms and conditions as it determines including, without limitation: the time or times at which RSUs may be granted; the time or times when each RSU shall vest and the term of each RSU; whether restrictions or limitations are to be imposed on the Common Shares issued pursuant to an RSU and the nature of such restrictions or limitations, if any; any acceleration or waiver of termination or forfeiture regarding any RSU; in each case, based on such factors as the Parex Board of Directors may determine appropriate, in its sole discretion. In addition, the Parex Board of Directors has the discretion to determine which Service Providers will be eligible to participate in the RSU Plan (each such Service Provider a "**Participant**"). The Parex Board of Directors may delegate to a committee (the "**Committee**") of the Parex Board of Directors all or any of the powers conferred on the Parex Board of Directors under the RSU Plan. The Parex Board of Directors or the Committee may also delegate or sub-delegate to any director or officer of the Company the whole or any part of the administration of the RSU Plan.

Limits on Issuances

The RSU Plan provides that:

(a) the maximum number of Common Shares issuable pursuant to outstanding RSUs at any time shall be limited to 10% of the aggregate number of issued and outstanding Common Shares, provided that the maximum number of Common Shares issuable pursuant to outstanding RSUs and all other security based compensation arrangements (as defined in the TSX Company Manual), shall not exceed 10% of the Common Shares outstanding from time to time;

(b) the number of Common Shares reserved for issuance to any one Participant under all security based compensation arrangements will not exceed 5.0% of the issued and outstanding Common Shares;

(c) the number of Common Shares issuable to insiders, at any time, under all security based compensation arrangements, shall not exceed 10.0% of the issued and outstanding Common Shares;

(d) the number of Common Shares issued to insiders, within any one year period, under all security based compensation arrangements, shall not exceed 10.0% of the issued and outstanding Common Shares; and

(e) the number of Common Shares issued to non-management directors is limited to the lesser of:

(i) 1.0% of the issued and outstanding Common Shares, in aggregate, for all non-management directors; and

(ii) (A) an annual equity award value for each non-management director other than the Chairman of the Parex Board of Directors of $100,000; and (B) an annual equity award value for the Chairman of the Parex Board of Directors of $150,000, with the value of each RSU calculated at the Grant Date (as defined below).

A grant of RSUs is made, and the number of such RSUs granted is credited to each Service Provider's account (the "**Participant's Account**"), effective as of a particular date determined by the Parex Board of Directors (the "**Grant Date**"). The number of RSUs to be offered to each Participant is determined by the Parex Board of Directors, or the Committee delegated by the Parex Board of Directors to do so. The Parex Board of Directors or the Committee may, in its sole discretion, determine: (a) the time during which RSUs shall vest and whether there shall be any other conditions or performance criteria to vesting; (b) the method of vesting; or (c) that no vesting restriction shall exist. In the absence of any determination by the Parex Board of Directors or the Committee to the contrary, RSUs will vest and be exercisable as to one-third of the total number of RSUs granted on each of the first, second and third anniversaries of the Grant Date (computed in each case to the nearest whole Common Share). Notwithstanding the foregoing, the Parex Board of Directors or the Committee may, at its sole discretion at any time or in the agreement in respect of any RSUs granted, accelerate or provide for the acceleration of vesting of RSUs previously granted. Except as required by law, the rights of a Participant under the RSU Plan are not capable of being assigned, transferred, alienated, sold, encumbered, pledged, mortgaged or charged and are not capable of being subject to attachment or legal process for the payment of any debts or obligations of the Participant.

Term of RSUs

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

Notwithstanding the preceding paragraph, if a Participant ceases to be a director or officer of or be in the employ of, or a consultant or other Service Provider to, any of the entities comprising the Parex Group due to the death of the Participant, any unvested grants respecting RSUs in the deceased Participant's Account effective as at the time of the Participant's death are deemed to have vested immediately prior to the Forfeiture Date with the result that the deceased Participant shall not forfeit any unvested grants respecting RSUs.

If Common Shares may not be issued pursuant to any RSUs due to any Black-Out Period (as defined below) at any time within the three business day period prior to the normal expiry date of such RSUs (the "**Restricted RSUs**"), the expiry date of the Restricted RSUs is extended for a period of seven business days following the end of the Black-Out Period (or such longer period as permitted by the Toronto Stock Exchange (the "**TSX**") and approved by the Parex Board of Directors or the Committee). For the purposes of the RSU Plan, "**Black-Out Period**" means the period of time when, pursuant to any policies of the Company, any securities of the Company may not be traded by certain persons as designated by the Company, including any Participant that holds an RSU.

Exercise of RSUs

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

Adjustments in Connection with an Alteration of the Common Shares

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

Adjustment in Connection with Certain Corporate Events

Except in the case of a transaction that is a Change of Control (as defined below), in the event of the sale by the Company of all or substantially all of the property and assets of the Company as an entirety (an "**Asset Sale**") prior to the expiry date of an RSU, such RSU may be exercised, as to all or any of the Common Shares in respect of which such RSU has not previously been exercised (including in respect of the right to purchase Common Shares not otherwise vested at such time) by the Participant (the "**Sale Acceleration Right**"). The Sale Acceleration Right shall commence at such time as determined by the Parex Board of Directors, provided that if the Parex Board of Directors approves the Sale Acceleration Right but does not determine commencement and termination dates regarding same, the Sale Acceleration Right shall commence on the day following the closing of the Asset Sale and end on the earlier of the expiry time of the RSU and the thirtieth day following the closing of the Asset Sale. Notwithstanding the foregoing, the Sale Acceleration Right may be extended for such longer period as the Parex Board of Directors may resolve.

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

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

Change of Control

Notwithstanding any other provision in the RSU Plan or the terms of any RSU agreement, in the event of a Change of Control occurring, if so approved by the Parex Board of Directors or the Committee, all RSUs which have not otherwise vested in accordance with their terms shall immediately vest and be exercisable, notwithstanding the other terms of the RSUs for a period of time ending on the earlier of the expiry time of the RSU and the thirtieth day following the change of control.

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

Amendment or Discontinuance of the RSU Plan

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

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

Prior Grants of RSUs

Since the Parex Board of Directors approved the adoption by Parex of the RSU Plan, an aggregate of 265,100 RSUs (which are exercisable for an aggregate of 265,100 Common Shares) have been granted to directors, officers and executives, employees and other eligible Service Providers of the Parex Group (collectively, the "**Prior RSU Grants**"). Of the 265,100 RSUs, 37,500 were granted to directors, 98,000 were granted to officers and executives, 129,600 were granted to employees and none were granted to other eligible Service Providers of the Parex Group.

Accordingly, at the Meeting, the following ordinary resolution will be presented:

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

1. subject to the approval of TSX, the RSU Plan and the Prior RSU Grants, each as described under the heading "*Matters to be Acted Upon at the Meeting – Approval of Restricted Share Unit Plan*" in this Information Circular are hereby ratified, approved and confirmed;

2. the Parex Board of Directors or the Committee are hereby authorized to grant RSUs pursuant to the RSU Plan to those eligible to receive RSUs thereunder;

3. any one officer or director of Parex be and is hereby authorized to execute and deliver all such agreements and documents, whether under the corporate seal or otherwise, and to take all action, as such officer or director shall deem necessary or appropriate to give effect to the foregoing resolutions; and

4. notwithstanding that this resolution has been duly passed by the Shareholders, the directors of Parex are hereby authorized and empowered to revoke this resolution, without any further approval of the Shareholders, 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.

It is the intention of the persons named in the instruments of proxy, if not expressly directed otherwise in such instruments of proxy, to vote such proxies FOR the ordinary resolution approving the RSU Plan.

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

Compensation Discussion and Analysis

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.

Key Components

The key components of the executive compensation program are base salary, incentive bonus, Options and RSUs. Fixed annual base salary compensates Executives for the roles they perform and provides a competitive foundation for each Executive's total compensation. Annual variable compensation in the form of a cash incentive bonus is intended to motivate and reward the accomplishment of specific business and operating objectives within a one-year time period. Long-term at-risk compensation, which is provided in the form of Options and RSUs, focuses Executives' performance on long-term strategic priorities, the creation of shareholder value and acts to link executive and shareholder interests. In addition to these key components, the Company provides group benefits on a competitive level with peer comparator companies. Perquisites are also provided to Executives in the form of taxable paid monthly parking. 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 2012, the Company used the 2012 Mercer Total Compensation Survey, a third-party compensation survey used to compare pay levels and practices across the Canadian energy industry and the 2012 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 advise on long-term incentive plan alternatives for Parex and the design and implementation of the RSU Plan, consistent with competitive practice. Total compensation is targeted to be comparable to above-median compensation when actual overall executive and corporate performance is exceptional and/or exceeds objectives. When overall executive and corporate performance is below satisfactory or falls short of threshold objectives, total compensation is targeted to be below the median of the peer comparator group.

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.

Comparator Group

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 2012, the peer comparator group consisted of companies in the 2012 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 2012 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 Stock Option Plan (as defined herein) and the RSU Plan are designed such that Options and RSUs 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 a minimum threshold for performance is not met, there will be a zero bonus payout for that element;
- recommendations for annual bonus payments are reviewed by the CG&HR Committee for recommendation to the Parex Board of Directors for approval, 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 and RSUs).

Position	**Fixed Compensation Base Salary (% of Total Compensation)**	**At-Risk Compensation Incentive Bonus/Long-Term Incentives (% of Total Compensation)**
Executives	35% - 45%	55% - 65%

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 Colombia, which is set at 40 percent of base salary.

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

Position	Performance Weighting Corporate/Individual	Target Incentive Bonus (% Base Salary)	Incentive Bonus Range (Payment as % of Target Incentive Bonus) 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 Colombia	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 and RSUs.

Options

The Stock Option Plan is administered by the Parex Board of Directors. For a summary of the Stock Option Plan see "*Statement of Executive Compensation - Stock Option Plan*" in this Information Circular. Under the Stock Option Plan, grants to Executives other than the CEO are recommended by the CEO, reviewed by the CG&HR Committee and approved by the Parex Board of Directors. The Parex Board of Directors approves Option grants for the CEO, upon the recommendation of the CG&HR Committee. As of the date hereof, Options to purchase an aggregate of 9,487,052 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 the timing of annual Option grant awards to coincide with the Company's long-term planning cycle and approval of strategic goals for the near and longer term. 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. In 2012, updated strategic goals for the Company were approved in late June, 2012. Options were awarded to the Executives and all qualifying employees on August 16, 2012.

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, provided that the maximum number of Common Shares issuable pursuant to outstanding Options and all other security based compensation arrangements (as defined in the TSX Company Manual), shall not exceed 10% of the Common Shares outstanding from time to time. 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.

RSUs

The RSU Plan is administered by the Parex Board of Directors or a committee thereof. For a summary of the RSU Plan see "*Matters to be Acted Upon at the Meeting – Approval of Restricted Share Unit Plan*" in this Information Circular. Under the RSU 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 RSU grants for the CEO, upon the recommendation of the CG&HR Committee. As of the date hereof, 265,100 RSUs exercisable for an aggregate of 265,100 Common Shares are issued and outstanding. Any grant of RSUs is subject to the restrictions of the RSU Plan.

The intent is for the timing of annual RSU grant awards to coincide with the Company's long-term planning cycle and approval of strategic goals for the near and longer term. 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. In 2012, updated strategic goals for the Company were approved in late June, 2012. The RSU Plan was approved by the Parex Board of Directors on October 16, 2012 and RSUs were awarded to the Executives and all qualifying employees on October 19, 2012.

The number of RSUs granted to Executives takes into consideration Company and individual performance as well as the mix of all elements of the Executive's compensation. When setting grant levels, the Company considers competitive market information on RSUs and other forms of long-term incentives. In addition, the RSU Plan's dilutive impact on shareholders and numbers of Common Shares available for issuance are factored into the determination of RSU grant levels. The target annual RSU grant is calculated as the amount required, in addition to base salary and incentive bonus (using the expected value of the RSU 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 RSU Plan provides for the issuance of RSUs to a maximum of 10 percent of the issued and outstanding Common Shares of the Company, provided that the maximum number of Common Shares issuable pursuant to outstanding RSUs and all other security based compensation arrangements (as defined in the TSX Company Manual), shall not exceed 10% of the Common Shares outstanding from time to time. Grant values are determined using the Black-Scholes methodology.

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 2012 were approved in November 2011 for each of the performance areas. These goals included reserve additions, 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 of Parkland Fuel Corporation, an independent marketer of fuels across Canada, Mr. Bechtold brings over 40 years of broad oil, gas and energy related experience. He served at Petro-Canada from 1977 until retirement in a number of leadership roles. Following retirement he has also served on the Board of Directors of the British Columbia Oil & Gas Commission which regulates oil and natural gas activity in that province.
Robert Engbloom, Q.C. 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. Previously Vice President, General Counsel and Chief Compliance Officer for Petro-Canada from 2003 to 2006. Vice President, General Counsel and Corporate Secretary of Petro-Canada prior to 2003. Director for several other Canadian public companies including NiMin Energy Corp., Canadian Wireless Trust, and R Split III Corp. where he holds positions on the Audit and Finance, Corporate Governance and Human Resource Committees. Member of the Institute of Corporate Directors having completed the Directors Education Program.

Mandate of the CG&HR Committee

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

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

Compensation Consultants

Consultant	Date Retained	Mandate	Executive Compensation-Related Fees (includes GST)
Lane Caputo Compensation Inc. ("**Lane Caputo**")	May 2, 2012	Advise on long-term incentive plan alternatives for Parex and the design and implementation of a proposed RSU plan, consistent with competitive practice.	$12,285

The CG&HR Committee directed Management to retain Lane Caputo for the above noted review of long-term incentive plan alternatives and advice on the design and implementation of a proposed RSU plan. Lane Caputo was retained in 2011 to review Parex's proposed 2011 annual Option grants against competitive market practice and institutional investor analysis, and analysis of the Stock Option Plan against institutional investor guidelines and was paid an executive compensation related fee of $9,240. Lane Caputo was not retained in 2010.

Parex participated in the Lane Caputo 2010, 2011 and 2012 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, and $3,325 for the 2012 survey, 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, Options or RSUs where such person does not own or has not fully paid for the securities being sold (i.e. a "short sale").

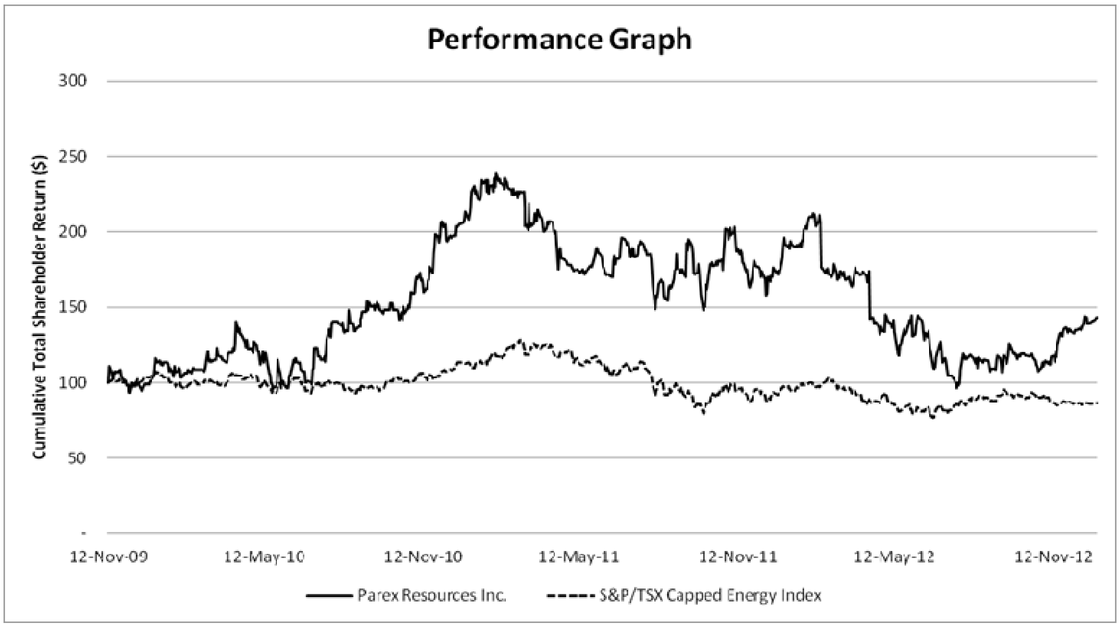
Parex also strongly discourages executives or directors from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of Parex equity securities 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.

Changes to Executive Compensation

At this time, the Company is considering potential changes to its long-term incentive compensation policies and practices for 2013, with a focus on key employees below the NEO level.

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 31, 2012. 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.



	11/12/2009	12/31/2009	12/31/2010	12/31/2011	12/31/2012
Parex	100	101	214	172	143
S&P/TSX Capped Energy Index	100	104	113	94	87

If a $100 was invested in the Common Shares on November 12, 2009, it would have resulted in a cumulative shareholder return of 43% on December 31, 2012. 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 13%

From November 12, 2009 to December 31, 2012, the total compensation paid to the four Parex NEO's who joined Parex in 2009, as reported in the NEO Summary Compensation Table in this document, decreased by 4.8%. 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 four NEO's joined the Parex payroll in order to accurately compare total compensation for 2009 against 2010, 2011 and 2012. The fifth NEO included in the NEO Summary Compensation Table in this Information Circular joined Parex in 2011.

The decrease in NEO total compensation has been largely due to the significant decrease from 2010 to 2012 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 2012 as compared to 2010 has decreased consistent with the decrease in Parex' Common Share price, as Black-Scholes methodology will calculate a lower value per option for a lower Common Share price, all other assumptions remaining equal.

NEO Summary Compensation Table[1]

Name and principal position	Year	Salary ($)	Share-based awards ($)[2]	Option-based awards ($)[3]	Non-equity incentive plan compensation ($) Annual incentive plans[4]	All other cash compensation and perquisites[5] ($)	Total compensation[6] ($)
Wayne Foo President and Chief Executive Officer	2010 2011 2012	300,000 310,000 325,000	- - 236,000	345,000 756,000 140,400	150,000 170,711 227,760	52,308 82,225 92,891	847,308 1,318,936 1,022,051
Kenneth Pinsky Chief Financial Officer and Corporate Secretary	2010 2011 2012	215,000 227,000 245,000	- - 56,640	345,000 504,000 140,400	86,000 153,563 142,713	38,550 49,808 56,933	684,550 934,371 641,686
Barry Larson Chief Operating Officer	2010 2011 2012	275,000 283,250 295,000	- - 56,640	345,000 504,000 140,400	104,500 124,842 171,838	48,558 78,121 84,008	773,058 990,213 747,886
David Taylor Executive Vice President Exploration & Business Development	2010 2011 2012	235,000 245,000 255,000	- - 56,640	345,000 504,000 140,400	94,000 144,109 148,538	41,550 65,917 70,475	715,550 959,026 671,053
Lee DiStefano [7] President Parex Colombia	2010 2011 2012	N/A 181,729 261,140	- - 28,320	N/A 707,000 156,000	N/A 78,170 127,697	N/A 90,865 130,570	N/A 1,057,764 703,727

Notes:

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

(2) The grant date fair value of share-based awards (RSUs) 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 RSUs, in accordance with International Financial Reporting Standard 2 – Share Based Payments. The following assumptions were used for calculating the grant date fair value of Share-based awards granted to the NEOs:

Assumption	RSU Grant Date October 19, 2012
Expected life of RSUs	3.0 years
Risk-free interest rate	1.20%
Expected volatility	50%
Expected dividend yield	0%
Grant date fair value per RSU	$4.72

(3) The grant date fair value of option-based awards (Options) 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:

Assumption	November 26, 2010	April 22, 2011	November 11, 2011	August 16, 2012
	Option Grant Date			
Expected life of Options	3.0 years	3.0 years	3.0 years	3.0 years
Risk-free interest rate	1.97%	1.83%	1.08%	1.16%
Expected volatility	65%	58%	48%	51%
Expected dividend yield	0%	0%	0%	0%
Grant date fair value per Option	$3.45	$2.96	$2.52	$1.56

(4) Incentive plan bonuses for 2010 were paid in February 2011. Incentive plan bonuses for 2011 were paid in February 2012. Incentive plan bonuses for 2012 were paid in February 2013.

(5) All other cash compensation and perquisites for Mr. Foo, Mr. Pinsky, Mr. Larson and Mr. Taylor include the value of paid parking and benefits payments equal to 15 per cent of the officer's base salary and foreign travel premium. The foreign travel premium is based on the actual amount of international business trips conducted each year by the NEO and is only paid if a certain minimum threshold of number of days is reached each year. All other cash compensation and perquisites for Mr. DiStefano include benefits payments equal to 20% of his base salary and a foreign service premium and location allowance related to his expatriate assignment in Colombia.

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

(7) Mr. DiStefano commenced employment with Parex on April 8, 2011. Mr. DiStefano's new hire Option grant date was April 22, 2011. His salary, annual incentive plan and all other cash compensation and perquisites are paid in $US but for purposes of this table, they have been converted to $CAN using average foreign exchange rates for each year or partial year of employment of 0.99035 for 2011 and 0.99958 for 2012.

NEO Incentive Plan Awards

Outstanding Option-based and Share-based awards (as at December 31, 2012)

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]
	Option-Based Awards				
Wayne Foo	October 14, 2009	300,000	3.04	October 14, 2014	828,000
	November 26, 2010	100,000	7.75	November 26, 2015	Nil
	November 11, 2011	300,000	7.56	November 11, 2016	Nil
	August 16, 2012	90,000	4.45	August 16, 2017	121,500
Kenneth Pinsky	October 14, 2009	300,000	3.04	October 14, 2014	828,000
	November 26, 2010	100,000	7.75	November 26, 2015	Nil
	November 11, 2011	200,000	7.56	November 26, 2016	Nil
	August 16, 2012	90,000	4.45	August 16, 2017	121,500
Barry Larson	October 14, 2009	300,000	3.04	October 14, 2014	828,000
	November 26, 2010	100,000	7.75	November 26, 2015	Nil
	November 11, 2011	200,000	7.56	November 11, 2016	Nil
	August 16, 2012	90,000	4.45	August 16, 2017	121,500
David Taylor	October 14, 2009	300,000	3.04	October 14, 2014	828,000
	November 26, 2010	100,000	7.75	November 26, 2015	Nil
	November 11, 2011	200,000	7.56	November 11, 2016	Nil
	August 16, 2012	90,000	4.45	August 16, 2017	121,500
Lee DiStefano	April 22, 2011	175,000	7.41	April 22, 2016	Nil
	November 11, 2011	75,000	7.56	November 11, 2016	Nil
	August 16, 2012	100,000	4.45	August 16, 2017	135,000

Note:

(1) Based on the difference between the market price of the Common Shares at December 31, 2012 of $5.80 and the exercise price of the Options.

Name	Share-Based Awards Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($) (1)	Market or payout value of vested share-based awards not paid out or distributed ($)
Wayne Foo	50,000	290,000	Nil
Kenneth Pinsky	12,000	69,600	Nil
Barry Larson	12,000	69,600	Nil
David Taylor	12,000	69,600	Nil
Lee DiStefano	6,000	34,800	Nil

Note:
(1) Based on the market price of the Common Shares at December 31, 2012 of $5.80.

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, 2012 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2012.

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) ($)
Wayne Foo	276,000	Nil	227,760
Kenneth Pinsky	276,000	Nil	142,713
Barry Larson	276,000	Nil	171,838
David Taylor	276,000	Nil	148,538
Lee DiStefano	Nil	Nil	127,697 (4)

Notes:
(1) Based on the difference between the market price of the Common Shares at December 31, 2012 of $5.80 and the exercise price of the Options.
(2) No outstanding share-based awards for NEOs vested in 2012.
(3) Incentive Plan bonuses for 2012 were paid in February 2013.
(4) Mr. DiStefano's non-equity incentive plan compensation is paid in $US but for purposes of this table has been converted to $CAN using the average foreign exchange rate for 2012 of 0.99958.

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, provided that the maximum number of Common Shares issuable pursuant to outstanding Options and all other security based compensation arrangements (as defined in the TSX Company Manual), shall not exceed 10% of the Common Shares outstanding from time to time.

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.

RSU Plan

The Company has an RSU Plan reserving a maximum of 10% of the issued and outstanding Common Shares for issuance pursuant to RSUs, provided that the maximum number of Common Shares issuable pursuant to outstanding RSUs and all other security based compensation arrangements (as defined in the TSX Company Manual), shall not exceed 10% of the Common Shares outstanding from time to time. See "*Matters to be Acted Upon at the Meeting – Approval of Restricted Share Unit Plan*" in this Information Circular.

Termination and Change of Control Benefits and Payments

The Company recognizes that its Executives are critical to Parex's ongoing business. It is therefore vital for the Company to retain the services of each Executive, 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. DiStefano.

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

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

For Mr. Foo, Mr. Pinsky, Mr. Larson, Mr. Taylor and Mr. DiStefano a change of control includes any acquisition of Common Shares or other securities of the Company that carry the right to cast more than 50 percent of the votes attaching to all Common Shares in the capital of the Company. For Mr. Foo, Mr. Pinsky, Mr. Larson and Mr. Taylor, 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.DiStefano	Severance payment of twelve (12) months of annual base salary plus an incentive compensation payment as determined by the Company, pro-rated for actual Company service in that calendar year.
Change of Control	Mr. Foo Mr. Pinsky Mr. 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.
	Mr. DiStefano	Retiring allowance equal to two (2) times the Executive's annual base salary plus a payment in lieu of cash incentive compensation for the portion of the calendar year worked up to the termination date, calculated by averaging the cash incentive compensation paid to the Executive in the two (2) years prior to the termination date and prorating it for the number of days worked in the calendar year in which termination of employment occurs.
Triggering Change of Control	Mr. Foo Mr. Pinsky Mr. 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.

Termination Event	Name	Incremental Compensation
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.
	Mr. DiStefano	All applicable incremental payments for Mr. DiStefano are calculated as specified above for change of control.

Under the Employment Agreements for Mr. Foo, Mr. Pinsky, Mr. 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, 2012)

			Compensation Components				
Name	**Severance Period (months)**	**2X Annual Base Salary ($)**	**2X Average of Last 2 Incentive Bonus Payments [(1)] ($)**	**2X Annual Benefits ($)**	**Options ($)[(2)]**	**RSUs [(3)]**	**TOTAL ($)**
Wayne Foo	24	650,000	398,472	97,500	Nil	Nil	1,145,972
Kenneth Pinsky	24	490,000	296,276	73,500	Nil	Nil	859,776
Barry Larson	24	590,000	296,680	88,500	Nil	Nil	975,180
David Taylor	24	510,000	292,648	76,500	Nil	Nil	879,148
Lee DiStefano [(4)]	24	522,281[(5)]	103,299 [(6)]	N/A	Nil	Nil	625,580

Notes:

(1) The annual incentive plan bonuses for 2012 were not paid until February 2013, as previously disclosed in Note (4) to the NEO Summary Compensation Table. However, the 2012 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, 2012 due to termination without cause, resignation for good reason or a change of control. Mr. DiStefano's incentive bonus, should there have been a termination on December 31, 2012 due to termination without cause or resignation for good reason due to a change of control, would have been the average of the cash incentive compensation paid to the Executive in the two (2) years prior to the Termination Date. Mr DiStefano's incentive bonus, should there have been a termination on December 31, 2012 due to termination without cause not related to a change of control, would have been as determined by the Company for the year 2012.

(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. DiStefano, if the Executive's employment is terminated by the Company with or without cause, the Executive may exercise any Options that were vested by the date of termination of employment for up to ninety (90) days following that date or the expiration date of the Options, whichever occurs first. In accordance with the Stock Option Plan, in the event of a change in control of the Company, all unvested Options for each Executive shall vest and all issued and outstanding Options will immediately be exercisable for up to 30 days after the occurrence of such change of control, or at such earlier time as may be established by the Parex Board of Directors. Based on a hypothetical termination as at December 31, 2012 due to a change of control and based on the market value of Common Shares at that date of $5.80, the incremental compensation from Options for each of Mr. Foo, Mr. Pinsky, Mr. Larson and Mr. Taylor would have been $121,500 and for Mr. DiStefano would have been $135,000.

(3) 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, any Common Shares corresponding to any remaining vested grant of RSUs shall be delivered to the Executive as soon as practicable and upon payment by the Executive of the exercise price of $0.01 per RSU. All other RSUs would be terminated. Pursuant to the Employment Contract for Mr. DiStefano, if the Executive's employment is terminated by the Company with or without cause, any Common Shares corresponding to any remaining vested grant of RSUs shall be delivered to the Executive as soon as practicable and upon payment by the Executive of the exercise price of $0.01 per RSU. In accordance with the RSU Plan, in the event of a change in control of the Company, all RSUs which have not otherwise vested in accordance with their terms shall immediately vest and be exercisable, notwithstanding the other terms of the RSUs for a period of time ending on the earlier of the expiry date of the RSU and the thirtieth day following the change of control. Based on a hypothetical termination as at December 31, 2012 due to a change of control and based on the market value of Common Shares at that date of $5.80, the incremental compensation from RSUs for Mr. Foo would have been $290,000, for each of Mr. Pinsky, Mr. Larson and Mr. Taylor would have been $69,600 and for Mr. DiStefano would have been $34,800.

(4) Compensation for Mr. DiStefano is paid is $US except for long-term incentive compensation which is paid in $CAN. For the purposes of this table, the compensation to be paid in $US has been converted to $CAN using the average foreign exchange rate of 0.99958 for 2012.

(5) In the event of termination without cause, the amount for Mr. DiStefano would have been USD$ 261,250**,** which for purposes of this document is converted to $CAN 261,240 using the average foreign exchange rate of 0.99958 for 2012.

(6) Represents average of last two incentive bonus payments to Mr. DiStefano.

Estimated Incremental Compensation
Upon a Triggering Change of Control
(based on hypothetical termination as at December 31, 2012)

		Compensation Components					
Name	**Severance Period (months)**	**2X Annual Base Salary ($)**	**2X Average of Last 2 Incentive Bonus Payments (1) ($)**	**2X Annual Benefits ($)**	**Options ($)(2)**	**RSUs (3)**	**TOTAL ($)**
Wayne Foo	24	650,000	398,472	97,500	121,500	290,000	1,557,472
Kenneth Pinsky	24	490,000	296,276	73,500	121,500	69,600	1,050,876
Barry Larson	24	590,000	296,680	88,500	121,500	69,600	1,166,280
David Taylor	24	510,000	292,648	76,500	121,500	69,600	1,070,248
Lee DiStefano (4)	24	522,281	103,299	N/A	135,000	34,800	795,380

Notes:

(1) The annual incentive plan bonuses for 2012 were not paid until February 2013, as previously disclosed in Note (3) to the NEO Summary Compensation Table. However, the 2012 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, 2012 due to a triggering change of control. Mr. DiStefano's incentive bonus, should there have been a termination on December 31, 2012 due to a triggering change of control, would have been the average of the cash incentive compensation paid to the Executive in the two (2) years prior to the Termination Date. .

(2) In accordance with the Stock Option Plan, in the event of a change in control of the Company, all unvested Options for each Executive shall vest and all issued and outstanding Options will immediately be exercisable for up to 30 days after the occurrence of such change of control, or at such earlier time as may be established by the Parex Board of Directors. Options calculations are based on the market value of Common Shares at December 31, 2012 of $5.80.

(3) In accordance with the RSU Plan, in the event of a change in control of the Company, all RSUs which have not otherwise vested in accordance with their terms shall immediately vest and be exercisable, notwithstanding the other terms of the RSUs for a period of time ending on the earlier of the expiry date of the RSU and the thirtieth day following the change of control. RSU calculations are based on the market value of Common Shares at December 31, 2012 of $5.80.

(4) Compensation for Mr. DiStefano is paid in USD$ except for long term incentive compensation which is paid in CAN$. For the purpose of this table, the salary and bonus USD$ amounts used in the calculation of estimated incremental compensation have been converted to CAN$ using an average foreign exchange rate for 2012 of 0.99958, to result in a total estimated incremental compensation in CAN$.

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 2012);

   (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 and the RSU Plan. The number of Options and RSUs 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.

2012 Independent Director Compensation Table(1)

Name	Fees earned ($)	Share-based awards (2) ($)	Option-based awards(3) ($)	All other compensation ($)	Total ($)
Norman McIntyre	111,000	35,400	23,400	Nil	169,800
Curtis Bartlett	54,000	23,600	15,600	Nil	93,200
John Bechtold	69,000	23,600	15,600	Nil	108,200
Robert Engbloom	68,000	23,600	15,600	Nil	107,200
W.A.(Alf) Peneycad	58,000	23,600	15,600	Nil	97,200
Ron Miller	55,500	23,600	15,600	Nil	94,700
Paul Wright	61,500	23,600	15,600	Nil	100,700

Notes:

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

(2) The grant date fair value of share-based awards (RSUs) 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 RSUs, in accordance with International Financial Reporting Standard 2 – Share Based Payments. The following assumptions were used for calculating the grant date fair value of share-based awards granted to the NEOs:

Assumption	RSU Grant Date October 19, 2012
Expected life of RSUs	3.0 years
Risk-free interest rate	1.20%
Expected volatility	50%
Expected dividend yield	0%
Grant date fair value per RSU	$4.72

(3) The grant date fair value of option-based awards (Options) 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	**November 26, 2010**	**November 11, 2011**	**August 16, 2012**
Expected life of Options	3.0 years	3.0 years	3.0 years
Risk-free interest rate	1.97%	1.08%	1.16%
Expected volatility	65%	48%	51%
Expected dividend yield	0%	0%	0%
Grant date fair value per Option	$3.45	$2.52	$1.56

Director Fees

Fees were paid to directors in 2012 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 and RSUs were provided to directors in 2012. No non-equity incentive bonus compensation was provided.

The intent is for the timing of annual Option and RSU grant awards to coincide with the Company's long-term planning cycle and the setting of strategic goals for the near and longer term. On August 16, 2012, 15,000 Options were awarded to the Chairman of the Parex Board of Directors and 10,000 Options were awarded to each director then serving on the Parex Board of Directors. On October 19, 2012, 7,500 RSUs were awarded to the Chairman of the Parex Board of Directors and 5,000 RSUs were awarded to each director then serving on the Parex Board of Directors**.**

The grant date fair values of Options and RSUs have 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 and RSUs, in accordance with International Financial Reporting Standard 2 – Share Based Payments.

Outstanding Option-based and Share-based Awards – Independent Directors (as at December 31, 2012)

	Option-Based Awards				
Name	**Grant Date**	**Number of securities underlying unexercised Options (#)**	**Option exercise price ($/Common Share)**	**Option expiration date**	**Value of unexercised in-the-money Options ($)[(1)]**
Norman McIntyre	October 14, 2009	75,000	3.04	October 14, 2014	207,000
	November 26, 2010	37,500	7.75	November 26, 2015	Nil
	November 11, 2011	60,000	7.56	November 11, 2016	Nil
	August 16, 2012	15,000	4.45	August 16, 2017	20,250
Curtis Bartlett	October 14, 2009	50,000	3.04	October 14, 2014	138,000
	November 26, 2010	25,000	7.75	November 26, 2015	Nil
	November 11, 2011	30,000	7.56	November 11, 2016	Nil
	August 16, 2012	10,000	4.45	August 16, 2017	13,500
John Bechtold	October 14, 2009	50,000	3.04	October 14, 2014	138,00
	November 26, 2010	25,000	7.75	November 26, 2015	Nil
	November 11, 2011	30,000	7.56	November 11, 2016	Nil
	August 16, 2012	10,000	4.45	August 16, 2017	13,500

Name	Option-Based Awards Grant Date	Number of securities underlying unexercised Options (#)	Option exercise price ($/Common Share)	Option expiration date	Value of unexercised in-the-money Options ($)[(1)]
Robert Engbloom	October 14, 2009	50,000	3.04	October 14, 2014	138,000
	November 26, 2010	25,000	7.75	November 26, 2015	Nil
	November 11, 2011	30,000	7.56	November 11, 2016	Nil
	August 16, 2012	10,000	4.45	August 16,2017	13,500
Ron Miller	October 14, 2009	50,000	3.04	October 14, 2014	138,000
	November 26, 2010	25,000	7.75	November 26, 2015	Nil
	November 11,2011	30,000	7.56	November 11,2016	Nil
	August 16, 2012	10,000	4.45	August 16, 2017	13,500
W.A.(Alf) Peneycad	October 14, 2009	50,000	3.04	October 14, 2014	138,000
	November 26, 2010	25,000	7.75	November 26, 2015	Nil
	November 11,2011	30,000	7.56	November 11,2016	Nil
	August 16, 2012	10,000	4.45	August 16, 2017	13,500
Paul Wright	October 14, 2009	50,000	3.04	October 14, 2014	138,000
	November 26, 2010	25,000	7.75	November 26, 2015	Nil
	November 11,2011	30,000	7.56	November 11,2016	Nil
	August 16, 2012	10,000	4.45	August 16, 2017	13,500

Note:

(1) Based on the difference between the market price of the Common Shares at December 31, 2012 of $5.80 and the exercise price of the Options.

Name	Share-Based Awards Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested [(1)] ($)	Market or payout value of vested share-based awards not paid out or distributed ($)
Norman McIntyre	7,500	43,500	Nil
Curtis Bartlett	5,000	29,000	Nil
John Bechtold	5,000	29,000	Nil
Robert Engbloom	5,000	29,000	Nil
Ron Miller	5,000	29,000	Nil
W.A.(Alf) Peneycad	5,000	29,000	Nil
Paul Wright	5,000	29,000	Nil

Note:

(1) Based on the market value of Common Shares at December 31, 2012 of $5.80.

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, 2012 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2012.

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	69,000	Nil	N/A
Curtis Bartlett	46,000	Nil	N/A
John Bechtold	46,000	Nil	N/A
Robert Engbloom	46,000	Nil	N/A
W.A.(Alf) Peneycad	46,000	Nil	N/A
Ron Miller	46,000	Nil	N/A
Paul Wright	46,000	Nil	N/A

Notes:

(1) Based on the difference between the market price of the Common Shares at December 31, 2012 of $5.80 and the exercise price of the Options.

(2) No outstanding share-based awards for directors vested in 2012.

(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, 2012. The only equity compensation plans are the Stock Option Plan and the RSU Plan.

Plan Category	Number of securities to be issued upon exercise of outstanding Options, RSUs,warrants and rights (a)	Weighted average exercise price of outstanding Options, RSUs,warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))[(1) (2)]
Equity compensation plans approved by security holders - Stock Option Plan	9,670,961[(3)]	5.64	See Note 4
Equity compensation plans not approved by security holders – RSU Plan	240,800	See Note 2	See Note 4
Total	9,911,761	5.64	935,884[(4)]

Notes:

(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, provided that the maximum number of Common Shares issuable pursuant to outstanding Options and all other security based compensation arrangements (as defined in the TSX Company Manual) shall not exceed 10% of the Common Shares outstanding from time to time.

(2) The RSU Plan provides for the issuance of RSU to a maximum of 10 percent of the issued and outstanding Common Shares of the Company, provided that the maximum number of Common Shares issuable pursuant to outstanding RSUs and all other security based compensation arrangements (as defined in the TSX Company Manual) shall not exceed 10% of the Common Shares outstanding from time to time. Pursuant to the RSU Plan, the holder is required to pay $0.01 upon exercise of each RSU.

(3) Of the 9,670,961 outstanding Options as of December 31, 2012, 4,783,554 Options were in-the-money as of that date, based on the market value of the Common Shares at December 31, 2012 of $5.80.

(4) The total number of securities remaining available for future issuance under equity compensation plans as at December 31, 2012 is equal to 10% of the number of Common Shares outstanding as at December 31, 2012 less the number of Options outstanding under the Stock Option Plan as at December 31, 2012 and less the number of RSUs outstanding under the RSU Plan as at December 31, 2012. As at December 31, 2012, there were 9,670,691 Options outstanding and 240,800 RSUs outstanding, leaving 935,884 Common Shares available for issuance under the Stock Option Plan and/or the RSU Plan.

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 basis for that determination.	Wayne Foo is not independent as he is the President and Chief Executive Officer of the Company.
(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 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	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. From January 1, 2012, to January 1, 2013 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.

GUIDELINES	COMMENTARY
does to facilitate open and candid discussion among its 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 its independent directors.	The chair of the Parex Board of Directors 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 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 (meeting dates are from January 1, 2012 to January 1, 2013).	See table below.

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)	10/10	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	4/4
Robert Engbloom(2)(3)	10/10	n/a	6/6	4/4
Paul Wright(1)	10/10	5/5	n/a	n/a
Norman McIntyre(3)	10/10	n/a	n/a	3/4
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

GUIDELINES	COMMENTARY
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.
(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: • Leading and managing the Company within the parameters established by the Parex Board of Directors; • Developing and recommending the strategic plan to the Parex Board of Directors and successfully implementing the corresponding annual operation plans, capital plans and other supporting initiatives; • Directing and monitoring the activities of the Company in an manner that safeguards and optimizes the assets of the Company in the best interest of the Shareholders; • Developing and implementing operational policies to guide the Company within the limits prescribed by the Company's By-laws and the framework of the strategic plan adopted by the Parex Board of Directors; • Maintaining the integrity of the Company's internal control and management information systems; • Identifying the principal risks of the Company's business and ensure the implementation of systems to manage these risks; • Meeting all reporting requirements to the relevant authorities and to the Company's shareholders; and • Fostering a corporate culture that promotes ethical practices and encourages individual integrity and social responsibility.

GUIDELINES	COMMENTARY
4. Orientation and Continuing Education	
(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. Mr. Wright attended the Company's offices in Bogota, Colombia, and Marabella, Trinidad in January 2012 in his role as chair of the Finance and Audit Committee of the Parex Board of Directors for meetings with management of the finance departments of the Company's subsidiaries. Mr. Bartlett, Mr. Bechtold and Mr. Engbloom toured the Company's field operations in Colombia and received presentations in the Company's Bogota, Colombia office on key goals and business activities from department managers of the Company's Colombia branches in March 2013.

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 December 2012. A copy of the code of conduct can be obtained: • 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, a director 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, RSU Plan, Disclosures and Performance Assessment functions. See "*Statement of Executive Compensation – Compensation Governanc*e" in this Information Circular.
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 Governanc*e" 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 Governanc*e" 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, RSU Plan, Disclosures and Performance Assessment functions. See "*Statement of Executive Compensation – Compensation Governanc*e" 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 • reviewing and monitoring 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. As well, the Directors Annual Evaluation Form, completed by each director, includes assessments of the performance of the Parex Board of Directors as a whole, the committees of the Parex Board of Directors and the individual directors.

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 – *Continuous Disclosure Obligations*), any proposed director of the Company or any associate or affiliate of any informed person or proposed director of the Company in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries, other than as disclosed herein.

NORMAL COURSE ISSUER BID

The Company has implemented a normal course issuer bid (the "**Bid**") to purchase for cancellation, from time to time, as it considers advisable, up to a maximum of 8,818,165 Common Shares on the open market through the facilities of the TSX. The number of Common Shares that can be purchased pursuant to the Bid is subject to a daily maximum of 46,095 Common Shares (which is equal to 25% of the average daily trading volume from September 1, 2012 to February 28, 2013). The price that Parex will pay for any Common Shares under the Bid will be the prevailing market price on the TSX at the time of such purchase. Common Shares acquired under the Bid will be cancelled. The Bid commenced on March 18, 2013 and will terminate on March 17, 2014 or such earlier time as the Bid is completed or terminated at the option of Parex. A copy of the Form 12 Notice of Intention to Make a Normal Course Issuer Bid filed by the Company with the TSX can be obtained from the Company upon request without charge. As at the date of this Information Circular, the Company has purchased 60,500 Common Shares pursuant to the Bid.

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 the Company's profile on SEDAR at www.sedar.com or by request to the Chief Financial Officer of the Company at 1900, 250 - 2nd Street SW, 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.