

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 13, 2014

INFORMATION CIRCULAR DATED APRIL 3, 2014

PAREX RESOURCES INC.
NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 13, 2014

TO THE HOLDERS OF COMMON SHARES

Notice is hereby given that the Annual General and Special Meeting of holders (the "**Meeting**") of common shares ("**Common Shares**") of Parex Resources Inc. ("**Parex**" or the "**Company**") will be held at the Jamieson Place Conference Centre, third floor of the Jamieson Place Tower, 308 - 4th Avenue S.W., Calgary, Alberta T2P 0H7 on May 13, 2014 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, 2013, 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 consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution confirming the Amended and Restated By-Law No. 1 of the Company adopted by the Board of Directors of the Company, as more particularly described in the accompanying management information circular of the Company dated April 3, 2014 (the "**Information Circular**");
5. to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution approving certain amendments to the Company's stock option plan, as more particularly described in the Information Circular;
6. to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution approving all unallocated stock options under the Company's stock option plan, as more particularly described in the Information Circular;
7. to appoint auditors and to authorize the directors to fix their remuneration as such; and
8. to transact such further and other business as may properly come before the Meeting or any adjournment or adjournments thereof.

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

The record date for the determination of shareholders entitled to receive notice of and to vote at the Meeting is April 3, 2014 (the "**Record Date**"). Shareholders of the Company whose names have been entered in the register of shareholders at the close of business on that date will be entitled to receive notice of and to vote at the Meeting, provided that, to the extent a shareholder transfers the ownership of any of such shareholder's Common Shares after such date and the transferee of those Common Shares establishes that the transferee owns the Common Shares and requests, not later than 10 days before the Meeting, to be included in the list of shareholders eligible to vote at the Meeting, such transferee will be entitled to vote those Common Shares at the Meeting.

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

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 3rd day of April, 2014.

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 13, 2014

PROXIES

Solicitation of Proxies

This information circular – management proxy statement (the "Information Circular") is furnished in connection with the solicitation of proxies by or on behalf of the management of Parex Resources Inc. ("Parex" or the "Company") for use at the annual general and special meeting of the Company's shareholders ("shareholders" or "Shareholders") to be held at the Jamieson Place Conference Centre, third floor of the Jamieson Place Tower, 308 - 4th Avenue S.W., Calgary, Alberta T2P 0H7 on May 13, 2014 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 3, 2014 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 3, 2014. **All amounts set forth in this Information Circular are stated in Canadian dollars.**

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

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

Persons Making the Solicitation

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

to date by Parex, Parex may contract for the distribution and solicitation of proxies for the Meeting. The costs incurred by Parex in soliciting proxies will be paid by Parex.

Exercise of Discretion by Proxy

The Common Shares represented by the instrument of proxy enclosed with 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 9, 2014 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 3, 2014, there were 109,783,424 Common Shares issued and outstanding, stock options ("**Options**") to purchase 7,673,088 Common Shares and restricted share units ("**RSUs**") representing the right to receive 896,800 Common Shares outstanding, which have been granted to certain directors, officers and employees of the Company or of its foreign subsidiaries.

The holders of Common Shares are entitled to one vote per Common Share at meetings of shareholders, to receive any dividend as and when declared by the Board of Directors of the Company (the "**Parex Board of Directors**" or the "**Board**") 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) ("**ABCA**") for the declaration and payment of dividends.

The record date for the determination of shareholders entitled to receive notice of and to vote at the Meeting is April 3, 2014.

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

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, 2013 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⁾ Alberta, Canada	Chairman and a Director since September 29, 2009	569,020 ⁽⁴⁾	Independent Businessman since 2004. President of Petro-Canada from 2002 to 2004. Executive Vice President of Petro-Canada from 1995 to 2002. Member of the Institute of Corporate Directors having completed the Directors Education Program.
Curtis Bartlett ⁽¹⁾ Alberta, Canada	Director since September 29, 2009	2,301,468 ⁽⁵⁾	Co-founder and Partner at Lorem Partners, a private equity investment firm. Over 25 years of experience as an entrepreneur and private equity investor. Director of several private companies.

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)
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 Fulbright Canada LLP, a national law firm in Canada and a member of the global Norton Rose Fulbright Group. Mr. Engbloom has more than 30 years of experience in the areas of mergers and acquisitions, governance, corporate and securities law. His broad experience spans a range of businesses both public and private, operating nationally and internationally, primarily in the energy industry.
Wayne Foo Alberta, Canada	Director since August 28, 2009	2,070,702 ⁽⁶⁾	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 until March 2003. Director of Pengrowth Energy Corporation.
Ron Miller ⁽¹⁾ Alberta, Canada	Director since September 29, 2009	1,341,020 ⁽⁷⁾	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⁾ Alberta, Canada	Director since September 29, 2009	396,565 ⁽⁸⁾	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 Board of Directors and is Chairman of the Audit Committee for 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) Member of the Finance and Audit Committee.
- (2) Member of the Corporate Governance, Compensation and Human Resources Committee.
- (3) Member of the Operations and Reserves Committee.
- (4) Includes 530,520 Common Shares held in a joint account with Mr. McIntyre's spouse.

- (5) Includes 2,161,653 Common Shares which are held pursuant to trust arrangements by Auxilium Group Inc. ("**Auxilium**"). Mr. Bartlett is the President of Auxilium and in that capacity controls and directs the Common Shares held by Auxilium.
- (6) Includes 886,742 Common Shares held by Mr. Foo's spouse.
- (7) Includes (i) 1,292,415 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) 48,605 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 246,528 Common Shares held by Mr. Peneycad's spouse.
- (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 ABCA.

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

As at April 3, 2014, 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 7.9 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.

Director Retirement Policy

The Company's director retirement policy requires that each director, upon reaching the age of 70 years old, will offer his or her resignation as a director of the Company to the Chairman of the Board on an annual basis, which resignation will be effective immediately prior to the next annual meeting of shareholders. The Board will consider such resignation and will determine whether to accept such resignation or whether to waive such resignation for a period of one year, having regard to all matters the Board deems relevant.

Confirmation of Amended and Restated By-law

Background

On March 12, 2014, the Board passed a resolution replacing the bylaws of the Company with the Amended and Restated By-Law No. 1 attached to this Information Circular as Appendix "B" (the "**Amended By-law**"), subject to confirmation of such Amended By-law by shareholders of the Company. The amendments reflected in the Amended By-law are summarized below.

Advance Notice Provisions

The Amended By-Law contains advance notice provisions, which provide shareholders, the Board and management of the Company with a clear framework for nominating directors to help ensure orderly business at shareholder meetings by effectively preventing a shareholder from putting forth director nominations from the floor of a shareholder meeting without prior notice.

Among other things, the Amended By-law fixes a deadline by which shareholders must submit notice of director nominations to the Company prior to any annual or special meeting of shareholders. It also specifies the information that a nominating shareholder must include in the notice to the Company for the notice to be in proper written form in order for any director nominee to be eligible for nomination and election at any annual or special meeting of shareholders of the Company.

In the case of an annual meeting of shareholders, notice to the Chief Financial Officer of the Company must be made not less than 30 days and not more than 65 days prior to the date of the annual meeting; provided, however, that in the event that the annual meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice may be made not later than the close of business on the 10th day following such public announcement. In the case of a special meeting of shareholders (which is not also an annual meeting) called for the purpose of electing directors (whether or not called for other purposes), notice to the Company must be made not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting was made. No person nominated by a shareholder will be eligible for election as a director of the Company unless nominated in accordance with the provisions of the Amended By-law.

The time periods for the giving of a nominating shareholder's notice set forth above shall in all cases be determined based on the original date of the applicable annual meeting or special meeting of shareholders, and in no event shall any adjournment or postponement of a meeting of shareholders or the announcement thereof commence a new time period for the giving of such notice.

The Amended By-law does not affect nominations made pursuant to a "proposal" made in accordance with the ABCA or a requisition of a meeting of shareholders made pursuant to the ABCA.

The Board may, in its sole discretion, waive any requirement of the Amended By-law.

Quorum

The Amended By-Law provides that a quorum at any meeting of shareholders (unless a greater number of persons are required to be present or a greater number of shares are required to be represented by the ABCA or by the articles or by any other by-law) shall be persons present not being less than two (2) in number and holding or representing not less than twenty-five percent (25%) of the shares entitled to be voted at the meeting. The quorum at any meeting of shareholders was previously persons present not being less than two (2) in number and holding or representing not less than five (5) percent (5%) of the shares entitled to be voted at the meeting.

Chairman's Casting Vote

The Amended By-Law provides that in the event of any equality of votes at a meeting the Board or a meeting of shareholders, the chairman of the applicable meeting shall not be entitled to a second or casting vote.

Confirmation and Approval of Amended By-law by Shareholders

In accordance with the ABCA, the Amended By-law is in effect until it is confirmed, confirmed as amended, or rejected by shareholders at the Meeting, and if confirmed, or confirmed as amended, the Amended By-law will continue in effect in the form in which it is so confirmed. If shareholders reject the confirmation of the Amended By-law at the Meeting, it will thereafter cease to have effect. For greater certainty, if the Amended By-law is not confirmed at the Meeting, the Company's previous by-laws will continue in effect, unamended.

Accordingly, at the Meeting, the following ordinary resolution (the "**Amended By-law Resolution**") will be presented:

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

1. Amended and Restated By-law No. 1, in the form attached as Appendix "B" to this Information Circular, is hereby adopted and confirmed as the by-law of the Company;
2. any one officer or director of the Company be and is hereby authorized to execute and deliver all such agreements and documents, whether under the corporate seal or otherwise, and to take all action, as such officer or director shall deem necessary or appropriate to give effect to the foregoing resolutions; and
3. notwithstanding that this resolution has been passed by the shareholders of the Company, the directors of the Company are hereby authorized and empowered to revoke this resolution, without any further approval of the shareholders of the Company, at any time if such revocation is considered necessary or desirable by the directors."

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

Approval of Amendment to Stock Option Plan

Approval of shareholders will be sought at the Meeting of an amendment to the Company's stock option plan, as amended (the "**Stock Option Plan**"). The proposed amendment to the Stock Option Plan (the "**Stock Option Plan Proposed Amendment**") is to replace the current amending provisions contained in Section 10.1 of the Stock Option Plan, by deleting Section 10.1 in its entirety and replacing it with the following:

- "10.1 This Plan and any Options granted pursuant to the Plan may be amended, modified or terminated by the Board without approval of the shareholders subject to any required approval of the Exchange. Notwithstanding the foregoing, the Plan or any Options may not be amended without shareholder approval to:
- (a) increase the number of Shares reserved for issuance under the Plan or the Plan maximum pursuant to Section 4 hereof;
 - (b) reduce the Exercise Price of any Option granted pursuant to the Plan;
 - (c) extend the term of any outstanding Options beyond the original expiry date of the Option, other than as permitted pursuant to the Plan;
 - (d) amend Section 4.2(f) or (g) to increase the entitlements of non-management directors under the Plan;
 - (e) permit a Participant to transfer or assign Options to a new beneficial holder, other than for estate settlement purposes;

- (f) any amendment to increase the number of Shares that may be issued to Insiders above the restrictions contained in Section 4; or
- (g) amend this Section 10.1.

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

For a summary of the terms of the Stock Option Plan see "*Statement of Executive Compensation - Compensation Discussion and Analysis – Stock Option Plan*" in this Information Circular and see also a draft of the Stock Option Plan after giving effect the Stock Option Plan Proposed Amendment attached hereto as Appendix "C".

Accordingly, at the Meeting, the following ordinary resolution (the "**Stock Option Plan Amendment Resolution**") will be presented:

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

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

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

Approval of Unallocated Options

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

As the Stock Option Plan is considered to be a security based compensation arrangement and the Stock Option Plan provides that the maximum number of Common Shares reserved for issuance from time to time pursuant to outstanding Options is not a fixed number and instead shall not exceed a number of Common Shares equal to 10% of the issued and outstanding Common Shares from time to time (less the number of Common Shares issuable pursuant to all other security based compensation arrangements), approval will be sought at the Meeting to approve the grant of unallocated Options under the Stock Option Plan. When Options have been granted pursuant to the Stock Option Plan, Common Shares that are reserved for issuance under outstanding Options are referred to as allocated Common Shares. The Company has additional Common Shares that may be reserved for issuance pursuant to future grants of Options under the Stock Option Plan, but as they are not subject to current Option grants, they are referred to as unallocated Options.

As at April 3, 2014, the maximum number of Common Shares that may be issued under the Stock Option Plan and all other security based compensation arrangements, including the restricted share unit plan of the Company (the "**RSU Plan**"), was 10,978,342 Common Shares representing 10% of the number of issued and outstanding Common Shares on that date. As at April 3, 2014, the Company had Options and RSUs to acquire 8,569,888 Common Shares outstanding under the Stock Option Plan and RSU Plan, leaving up to 2,408,454 Common Shares available for future grants under the Stock Option Plan and all other security

based compensation arrangements, including the RSU Plan, based on the number of outstanding Common Shares as at that date. If any Options granted under the Stock Option Plan shall be exercised or shall expire, terminate or be cancelled for any reason without having been exercised in full, such Options shall be unallocated and be available for the purposes of future grants under the Stock Option Plan and all other security based compensation arrangements of the Company, including under the RSU Plan.

If approval is obtained at the Meeting, the Company will not be required to seek further approval for unallocated Options under the Stock Option Plan until May 13, 2017. If approval is not obtained at the Meeting, Options which have not been allocated as of May 13, 2014 and Common Shares which are reserved for issuance pursuant to Options which are outstanding as of May 13, 2014 and which are subsequently cancelled, terminated or exercised will not be available for a new grant of Options under the Stock Option Plan. Previously allocated Options will continue to be unaffected by the approval or disapproval of the resolution.

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

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

1. the Stock Option Plan, as described under the heading "*Statement of Executive Compensation - Compensation Discussion and Analysis – Stock Option Plan*" in this Information Circular, as amended by the Stock Option Plan Proposed Amendment described in this Information Circular, to the extent such Stock Option Plan Proposed Amendment is approved, is hereby ratified, approved and confirmed;
2. all unallocated Options under the Stock Option Plan are approved and authorized until May 13, 2017;
3. any one officer or director of the Company be and is hereby authorized to execute and deliver all such agreements and documents, whether under the corporate seal or otherwise, and to take all action, as such officer or director shall deem necessary or appropriate to give effect to the foregoing resolutions; and
4. notwithstanding that this resolution has been duly passed by the shareholders of the Company, the directors of the Company are hereby authorized and empowered to revoke this resolution, without any further approval of the shareholders of the Company, at any time if such revocation is considered necessary or desirable by the directors."

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

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, 2013, an electronic copy of which is available on the internet on the Company's SEDAR profile at www.sedar.com.

Other Matters

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

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 2013, the Company used the 2013 Mercer Total Compensation Survey, a third-party compensation survey used to compare pay levels and practices across the Canadian energy industry to assess compensation against similar benchmark positions for each Executive. 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 2013, the peer comparator group consisted of companies in the 2013 Mercer Total Compensation Survey for the Canadian energy industry that met parameters typical of a junior exploration & production company with international operations similar to Parex, supplemented by executive compensation data from individual companies which also met those parameters. The individual companies were Bankers Petroleum Ltd., Canacol Energy Ltd., Gran Tierra Energy Inc., Niko Resources Ltd., Petroamerica Oil Corp., PetroNova Inc., Suroco Energy Inc. and TransGlobe Energy Corporation. Compensation data from the comparator group is used as a factor in the review and consideration of appropriate levels and composition of compensation for the Company's executives.

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 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. The CG&HR Committee's risk oversight of the Company's executive compensation program is accomplished in the following ways:

- a significant portion of executive compensation is at risk (it is not guaranteed) and is variable year over year. For example, annual bonuses are at the discretion of the Parex Board of Directors from year to year;
- bonus plan payouts are capped based on a percentage of salary and subject to overall maximum thresholds;
- the Stock Option Plan and the RSU Plan are designed 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 did not identify any risks associated with Parex's compensation policies and practices for the year ended December 31, 2013 that were reasonably likely to have a material adverse effect on Parex. The CG&HR Committee intends to monitor compensation governance and risk assessment practices, as these continue to evolve.

Executive Compensation Components

Target Compensation Mix

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

Position	Fixed Compensation Base Salary (% of Total Compensation)	At-Risk Compensation Incentive Bonus/Long-Term Incentives (% of Total Compensation)
Executives	21 % - 26 %	74 % - 79 %

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 survey.

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 President Parex 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, and subject to Parex Board of Directors approval for a payment of greater than 150 percent for outstanding results against individual and corporate goals, as follows:

Position	Performance Weighting Corporate/Individual	Target Incentive Bonus (% Base Salary)	Incentive Bonus Range (Payment as % of Target Incentive Bonus)	
			Threshold	Exceptional
CEO	60% / 40%	60%	50%	150%
CFO	50% / 50%	50%	50%	150%
COO	50% / 50%	50%	50%	150%
EVP Exploration & Business Development	50% / 50%	50%	50%	150%
President Parex 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.

Incentive Bonus Performance Goals

The Parex Board of Directors approves corporate performance goals, based on business and performance measures commonly used in the oil and natural gas industry. Corporate goals for 2013 were approved in early 2013 for each of the performance areas. These goals were subjective, based on the view of the Parex Board of Directors of key performance requirements for the Company, and included 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 pre-tax cash flow. The net reserve additions goal had the highest single weighting of the 2013 corporate goals.

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 7,673,088 Common Shares are issued and outstanding.

The number of Options granted to Executives takes into consideration Company and individual performance as well as the mix of all elements of the Executive's compensation. When setting grant levels, the Company considers competitive market information on Options and other forms of long-term incentives. In addition, the Stock Option Plan's dilutive impact on shareholders and number of Common Shares available for issuance are factored into the determination of Option grant levels. The 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% 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.

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.

In the second quarter of 2013, an aggregate of 1,927,500 Options which were significantly "out-of-the-money" and held by directors, officers and employees of the Company were acquired by the Company for nominal consideration and cancelled. The opportunity to have the Company acquire "out-of-the-money" Options in the second quarter of 2013 was made available to all employees, officers and directors of the Company. With respect to annual Option grant awards, the intent is for the timing of such 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 2013, updated strategic goals for the Company were approved in early October, 2013 and Options were awarded to the Executives, directors and all qualifying employees on October 16, 2013.

RSUs

The RSU Plan is administered by the Parex Board of Directors or a committee thereof. For a summary of the RSU Plan see "*Statement of Executive Compensation - RSU Plan*" in this Information Circular. Under the RSU Plan, grants 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, 896,800 RSUs exercisable for an aggregate of 881,800 Common Shares are issued and outstanding. Any grant of RSUs is subject to the restrictions of the RSU Plan.

The number of RSUs granted to Executives takes into consideration Company and individual performance as well as the mix of all elements of the Executive's compensation. When setting grant levels, the Company considers competitive market information on RSUs and other forms of long-term incentives. In addition, the RSU Plan's dilutive impact on shareholders and numbers of Common Shares available for issuance are factored into the determination of RSU grant levels. The 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% 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.

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 upcoming strategic goals are set is intended to reinforce Executives' focus on the long-term goals of the Company. In 2013, updated strategic goals for the Company were approved in early October, 2013 and RSUs were awarded to the Executives and all qualifying employees on October 16, 2013.

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 Fulbright Canada LLP, a national law firm in Canada and a member of the global Norton Rose Fulbright Group. Mr. Engbloom has more than 30 years of experience in the areas of mergers and acquisitions, governance, corporate and securities law. His broad experience spans a range of businesses both public and private, operating nationally and internationally, primarily in the energy industry.

CG&HR Committee Member	Independent	Skills and Experience Relevant to CG&HR Committee
W.A. (Alf) Peneycad Alberta, Canada CG&HR Committee Chair	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:

- monitoring the Company's corporate governance system so it 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, anti-bribery and corruption and all significant policies and procedures which govern the Company's operations;
- periodically reviewing and evaluating the size, composition, compensation and charter of the Parex Board of Directors and Committees, the structure and mandates of the Committees, and position descriptions for the Chairs thereof and overall direct qualifications;
- reviewing and recommending to the Parex Board of Directors:
 - appointments of the officers of the Company;
 - the approval of terminations, and severance arrangements for officers;
 - approval of officers' annual compensation and benefits package and related terms of employment based on the officers' annual performance evaluations;
 - approval of annual compensation and benefits packages for the employees of the Company, employment contracts and other related terms of employment, including the forms of incentive compensation payable; and
 - overall budget salary increases for the Company's employees, 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)
Frances Behan Human Resources Consulting Inc. (" Frances Behan ")	January 9, 2013	Review Parex Board of Directors compensation against the Company's peer companies.	\$5,250
Lane Caputo Compensation Inc. (" Lane Caputo ")	May 2, 2012	Advise on long-term incentive plan alternatives for Parex and the design and implementation of the RSU Plan	\$12,285

In 2013, the CG&HR Committee directed Management to retain Frances Behan for the above noted review of Board of Directors compensation. Frances Behan was retained in 2011 to review the Korn Ferry International reports on Director Compensation for 2009 and 2010 pertaining to Parex Board of Directors Chair compensation and to provide comparative analysis with the energy sector and with Parex' peer companies and was paid an Executive compensation related fee of \$1,050. Frances Behan was not retained in 2012.

In 2012, 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. Parex participated in the Lane Caputo 2012 International Exploration and Production Compensation survey. For this participation, Parex paid a fee to Lane Caputo of \$3,325 for the 2012 survey, inclusive of GST. Lane Caputo was not retained in 2013.

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"). This prohibition is also included in the Company's Securities Hedging Policy, pertaining to directors and officers.

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

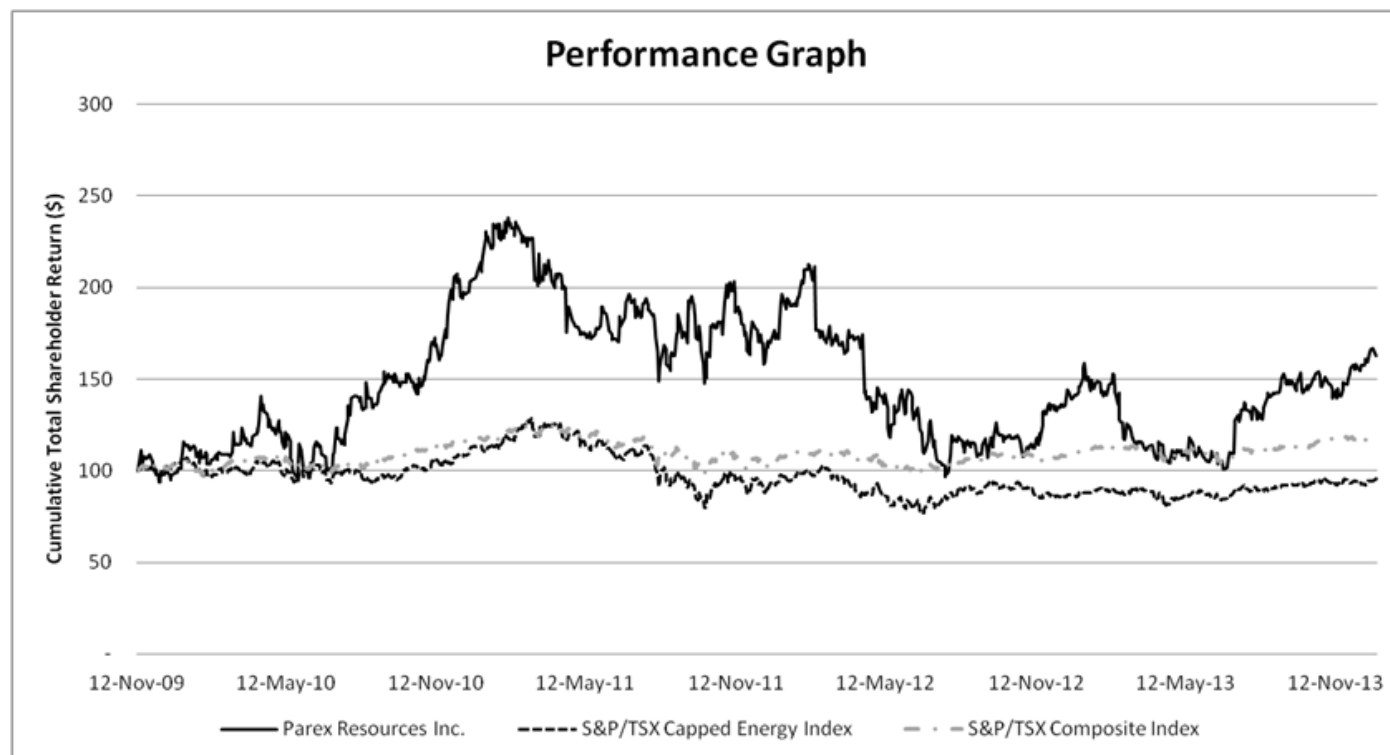
Notwithstanding these prohibitions, directors and officers of the Company may sell a security which such person does not own if such person owns another security convertible into such security or an option or right to acquire such security sold and, within 10 days after the sale, such person: (i) exercises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

Changes to Executive Compensation

At this time, the Company is not considering any potential changes to its compensation policies and practices for 2014.

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, 2013. 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 and of the S&P/TSX Composite Index.



	11/12/2009	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013
Parex	100	101	214	172	143	162
S&P/TSX Capped Energy Index	100	104	113	94	87	95
S&P/TSX Composite Index	100	103	118	105	109	120

If a \$100 was invested in the Common Shares on November 12, 2009, it would have resulted in a cumulative shareholder return of 62% on December 31, 2013. 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 5%, and the same amount invested in the S&P/TSX Composite Index would have resulted in a cumulative shareholder return of 20%.

From November 12, 2009 to December 31, 2013, 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, increased by 77%. 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, 2012 and 2013. The fifth NEO included in the NEO Summary Compensation Table in this Information Circular joined Parex in 2011.

The increase in NEO total compensation has been largely due to the significant increase from 2009 to 2013 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 2013 as compared to 2009 has increased consistent with the increase in Parex' Common Share price, as Black-Scholes methodology will calculate a higher value per option for a higher Common Share price, all other assumptions remaining equal. The increase in NEO total compensation has also been due to the performance bonuses paid to the NEOs for 2013 that reflect outstanding corporate performance against Parex goals that were established at the start of the year, as compared to the target bonuses that were included in the assumed full year of total compensation for 2009 for this analysis.

NEO Summary Compensation Table⁽¹⁾

Name and principal position	Year	Salary (\$)	Share-based awards (\$) ⁽²⁾	Option-based awards (\$) ⁽³⁾⁽⁸⁾	Non-equity incentive plan compensation (\$)	All other cash compensation and perquisites ⁽⁵⁾ (\$)	Total compensation ⁽⁶⁾ (\$)
					Annual incentive plans ⁽⁴⁾		
Wayne Foo President and Chief Executive Officer	2011	310,000	-	756,000	170,711	82,225	1,318,936
	2012	325,000	236,000	140,400	227,760	92,891	1,022,051
	2013	345,000	397,800	568,400	281,520	59,373	1,652,093
Kenneth Pinsky Chief Financial Officer and Corporate Secretary	2011	227,000	-	504,000	153,563	49,808	934,371
	2012	245,000	56,640	140,400	142,713	56,933	641,686
	2013	270,000	217,260	568,400	202,500	58,230	1,316,390
Barry Larson Chief Operating Officer	2011	283,250	-	504,000	124,842	78,121	990,213
	2012	295,000	56,640	140,400	171,838	84,008	747,886
	2013	310,000	217,260	568,400	232,500	75,306	1,403,466
David Taylor Executive Vice President Exploration & Business Development	2011	245,000	-	504,000	144,109	65,917	959,026
	2012	255,000	56,640	140,400	148,538	70,475	671,053
	2013	275,000	217,260	568,400	206,250	76,597	1,343,507
Lee DiStefano ⁽⁷⁾ President Parex Colombia	2011	181,729	-	707,000	78,170	90,865	1,057,764
	2012	261,140	28,320	156,000	127,697	130,570	703,727
	2013	266,540	173,196	450,660	143,931	133,270	1,167,597

Notes:

- (1) The Company does not provide long-term non-equity incentive plan or pension plan compensation.
- (2) The grant date fair value of share-based awards (RSUs) has been calculated using the Black-Scholes methodology, a commonly accepted 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	October 16, 2013
Expected life of RSUs	3.0 years	3.0 years
Risk-free interest rate	1.20%	1.22%
Expected volatility	50%	48%
Expected dividend yield	0%	0%
Grant date fair value per RSU	\$4.72	\$6.12

- (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:

Option Grant Date

Assumption	April 22, 2011	November 11, 2011	August 16, 2012	October 16, 2013
Expected life of Options	3.0 years	3.0 years	3.0 years	3.0 years
Risk-free interest rate	1.83%	1.08%	1.16%	1.22%
Expected volatility	58%	48%	51%	48%
Expected dividend yield	0%	0%	0%	0%
Grant date fair value per Option	\$2.96	\$2.52	\$1.56	\$2.03

- (4) Incentive plan bonuses for 2011 were paid in February 2012. Incentive plan bonuses for 2012 were paid in February 2013. Incentive plan bonuses for 2013 were paid in February 2014.
- (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% 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 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, 0.99958 for 2012 and 0.9710 for 2013.
- (8) In the second quarter of 2013, an aggregate of 1,550,000 Options held by NEOs which were significantly "out of the money" were acquired by the Company for nominal consideration and cancelled. An aggregate of 1,342,000 Options were granted to the NEOs on October 16, 2013 under the annual Option grant award as described in the Long-Term Incentives section of this Information Circular. The incremental fair value of the Options granted on October 16, 2013 was \$0.78 less per Option than the per Option value of the cancelled Options, and the three year vesting and five year term provisions of the October 16, 2013 annual Option grant, as per the terms of the Stock Option Plan, are aligned with the long term strategic goals approved by the Parex Board of Directors in early October, 2013. The opportunity to have the Company acquire "out-of-the-money" Options in the second quarter of 2013 was made available to all employees, officers and directors of the Company.

NEO Incentive Plan Awards

**Outstanding Option-based and Share-based awards
(as at December 31, 2013)**

Name	Grant Date	Option-Based Awards			Value of unexercised in-the-money Options (\$) ⁽¹⁾
		Number of securities underlying unexercised Options (#)	Option exercise price (\$/Common Share)	Option expiration date	
Wayne Foo	October 14, 2009	280,000	3.04	October 14, 2014	991,200
	August 16, 2012	90,000	4.45	August 16, 2017	191,700
	October 16, 2013	280,000	6.07	October 16, 2018	142,800
Kenneth Pinsky	October 14, 2009	260,000	3.04	October 14, 2014	920,400
	August 16, 2012	90,000	4.45	August 16, 2017	191,700
	October 16, 2013	280,000	6.07	October 16, 2018	142,800
Barry Larson	October 14, 2009	275,000	3.04	October 14, 2014	973,500
	August 16, 2012	90,000	4.45	August 16, 2017	191,700
	October 16, 2013	280,000	6.07	October 16, 2018	142,800
David Taylor	October 14, 2009	250,000	3.04	October 14, 2014	885,000
	August 16, 2012	90,000	4.45	August 16, 2017	191,700
	October 16, 2013	280,000	6.07	October 16, 2018	142,800

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⁾
Lee DiStefano	August 16, 2012	100,000	4.45	August 16, 2017	213,000
	October 16, 2013	222,000	6.07	October 16, 2018	113,220

Note:

- (1) Based on the difference between the market price of the Common Shares at December 31, 2013 of \$6.58 and the exercise price of the Options.

Share-Based Awards

Name	Grant Date	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$) ⁽¹⁾	Market or payout value of vested share-based awards not paid out or distributed (\$)
Wayne Foo	October 19, 2012	33,334	219,338	109,662
	October 16, 2013	65,000	427,700	Nil
Kenneth Pinsky	October 19, 2012	8,000	52,640	26,320
	October 16, 2013	35,500	233,590	Nil
Barry Larson	October 19, 2012	8,000	52,640	26,320
	October 16, 2013	35,500	233,590	Nil
David Taylor	October 19, 2012	8,000	52,640	26,320
	October 16, 2013	35,500	233,590	Nil
Lee DiStefano	October 19, 2012	4,000	26,320	13,160
	October 16, 2013	28,300	186,214	Nil

Note:

- (1) Based on the market price of the Common Shares at December 31, 2013 of \$6.58.

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, 2013 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2013.

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	35,100	103,663	281,520
Kenneth Pinsky	35,100	24,880	202,500
Barry Larson	35,100	24,880	232,500
David Taylor	35,100	24,880	206,250
Lee DiStefano	39,000	12,440	143,931 ⁽⁴⁾

Notes:

- (1) Based on the difference between the market price of the Common Shares on the vesting date and the exercise price of the Options on the vesting date.
- (2) Based on the market price of the Common Shares on the vesting date.
- (3) Incentive Plan bonuses for 2013 were paid in February 2014.
- (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 2013 of 0.9710.

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

On March 14, 2014, the Parex Board of Directors approved certain "housekeeping" amendments to the Stock Option Plan, which amendments did not require shareholder approval, including to: (i) remove the ability of consultants to receive Options under the Stock Option Plan; and (ii) include the following limitations on grants of Options to non-management directors: (A) the aggregate number of Common Shares reserved for issuance to all non-management directors pursuant to the Stock Option Plan cannot exceed 1.0% of the outstanding issue of Common Shares; and (B) and the aggregate value of all Options (as of the date of grant) granted to any non-management director, after March 14, 2014, cannot exceed \$100,000 in any 12 month period.

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 of Parex and its subsidiaries.

Administration

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

Exercise Price

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

Maximum Percentage of Common Shares Reserved

The aggregate maximum number of Common Shares that may be issued pursuant to the exercise of Options awarded under the Stock Option Plan and all other share compensation arrangements of Parex is 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) 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 reserved for issuance 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 pursuant to the Stock Option Plan to any one participant employed to provide investor relations activities (as defined in the Stock Option Plan) within a 12-month period, must not exceed 2% of the outstanding issue of Common Shares;
6. the aggregate number of Common Shares reserved for issuance to all non-management directors pursuant to the Stock Option Plan cannot exceed 1.0% of the outstanding issue of Common Shares; and
7. the aggregate value of all Options (calculated as of the date of grant) granted pursuant to the Stock Option Plan to any non-management director, after March 14, 2014, cannot exceed \$100,000 in any 12 month period.

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

Change of Control and Take-Over Acceleration Right

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

If approved by the Parex Board of Directors, Options may provide that, whenever the Company's shareholders receive a Take-over Proposal (as defined in the Stock Option Plan), such Option may be exercised as to all or any of the Common Shares in respect of which such Option has not previously been exercised (including in respect of Options not otherwise vested at such time) by the holder of such Option (the "**Take-over Acceleration Right**"), but any such Option not otherwise vested and deemed only to have vested in accordance with the foregoing may only be exercised for the purposes of tendering to such Take-Over

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

Voluntary Black-Out Periods

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

Adjustments in Shares

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

Amendments to Options

The Stock Option Plan currently provides that 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.

At the Meeting, the Stock Option Plan Proposed Amendment is being placed before shareholders for approval. See "*Matters to be Acted Upon at the Meeting – Approval of Amendment to Stock Option Plan*" in this Information Circular.

RSU Plan

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

On April 2, 2014, the Parex Board of Directors approved certain "housekeeping" amendments to the RSU Plan, which amendments did not require shareholder approval, to remove the ability of consultants to receive RSUs under the RSU Plan.

Description of the Plan

Purpose of the Plan

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

The Parex Board of Directors believes that RSUs align the interests of Service Providers with the interests of Shareholders, thereby creating a strong link between compensation and the long term corporate performance of Parex and the creation of Shareholder value. The Parex Board of Directors will not grant RSUs according to a prescribed formula or target. 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. Since the RSU Plan was approved and implemented in 2012, RSU grants have been significantly smaller components of long-term incentive compensation than have Option grants.

Limits on Issuances

The RSU Plan provides that:

- (a) the maximum number of Common Shares issuable pursuant to outstanding RSUs at any time shall be limited to 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 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 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.

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% 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.

Termination Event	Name	Incremental Compensation
Triggering Change of Control	Mr. Foo Mr. Pinsky Mr. Larson Mr. Taylor	All applicable incremental payments for Mr. Foo, Mr. Pinsky, Mr. Larson and Mr. Taylor are calculated as specified above for termination without cause, with the additional provision that the multiplier will be two (2) times regardless of the date of termination of employment.
Resignation For Good Reason	Mr. Foo Mr. Pinsky Mr. Larson Mr. Taylor Mr. DiStefano	All applicable incremental payments for Mr. Foo, Mr. Pinsky, Mr. Larson and Mr. Taylor are calculated as specified above for termination without cause. 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, 2013)**

Name	Severance Period (months)	Compensation Components					TOTAL (\$)
		2X Annual Base Salary (\$)	2X Average of Last 2 Incentive Bonus Payments ⁽¹⁾ (\$)	2X Annual Benefits (\$)	Options ⁽²⁾ (\$)	RSUs ⁽³⁾	
Wayne Foo	24	690,000	509,280	100,000	Nil	Nil	1,299,280
Kenneth Pinsky	24	540,000	345,213	81,000	Nil	Nil	966,213
Barry Larson	24	620,000	404,338	93,000	Nil	Nil	1,117,338
David Taylor	24	550,000	354,788	82,500	Nil	Nil	987,288
Lee DiStefano ⁽⁴⁾	24	533,080 ⁽⁵⁾	271,628 ⁽⁶⁾	N/A	Nil	Nil	804,708

Notes:

- (1) The annual incentive plan bonuses for 2013 were not paid until February 2014, as previously disclosed in Note (4) to the NEO Summary Compensation Table. However, the 2013 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, 2013 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, 2013 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, 2013 due to termination without cause not related to a change of control, would have been as determined by the Company for the year 2013.
- (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, 2013 due to a change of control and based on the market value of Common Shares at that date of \$6.58, the incremental compensation from Options for each of Mr. Foo, Mr. Pinsky, Mr. Larson and Mr. Taylor would have been \$270,600 and for Mr. DiStefano would have been \$255,220.

- (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, 2013 due to a change of control and based on the market value of Common Shares at that date of \$6.58, the incremental compensation from RSUs for Mr. Foo would have been \$647,038, for each of Mr. Pinsky, Mr. Larson and Mr. Taylor would have been \$286,230 and for Mr. DiStefano would have been \$212,534.
- (4) Compensation for Mr. DiStefano is paid in USD\$ except for long-term incentive compensation which is paid in CAN\$. For the purposes of this table, the compensation to be paid in USD\$ has been converted to CAN\$ using the average foreign exchange rate of 0.9710 for 2013.
- (5) In the event of termination without cause, the amount for Mr. DiStefano would have been USD\$ 274,500, which for purposes of this document is converted to CAN\$ 266,540 using the average foreign exchange rate of 0.9710 for 2013.
- (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, 2013)**

Name	Severance Period (months)	Compensation Components					TOTAL (\$)
		2X Annual Base Salary (\$)	2X Average of Last 2 Incentive Bonus Payments ⁽¹⁾ (\$)	2X Annual Benefits (\$)	Options (\$) ⁽²⁾	RSUs ⁽³⁾	
Wayne Foo	24	690,000	509,280	100,000	270,600	647,038	2,216,918
Kenneth Pinsky	24	540,000	345,213	81,000	270,600	286,230	1,523,043
Barry Larson	24	620,000	404,338	93,000	270,600	286,230	1,674,168
David Taylor	24	550,000	354,788	82,500	270,600	286,230	1,544,118
Lee DiStefano ⁽⁴⁾	24	533,080	271,628	N/A	255,220	212,534	1,272,462

Notes:

- (1) The annual incentive plan bonuses for 2013 were not paid until February 2014, as previously disclosed in Note (3) to the NEO Summary Compensation Table. However, the 2013 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, 2013 due to a triggering change of control. Mr. DiStefano's incentive bonus, should there have been a termination on December 31, 2013 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, 2013 of \$6.58.
- (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, 2013 of \$6.58.
- (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 2013 of 0.9710, 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. Frances Behan was also retained in January 2013 to review Parex Board of Directors compensation against the Company's peer companies. This review indicated that significantly higher equity compensation was awarded by the peer companies to the board chairman and to directors as compared to the Company's practices. This competitive market factor was taken into account when incentive plan awards in the form of Options and RSUs were recommended by the CG&HR Committee for being awarded to the Chairman of the Parex Board of Directors and to directors in October 2013.

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

1. Directors are entitled to the following annual retainers to be paid in cash in quarterly instalments:
 - (a) \$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 2013);
 - (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.

2013 Independent Director Compensation Table⁽¹⁾

Name	Fees earned (\$)	Share-based awards ⁽²⁾ (\$)	Option-based awards ⁽³⁾ (\$)	All other compensation (\$)	Total (\$)
Norman McIntyre	110,153 ⁽⁴⁾	67,320	174,580	Nil	352,053
Curtis Bartlett	57,100	40,392	102,515	Nil	200,007
John Bechtold	70,600	40,392	102,515	Nil	213,507
Robert Engbloom	68,100	40,392	102,515	Nil	211,007
W.A.(Alf) Peneycad	58,100	40,392	102,515	Nil	201,007
Ron Miller	55,600	40,392	102,515	Nil	198,507
Paul Wright	63,100	40,392	102,515	Nil	206,007

Notes:

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

- (2) The grant date fair value of share-based awards (RSUs) has been calculated using the Black-Scholes methodology, a commonly accepted 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	October 16, 2013
Expected life of RSUs	3.0 years	3.0 years
Risk-free interest rate	1.20%	1.22%
Expected volatility	50%	48%
Expected dividend yield	0%	0%
Grant date fair value per RSU	\$4.72	\$6.12

- (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:

Assumption	Option Grant Date		
	November 11, 2011	August 16, 2012	October 16, 2013
Expected life of Options	3.0 years	3.0 years	3.0 years
Risk-free interest rate	1.08%	1.16%	1.22%
Expected volatility	48%	51%	48%
Expected dividend yield	0%	0%	0%
Grant date fair value per Option	\$2.52	\$1.56	2.03

- (4) A portion of Mr. McIntyre's fees earned are paid in USD\$. The USD\$ fees have been included in this table along with the CAN\$ fees. The USD\$ fees have been converted to CAN\$ using the average exchange rate for 2013 of 0.9710.

Director Fees

Fees were paid to directors in 2013 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 2013. 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 October 16, 2013, 86,000 Options were awarded to the Chairman of the Parex Board of Directors and 50,500 Options were awarded to each director then serving on the Parex Board of Directors. On October 16, 2013, 11,000 RSUs were awarded to the Chairman of the Parex Board of Directors and 6,600 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, 2013)**

Option-Based Awards						
Name	Grant Date	Number of securities underlying unexercised Options (#) ⁽²⁾	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	265,500	
	August 16, 2012	15,000	4.45	August 16, 2017	31,950	
	October 16, 2013	86,000	6.07	October 16, 2018	43,860	
Curtis Bartlett	October 14, 2009	50,000	3.04	October 14, 2014	177,000	
	August 16, 2012	10,000	4.45	August 16, 2017	21,300	
	October 16, 2013	50,500	6.07	October 16, 2018	25,755	
John Bechtold	October 14, 2009	50,000	3.04	October 14, 2014	177,000	
	August 16, 2012	10,000	4.45	August 16, 2017	21,300	
	October 16, 2013	50,500	6.07	October 16, 2018	25,755	
Robert Engbloom	October 14, 2009	50,000	3.04	October 14, 2014	177,000	
	August 16, 2012	10,000	4.45	August 16, 2017	21,300	
	October 16, 2013	50,500	6.07	October 16, 2018	25,755	
Ron Miller	October 14, 2009	50,000	3.04	October 14, 2014	177,000	
	August 16, 2012	10,000	4.45	August 16, 2017	21,300	
	October 16, 2013	50,500	6.07	October 16, 2018	25,755	
W.A.(Alf) Peneycad	October 14, 2009	22,400	3.04	October 14, 2014	79,296	
	August 16, 2012	10,000	4.45	August 16, 2017	21,300	
Paul Wright	October 16, 2013	50,500	6.07	October 16, 2018	25,755	
	October 14, 2009	40,000	3.04	October 14, 2014	141,600	
	August 16, 2012	10,000	4.45	August 16, 2017	21,300	
	October 16, 2013	50,500	6.07	October 16, 2018	25,755	

Note:

- (1) Based on the difference between the market price of the Common Shares at December 31, 2013 of \$6.58 and the exercise price of the Options.
- (2) In the second quarter of 2013, an aggregate of 427,500 Options held by independent directors which were significantly "out of the money" were acquired by the Company for nominal consideration and cancelled. An aggregate of 389,000 Options were granted to the independent directors on October 16, 2013 under the annual Option grant award as described in the Long-Term Incentives section of this Information Circular. The incremental fair value of the Options granted on October 16, 2013 was \$0.90 less per Option than the per Option value of the cancelled Options. and the three year vesting and five year term provisions of the October 16, 2013 annual Option grant, as per the terms of the Stock Option Plan, are aligned with the long term strategic goals approved by the Parex Board of Directors in early October, 2013. The opportunity to have the Company acquire "out-of-the-money" Options in the second quarter of 2013 was made available to all employees, officers and directors of the Company.

Share-Based Awards				
Name	Grant Date	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ⁽¹⁾ (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Norman McIntyre	October 19, 2012	5,000	32,900	16,450
	October 16, 2013	11,000	72,380	Nil
Curtis Bartlett	October 19, 2012	3,334	21,938	10,962
	October 16, 2013	6,600	43,428	Nil
John Bechtold	October 19, 2012	3,334	21,938	10,962
	October 16, 2013	6,600	43,428	Nil

Share-Based Awards

Name	Grant Date	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ⁽¹⁾ (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Robert Engbloom	October 19, 2012	3,334	21,938	10,962
	October 16, 2013	6,600	43,428	Nil
Ron Miller	October 19, 2012	3,334	21,938	10,962
	October 16, 2013	6,600	43,428	Nil
W.A.(Alf) Peneycad	October 19, 2012	3,334	21,938	10,962
	October 16, 2013	6,600	43,428	Nil
Paul Wright	October 19, 2012	3,334	21,938	10,962
	October 16, 2013	6,600	43,428	Nil

Note:

- (1) Based on the market value of the Common Shares at December 31, 2013 of \$6.58.

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, 2013 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2013.

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	5,850	15,550	N/A
Curtis Bartlett	3,900	10,363	N/A
John Bechtold	3,900	10,363	N/A
Robert Engbloom	3,900	10,363	N/A
W.A.(Alf) Peneycad	3,900	10,363	N/A
Ron Miller	3,900	10,363	N/A
Paul Wright	3,900	10,363	N/A

Notes:

- (1) Based on the difference between the market price of the Common Shares on the vesting date and the exercise price of the Options on the vesting date.
(2) Based on the market price of the Common Shares on the vesting date.
(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, 2013. 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	8,695,363 ⁽³⁾	\$4.94	See Note 4
Equity compensation plans approved by security holders – RSU Plan	868,800	See Note 2	See Note 4
Total	9,564,163	\$4.94	1,307,002 ⁽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) All of the 8,695,363 outstanding Options as of December 31, 2013 were in-the-money as of that date, based on the market value of the Common Shares at December 31, 2013 of \$6.58.
- (4) The total number of securities remaining available for future issuance under equity compensation plans as at December 31, 2013 is equal to 10% of the number of Common Shares outstanding as at December 31, 2013 less the number of Options outstanding under the Stock Option Plan as at December 31, 2013 and less the number of RSUs outstanding under the RSU Plan as at December 31, 2013. As at December 31, 2013, there were 8,695,363 Options outstanding and 868,800 RSUs outstanding, leaving 1,307,002 Common Shares available for issuance under the Stock Option Plan and/or the RSU Plan. In addition, the amount of Common Shares available for issuance will increase by approximately 2,230,000 shares by October 14, 2014 due to the expiry at that time of the Options granted on October 14, 2009 and coincident with the typical timing of annual long-term incentive grants in the fourth quarter of the year.

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>
Curtis Bartlett
John Bechtold
Wayne Foo
Norman McIntyre
Ron Miller
Paul Wright | <u>Name of Other Reporting Issuer</u>
none
Parkland Fuel Corporation
Pengrowth Energy Corporation
none
none
Brickburn Funds Inc. |

GUIDELINES**COMMENTARY**Name of DirectorName of Other Reporting Issuer

Robert Engbloom

Superior Plus Corp.

W.A. (Alf) Peneycad

Nimin Energy
Canadian Wireless Trust
R Split III Corp.

(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the Board of Directors does to facilitate open and candid discussion among its independent directors.

In accordance with the written mandates of the Parex Board of Directors and the Committees, each of the Parex Board of Directors and Committee meetings have scheduled in-camera sessions during which non-independent directors and members of management are not in attendance. The independent directors also hold meetings as required at which non-independent directors and members of management are not in attendance. From January 1, 2013 to January 1, 2014, 10 such meetings have been held. The Finance and Audit Committee and CG&HR Committee and Operations and Reserves Committee of the Parex Board of Directors are all comprised entirely of independent directors.

(f) Disclose whether or not the chair of the Board of Directors is an independent director. If the Board of Directors has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board of Directors has neither a chair that is independent nor a lead director that is independent, describe what the Board of Directors does to provide leadership for 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.

GUIDELINES**COMMENTARY**

- (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, 2013 to January 1, 2014).

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	6/6	n/a	n/a
Wayne Foo	10/10	n/a	n/a	n/a
John Bechtold ⁽²⁾⁽³⁾	10/10	n/a	6/6	5/5
Robert Engbloom ⁽²⁾⁽³⁾	10/10	n/a	6/6	5/5
Paul Wright ⁽¹⁾	10/10	6/6	n/a	n/a
Norman McIntyre ⁽³⁾	10/10	n/a	n/a	5/5
Ron Miller ⁽¹⁾	10/10	6/6	n/a	n/a
W.A. (Alf) Peneycad ⁽²⁾	10/10	n/a	6/6	n/a

Notes:

- (1) Members of the Finance and Audit Committee.
(2) Members of the CG&HR Committee.
(3) Members of the Operations and Reserves Committee

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

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

3. **Position Descriptions**

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

The Parex Board of Directors has developed a written position description for the Chair of the Parex Board of Directors and the Chairman of each Board Committee. 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;

GUIDELINES**COMMENTARY**

- Directing and monitoring the activities of the Company in a manner that safeguards and optimizes the assets of the Company in the best interest of the Shareholders;
- Developing and 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.

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 comprehensive background information about the Company and its operations to allow for informed decision making. The Company has an online secure site that provides the directors with regular information about the Company. The Company coordinates an annual offsite strategic planning session for all directors and management to review the strategic planning, operations, and organizational development of the Company.
- (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 enrolls in one of the continuing education programs of the Institute of Corporate Directors.
- All directors have significant experience in the oil and natural gas industry and the majority are members of professional organizations such as the Association of Professional Engineers, Geologists and Geophysicists of Alberta, the Canadian Institute of Chartered Accountants, the Institute of Chartered Accountants of Alberta, the Law Society of 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 office in Bogota, Colombia in December 2013 in his role as chair of the Finance and Audit Committee of the Parex Board of Directors. He was accompanied by Mr. Miller and the Company's Pricewaterhouse auditing partner for meetings with management of the finance department and other key personnel of the Bogota office. They also toured the Company's field operations and security hub in Colombia.

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.
- (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.
- (c) Describe any other steps the Board of Directors takes to encourage and promote a culture of ethical business conduct.

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. The code of conduct was most recently reviewed and amended in March 2014.

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 its inception that pertains to any conduct of a director or executive officer that constitutes a departure from the code of conduct.

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

The majority of the Parex Board of Directors is comprised of independent directors. In any situation where a potential conflict may arise, a director must disclose such conflict and absent him or herself from consideration of the particular transaction or agreement and voting as a result.

6. Nomination of Directors

- (a) Describe the process by which the Board of Directors identifies new candidates for Board of Directors nomination.
- (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.

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.

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 Governance*" 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 Governance*" in this Information Circular.

- (b) Disclose whether or not the Board of Directors has a compensation committee composed entirely of independent directors. If the Board of Directors does not have a compensation committee composed entirely of independent directors, describe what steps the Board of Directors takes to ensure an objective process for determining such compensation.

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

- (c) If the Board of Directors has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.

The CG&HR Committee of the Parex Board of Directors is comprised entirely of independent directors and is responsible for oversight of the Company's Corporate Governance, Board Development, Executive Appointments and Compensation, Human Resources, Stock Option Plan, RSU Plan, Disclosures and Performance Assessment functions. See "*Statement of Executive Compensation – Compensation Governance*" in this Information Circular.

- 8. Other Board of Directors Committees** – If the Board of Directors has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

The Company has established an Operations and Reserves Committee comprised entirely of independent directors, in accordance with National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**") guidelines. This Committee is responsible for:

- assisting Management in fulfilling its responsibilities under NI 51-101 with respect to the oil and natural gas reserves evaluation process;
- reviewing any public disclosure and regulatory filings with respect to any reserves evaluation and related oil and natural gas activities;
- acting as the steward of the Company's operational performance;
- reviewing the Company's operating, development and portfolio management strategies, capital allocation, budgeting and forecasting and ensuring that the Company has in place an adequate process to review all material capital investments; and
- 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 Prior Bid***

From March 18, 2013 to March 17, 2014, the Company had a normal course issuer bid (the "**Prior Bid**") in place to purchase for cancellation, from time to time, 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 could be purchased pursuant to the Prior Bid was 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 paid for any Common Shares under the Prior Bid was the prevailing market price on the TSX at the time of such purchase. Common Shares acquired under the Prior Bid were cancelled. The Company purchased 352,400 Common Shares at a volume weighted average price of \$4.39 per common share pursuant to the Prior Bid.

The Bid

On March 18, 2014, the Company 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 10,076,576 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 65,856 Common Shares (which is equal to 25% of the average daily trading volume from September 1, 2013 to February 28, 2014). 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, 2014 and will terminate on March 17, 2015 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 not purchased any 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.

APPENDIX "B"

AMENDED AND RESTATED BY-LAW NO. 1

GENERAL BY-LAW

AMENDED AND RESTATED BY-LAW NO. 1

A BY-LAW RELATING GENERALLY TO THE CONDUCT OF THE AFFAIRS OF

PAREX RESOURCES INC.

(hereinafter called the "Corporation")

IT IS HEREBY ENACTED as a by-law of the Corporation as follows:

DIVISION ONE
INTERPRETATION

1.01 In the by-laws of the Corporation, unless the context otherwise specifies or requires:

- a. "Act" means the *Business Corporations Act* of Alberta, as from time to time amended and every statute that may be substituted therefore and, in the case of such substitution, any references in the by-laws of the Corporation to provisions of the Act shall be read as references to the substituted provisions therefore in the new statute or statutes;
- b. "Applicable Securities Laws" means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each province and territory of Canada;
- c. "appoint" includes "elect" and vice versa;
- d. "articles" means the articles of incorporation or continuance of the Corporation, as from time to time amended or restated;
- e. "board" means the board of directors of the Corporation;
- f. "business day" means a day which is not a non-business day;
- g. "by-laws" means this by-law and all other by-laws of the Corporation from time to time in force and effect;
- h. "meeting of shareholders" includes an annual and a special meeting of shareholders;
- i. "Nominating Shareholder" has the meaning ascribed thereto in section 4.03 of this by-law;
- j. "Notice Date" has the meaning ascribed thereto in section 4.03 of this by-law;

- k. "non-business day" means Saturday, Sunday and any other day that is a holiday as from time to time defined in *The Interpretation Act* of Alberta;
- l. "public announcement" shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System of Electronic Document Analysis and Retrieval at www.sedar.com;
- m. "Regulations" means the regulations under the Act as published or from time to time amended and every regulation that may be substituted therefore and, in the case of such substitution, any references in the by-laws of the Corporation to provisions of the Regulations shall be read as references to the substituted provisions therefore in the new regulations;
- n. "signing officer" means, in relation to any instrument, any person authorized to sign the same on behalf of the Corporation by virtue of section 3.01 of this by-law or by a resolution passed pursuant thereto; and
- o. "special meeting of shareholders" means a meeting of any particular class or classes of shareholders and a meeting of all shareholders entitled to vote at any annual meeting of shareholders at which special business is to be transacted.

Save as aforesaid, all terms which are contained in the by-laws of the Corporation and which are defined in the Act or the Regulations shall, unless the context otherwise specifies or requires, have the meanings given to such terms in the Act or the Regulations. Words importing the singular number include the plural and vice versa; the masculine shall include the feminine; and the word "person" shall include an individual, partnership, association, body corporate, body politic, trustee, executor, administrator and legal representative.

Headings used in the by-laws are inserted for reference purposes only and are not to be considered or taken into account in construing the terms or provisions thereof or to be deemed in any way to clarify, modify or explain the effect of any such terms or provisions.

DIVISION TWO BANKING AND SECURITIES

2.01 Banking Arrangements

The banking business of the Corporation including, without limitation, the borrowing of money and the giving of security therefore, shall be transacted with such banks, trust companies or other bodies corporate or organizations or any other persons as may from time to time be designated by or under the authority of the board. Such banking business or any part thereof shall be transacted under such agreements, instructions and delegations of power as the board may from time to time prescribe or authorize.

2.02 Voting Rights in Other Bodies Corporate

The signing officers of the Corporation may execute and deliver instruments of proxy and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by the Corporation. Such instruments, certificates or other evidence shall be in favour of such person or persons as may be determined by the officers executing such proxies or arranging for the issuance of such voting certificates or evidence of the right to exercise such voting

rights. In addition, the board, or failing the board, the signing officers of the Corporation, may direct the manner in which and the person or persons by whom any particular voting rights or class of voting rights may or shall be exercised.

DIVISION THREE
EXECUTION OF INSTRUMENTS

3.01 Authorized Signing Officers

Unless otherwise authorized by the board, deeds, transfers, assignments, contracts, obligations, certificates and other instruments may be signed on behalf of the Corporation by any two of the president, chairman of the board, managing director, any vice-president, any director, secretary, treasurer, any assistant secretary or any assistant treasurer or any other officer created by by-law or by the board. In addition, the board may from time to time direct the manner in which and the person or persons by whom any particular instrument or class of instruments may or shall be signed. Any signing officer may affix the corporate seal to any instrument requiring the same, but no instrument is invalid merely because the corporate seal is not affixed thereto.

3.02 Cheques, Drafts and Notes

All cheques, drafts or orders for the payment of money and all notes and acceptances and bills of exchange shall be signed by such officer or person or persons, whether or not officers of the Corporation, and in such manner as the board may from time to time designate by resolution.

DIVISION FOUR
DIRECTORS

4.01 Number

The board shall consist of such number of directors as is fixed by the articles, or where the articles specify a variable number, shall consist of such number of directors as is not less than the minimum nor more than the maximum number of directors provided in the articles and as shall be fixed from time to time by resolution of the shareholders.

4.02 Election and Term

Subject to the articles or a unanimous shareholder agreement, the election of directors shall take place at each annual meeting of shareholders and all of the directors then in office, unless elected for a longer period of time (not to exceed the close of the third (3rd) annual meeting of shareholders following election), shall retire but, if qualified, shall be eligible for re-election. The number of directors to be elected at any such meeting shall, subject to the articles or a unanimous shareholder agreement, be the number of directors then in office, or the number of directors whose terms of office expire at the meeting, as the case may be, except that, if cumulative voting is not required by the articles and the articles otherwise permit, the shareholders may resolve to elect some other number of directors. Where the shareholders adopt an amendment to the articles to increase the number or minimum number of directors, the shareholders may, at the meeting at which they adopt the amendment, elect the additional number of directors authorized by the amendment. Notwithstanding the right to elect additional directors, such election must comply with the timely notice requirements set out in section 4.03. If an election of directors is not held at the proper time, the incumbent directors shall continue in office until their

successors are elected. If the articles provide for cumulative voting, each director elected by shareholders (but not directors elected or appointed by creditors or employees) ceases to hold office at the annual meeting and each shareholder entitled to vote at an election of directors has the right to cast a number of votes equal to the number of votes attached to the shares held by him multiplied by the number of directors he is entitled to vote for, and he may cast all such votes in favour of one candidate or distribute them among the candidates in any manner. If he has voted for more than one candidate without specifying the distribution among such candidate, he shall be deemed to have divided his votes equally among the candidates for whom he voted.

4.03 Advance Notice Nomination of Directors

- a. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the board may be made at any annual meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which the special meeting was called is the election of directors:
 - i. by or at the direction of the board, including pursuant to a notice of meeting;
 - ii. by or at the direction or request of one or more shareholders of the Corporation pursuant to a "proposal" made in accordance with section 136(1) of the Act, or a requisition of the shareholders made in accordance with section 142(1) of the Act; or
 - iii. by any person (a "**Nominating Shareholder**") who: (A) at the close of business on the date of the giving by the Nominating Shareholder of the notice provided for below in this By-Law and at the close of business on the record date for notice of such meeting, is entered in the securities register of the Corporation as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting and provides evidence of such beneficial ownership to the Corporation; and (B) complies with the notice procedures set forth below in this by-law.
- b. In addition to any other requirements under applicable laws, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given notice thereof that is both timely (in accordance with section 4.03(c) below) and in proper written form (in accordance with section 4.03(d) below) to the Chief Financial Officer of the Corporation at the principal executive offices of the Corporation.
- c. To be timely, a Nominating Shareholder's notice to the Chief Financial Officer of the Corporation must be made:
 - i. in the case of an annual meeting of shareholders, not less than 30 nor more than 65 days prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting of shareholders is to be held on a date that is less than 50 days after the date (the "**Notice Date**") on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the tenth (10th) day following the Notice Date; and
 - ii. in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not

later than the close of business on the fifteenth (15th) day following the day on which the first public announcement of the date of the special meeting of shareholders was made.

The time periods for the giving of a Nominating Shareholder's notice set forth above shall in all cases be determined based on the original date of the applicable annual meeting or special meeting of shareholders, and in no event shall any adjournment or postponement of a meeting of shareholders or the announcement thereof commence a new time period for the giving of such notice.

- d. To be in proper written form, a Nominating Shareholder's notice to the Chief Financial Officer of the Corporation must set forth:
 - i. as to each person whom the Nominating Shareholder proposes to nominate for election as a director: (A) the name, age, business address and residential address of the person; (B) the principal occupation, business or employment of the person for the most recent five years, and the name and principal business of any company in which any such employment is carried on; (C) the citizenship of such person; (D) the number of securities of each class or series of securities in the capital of the Corporation which are owned beneficially or of record by the person or under the control or direction, directly or indirectly, of the person as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; (E) such person's written consent to being named in the notice as a nominee and to serving as a director of the Corporation if elected; and (F) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below); and
 - ii. as to the Nominating Shareholder giving the notice: (A) the name and address of such Nominating Shareholder, as they appear on the securities register of the Corporation; (B) the number of securities of each class or series of securities of the Corporation owned of record and beneficially by, or under the control or direction of, directly or indirectly, such Nominating Shareholder; (C) full particulars regarding any agreement, arrangement or understanding with respect to the nomination between or among such Nominating Shareholder, any of their respective affiliates or associates, and any others acting jointly or in concert with any of the foregoing, including the nominee; (D) full particulars regarding any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the notice by, or on behalf of, such Nominating Shareholder, whether or not such instrument or right shall be subject to settlement in underlying securities of the Corporation, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such Nominating Shareholder with respect to securities of the Corporation; (E) full particulars regarding any proxy, contract, agreement, arrangement or understanding pursuant to which such Nominating Shareholder has a right to vote or direct or control the voting of any securities of the Corporation; and (F) any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below).

The Corporation may require any proposed nominee to furnish such other information and documents as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable shareholder's understanding of the independence and/or qualifications, or lack thereof, of such proposed nominee.

In addition, a Nominating Shareholder's notice shall be promptly updated and supplemented, if necessary, so that the information provided or required to be provided in such notice shall be true and correct as of the record date for the meeting.

- e. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this section 4.03; provided, however, that nothing in this section 4.03 shall be deemed to preclude discussion by a shareholder (as distinct from the nomination of directors) at a meeting of shareholders of any matter that is properly before such meeting pursuant to the provisions of the Act or the discretion of the chairman. The chairman of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.
- f. Notwithstanding any other provision of this section 4.03, notice given to the Chief Financial Officer of the Corporation pursuant to this section 4.03 may only be given by personal delivery, facsimile transmission or by email (at such email address as may be stipulated from time to time by the Chief Financial Officer of the Corporation for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery to the Chief Financial Officer at the address of the principal executive offices of the Corporation, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received); provided that if such delivery or electronic communication is made on a day which is a not a business day or later than 5:00 p.m. (Calgary time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the next following day that is a business day.
- g. Notwithstanding the foregoing, the board may, in its sole discretion, waive any requirement in this section 4.03.

4.04 Removal of Directors

Subject to the Act, the articles and section 4.03, the shareholders may by ordinary resolution passed at a special meeting remove any director from office, except a director elected by employees or creditors pursuant to the articles or a unanimous shareholder agreement, and the vacancy created by such removal may be filled at the same meeting, failing which it may be filled by the board. However, if the articles provide for cumulative voting, no director shall be removed pursuant to this section where the votes cast against the resolution for his removal would, if cumulatively voted at an election of the full board, be sufficient to elect one or more directors.

4.05 Consent

A person who is elected or appointed a director is not a director unless:

- a. he was present at the meeting when he was elected or appointed and did not refuse to act as a director, or
- b. if he was not present at the meeting when he was elected or appointed:
 - i. he consented in writing to act as a director before his election or appointment or within ten (10) days after it, or
 - ii. he has acted as a director pursuant to the election or appointment.

4.06 Vacation of Office

A director of the Corporation ceases to hold office when:

- a. he dies or resigns;
- b. he is removed in accordance with section 109 of the Act; or
- c. he becomes disqualified under subsection 105(1) of the Act.

4.07 Committee of Directors

The directors may appoint from among their number a managing director, who must be a resident Canadian, or a committee of directors, however designated, of which at least one-quarter of the members must be resident Canadians, and subject to section 115 of the Act may delegate to the managing director or such committee any of the powers of the directors. A committee may be comprised of one director.

4.08 Transaction of Business of Committee

Subject to the provisions of this by-law with respect to participation in a meeting, the powers of a committee of directors may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all of the members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of such committee may be held at any place in or outside Alberta and may be called by any one member of the committee giving notice in accordance with the by-laws governing the calling of meetings of the board.

4.09 Procedure

Unless otherwise determined herein or by the board, each committee shall have the power to fix its quorum at not less than a majority of its members, to elect its chairman and to regulate its procedure.

4.10 Remuneration and Expenses

Subject to any unanimous shareholder agreement, the directors shall be paid such remuneration for their services as the board may from time to time determine. The directors shall also be entitled to be reimbursed for travelling and other expenses properly incurred by them in attending

meetings of the board or any committee thereof. Nothing herein contained shall preclude any director from serving the Corporation in any other capacity and receiving remuneration therefor.

4.11 Vacancies

Subject to the Act, a quorum of the board may fill a vacancy among the directors, except a vacancy resulting from an increase in the number or minimum number of directors or from a failure to elect the number or minimum number of directors required by the articles. If there is not a quorum of directors, or if there has been a failure to elect the number or minimum number of directors required by the articles, the directors then in office shall forthwith call a special meeting of shareholders to fill the vacancy and, if they fail to call a meeting or if there are no directors then in office, the meeting may be called by any shareholder.

4.12 Action by the Board

Subject to any unanimous shareholder agreement, the board shall manage or supervise the management of the business and affairs of the Corporation. Notwithstanding a vacancy among the directors, a quorum of directors may exercise all the powers of the directors. If the Corporation has only one director, that director may constitute a meeting.

DIVISION FIVE
MEETING OF DIRECTORS

5.01 Place of Meeting

Meetings of the board may be held at any place within or outside Alberta.

5.02 Notice of Meeting

Unless the board has made regulations otherwise, meetings of the board may be summoned on twenty-four (24) hours' notice, given verbally or in writing, and whether by means of telephone or telegraph, electronic means in accordance with the provisions of the *Electronic Transactions Act*, or any other means of communication. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting except where the Act requires such purpose or business to be specified, including any proposal to:

- a. submit to the shareholders any question or matter requiring approval of the shareholders;
- b. fill a vacancy among the directors or in the office of auditor;
- c. appoint additional directors;
- d. issue securities, except in the manner and on the terms authorized by the board;
- e. declare dividends;
- f. purchase, redeem or otherwise acquire shares issued by the Corporation, except in the manner and on the terms authorized by the board;
- g. pay a commission for the sale of shares;

- h. approve a management proxy circular;
- i. approve any financial statements to be placed before the shareholders at an annual meeting; or
- j. adopt, amend or repeal by-laws.

Provided, however, that a director may in any manner, and either before or after the meeting, waive notice of a meeting and attendance of a director at a meeting of the board shall constitute a waiver of notice of the meeting except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

For the first meeting of the board to be held immediately following an election of directors no notice of such meeting shall be necessary, and for a meeting of the board at which a director is to be appointed to fill a vacancy in the board, no notice of such meeting shall be necessary to the newly elected or appointed director or directors in order to legally constitute the meeting, provided, in each case, that a quorum of the directors is present.

5.03 Adjourned Meeting

Notice of an adjourned meeting of the board is not required if the time and place of the adjourned meeting is announced at the original meeting.

5.04 Calling of the Meetings

Meetings of the board shall be held from time to time at such time and at such place as the board, the chairman of the board, the managing director, the president or any two directors may determine. Should more than one of the above-named call a meeting at or for substantially the same time, there shall be only one meeting held and such meeting shall occur at the time and place determined by, in order of priority, the board, any two directors, the chairman, or the president.

5.05 Regular Meetings

The board may, from time to time, appoint a day or days in any month or months for regular meetings of the board at a place and hour to be named. A copy of any resolution of the board fixing the place and time of such regular meetings shall be sent to each director forthwith after being passed, and forthwith to each director subsequently elected or appointed, but no other notice shall be required for any such regular meeting except where the Act or this by-law requires the purpose thereof or the business to be transacted thereat to be specified.

5.06 Chairman

The chairman of any meeting of the board shall be the first mentioned of such of the following officers as have been appointed and who is a director and is present at the meeting: chairman of the board, managing director or president. If no such officer is present, the directors present shall choose one of their number to be chairman.

5.07 Quorum

Subject to the following section 5.08, the quorum for the transaction of business at any meeting of the board shall consist of a majority of the directors holding office or such greater number of directors as the board may from time to time determine.

5.08 One-Quarter Canadian Representation at Meetings

Directors shall not transact business at a meeting of directors unless at least one-quarter of the directors present are resident Canadians. Notwithstanding the foregoing, directors may transact business at a meeting of directors when less than one-quarter of the directors present are resident Canadians if:

- a. a resident Canadian director who is unable to be present approves in writing or by electronic means, telephone or other communications facilities the business transacted at the meeting; and
- b. the number of resident Canadian directors present at the meeting, together with any resident Canadian director who gives his approval under clause (a), totals at least one-quarter of the directors present at the meeting.

5.09 Voting

Questions arising at any meeting of the board shall be decided by a majority of votes, and in the event of any equality of votes, the chairman of the meeting shall not be entitled to a second or casting vote.

5.10 Participation in Meeting

A director may participate in a meeting of the board or a committee of the board by electronic means, telephone, or other communication facilities as permit all persons participating in the meeting to hear or otherwise communicate with each other, and a director participating in such meeting by such means is deemed to be present at the meeting.

5.11 Resolution in Lieu of Meeting

Notwithstanding any of the foregoing provisions of this by-law, a resolution in writing signed by all the directors entitled to vote on that resolution at a meeting of the board or a committee of directors is as valid as if it had been passed at a meeting of the board or committee of directors, as the case may be. A copy of every such resolution shall be kept with the minutes of the proceedings of the directors or committee of directors. Any such resolution in writing is effective for all purposes at such time as the resolution states regardless of when the resolution is signed and may be signed in counterpart.

5.12 Amendments to the Act

It is hereby affirmed that the intention of sections 4.07, 5.08 and 7.03, as they relate to Canadian representation, is to comply with the minimum requirements of the Act and in the event that such minimum requirements shall be amended, deleted or replaced such that no, or lesser, requirements with respect to Canadian representation are then in force, such sections shall be deemed to be correspondingly amended, deleted or replaced without any further act of the directors or shareholders of the Corporation.

DIVISION SIX
PROTECTION OF DIRECTORS, OFFICERS AND OTHERS

6.01 Conflict of Interest

A director or officer shall not be disqualified from his office, or be required to vacate his office, by reason only that he is a party to, or is a director or officer or has a material interest in any person who is a party to, a material contract or material transaction or proposed material contract or proposed material transaction with the Corporation or a subsidiary thereof. Such a director or officer shall, however, disclose the nature and extent of his interest in the contract or transaction or proposed contract or transaction at the time and in the manner provided by the Act. Subject to the provisions of the Act, a director or officer shall not by reason only of his office be accountable to the Corporation or to its shareholders for any profit or gain realized from such a contract or transaction, and such contract or transaction shall not be void or voidable by reason only of the director's interest therein, provided that the required declaration and disclosure of interest is properly made, the contract or transaction is approved by the directors or shareholders, if necessary, and it was fair and reasonable to the Corporation at the time it was approved and, if required by the Act, the director refrains from voting as a director on the contract or transaction.

Even if the above conditions are not met, a director or officer acting honestly and in good faith shall not be accountable to the Corporation or to its shareholders for any profit realized from a material contract or material transaction for which disclosure is required by the Act, and such contract or transaction shall not be void or voidable by reason only of the director or officer's interest therein, provided that the material contract or material transaction was approved or confirmed by special resolution at a meeting of the shareholders, disclosure of the interest was made to the shareholders in a manner sufficient to indicate its nature before such contract or transaction was approved or confirmed, and such contract or transaction was reasonable and fair to the Corporation at the time it was approved or confirmed.

6.02 Limitation of Liability

Every director and officer of the Corporation, in exercising his powers and discharging his duties, shall act honestly and in good faith with a view to the best interests of the Corporation and shall exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances. Subject to the foregoing, no director or officer, for the time being of the Corporation, shall be liable for the acts, neglects or defaults of any other director or officer or employee or for joining in any act for conformity, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired by the Corporation or for or on behalf of the Corporation or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to the Corporation shall be placed out or invested or for any loss, conversion, misapplication or misappropriation of or any damage resulting for any dealings with any moneys, securities or other assets belonging to the Corporation or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the moneys, securities or effects of the Corporation shall be deposited, or for any other loss, damage or misfortune whatever which may happen in the execution of the duties of his respective office or trust or in relation thereto; provided that nothing herein shall relieve any director or officer from the duty to act in accordance with the Act and the Regulations thereunder or from liability for any breach thereof. The directors, for the time being of the Corporation, shall not be under any duty or responsibility in respect of any contract, act or transaction whether or not made, done or

entered into in the name or on behalf of the Corporation, except such as shall have been submitted to and authorized or approved by the board.

No act or proceeding of any director or officer or the board shall be deemed invalid or ineffective by reason of the subsequent ascertainment of any irregularity in regard to such act or proceeding or the election, appointment or qualification of such director or officer or board.

6.03 Indemnity

Subject to section 124 of the Act, the Corporation shall indemnify a director or officer of the Corporation, a former director or officer of the Corporation or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and his heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of the Corporation or body corporate, if:

- a. he acted honestly and in good faith with a view to the best interests of the Corporation; and
- b. in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful.

The Corporation shall also indemnify such persons in such other circumstances as the Act permits or requires. Nothing herein contained shall limit the right of any person entitled to indemnity to claim indemnity apart from the provisions of this section 6.03.

6.04 Insurance

The Corporation may purchase and maintain insurance for the benefit of any person referred to in section 6.03 against any liability incurred by him:

- a. in his capacity as a director or officer of the Corporation, except where the liability relates to his failure to act honestly and in good faith with a view to the best interests of the Corporation; or
- b. in his capacity as a director or officer of another body corporate where he acts or acted in that capacity at the Corporation's request, except where the liability relates to his failure to act honestly and in good faith with a view to the best interests of the body corporate.

DIVISION SEVEN
OFFICERS

7.01 Election or Appointment

Subject to any unanimous shareholder agreement, the board may, from time to time, appoint a chairman of the board, a president, one or more vice-presidents, a secretary, a treasurer and such other officers as the board may determine, including one or more assistants to any of the officers so appointed. The board may specify the duties of and, in accordance with this by-law and subject to the provisions of the Act, delegate to such officers powers to manage the business and affairs of the Corporation. Except for a managing director and a chairman of the board who must be directors, an officer may, but need not be, a director and one person may hold more than one office.

7.02 Chairman of the Board

The chairman of the board shall, when present, preside at all meetings of the board, committees of directors and at all meetings of shareholders.

If no managing director is appointed, the board may assign to the chairman of the board any of the powers and duties that, by any provision of this by-law, are assigned to the managing director; and he shall, subject to the provisions of the Act, have such other powers and duties as the board may specify. During the absence or disability of the chairman of the board, his duties shall be performed and his powers exercised by the managing director, if any, or by the president.

7.03 Managing Director

The managing director, if any, shall be a resident Canadian and shall have, subject to the authority of the board, general supervision of the business and affairs of the Corporation; and he shall, subject to the provisions of the Act, have such other powers and duties as the board may specify.

7.04 President

The president shall, subject to the authority of the board and the managing director, if any, have such powers and duties as the board may specify. During the absence or disability of the managing director, or if no managing director has been appointed, the president shall also have the powers and duties of that office; provided, however, that unless he is a director he shall not preside as chairman at any meeting of the board or of a committee of directors.

7.05 Vice-President

During the absence or disability of the president, his duties shall be performed and his powers exercised by the vice-president or, if there is more than one, by the vice-president designated from time to time by the board or the president; provided, however, that a vice-president who is not a director shall not preside as chairman at any meeting of the board or of a committee of directors. A vice-president shall have such other powers and duties as the board or the president may prescribe.

7.06 Secretary

The secretary shall attend and be the secretary of all meetings of the board, shareholders and committees of directors and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings thereat; he shall give or cause to be given, as and when instructed, all notices to shareholders, directors, officers, auditors and members of committees of the board; he shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation and of all books, papers, records, documents and instruments belonging to the Corporation, except when some other officer or agent has been appointed for that purpose; and he shall have such other powers and duties as the board or the chief executive officer, if any, may specify.

7.07 Treasurer

The treasurer shall keep proper accounting records in compliance with the Act and shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation; he shall render to the board whenever required an account of all his transactions and he

shall have such other powers and duties as the board or chief executive officer, if any, or the president may specify.

7.08 General Manager or Manager

If elected or appointed, the general manager shall have, subject to the authority of the board, the managing director, if any, the chief executive officer, if any, and the president, full power to manage and direct the business and affairs of the Corporation (except such matters and duties as by law must be transacted or performed by the board and/or by the shareholders) and to employ and discharge agents and employees of the Corporation and may delegate to him or them any lesser authority. A general manager or manager shall conform to all lawful orders given to him by the board and shall at all reasonable times give to the directors or any of them all information they may require regarding the affairs of the Corporation. Any agent or employee appointed by a general manager or manager shall be subject to discharge by the board.

7.09 Powers and Duties of Other Officers

The powers and duties of all other officers shall be such as the terms of their engagement call for or as the board, the managing director, if any, or the chief executive officer, if any, or the president may specify. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the board or the chief executive officer, if any, or the president otherwise directs.

7.10 Variation of Powers and Duties

The board may from time to time and subject to the provisions of the Act, vary, add to or limit the powers and duties of any officer.

7.11 Vacancies

If the office of any officer of the Corporation shall be or become vacant by reason of death, resignation, disqualification or otherwise, the board, by resolution, may appoint a person to fill such vacancy.

7.12 Remuneration and Removal

The remuneration of all officers appointed by the board shall be determined from time to time by resolution of the board. The fact that any officer or employee is a director or shareholder of the Corporation shall not disqualify him from receiving such remuneration as may be determined. All officers shall be subject to removal by resolution of the board at any time, with or without cause, notwithstanding any agreement to the contrary, provided however that this right of removal shall not limit in any way such officer's right to damages by virtue of such agreement or any other rights resulting from such removal in law or equity.

7.13 Agents and Attorneys

The Corporation, by or under the authority of the board, shall have power from time to time to appoint agents or attorneys for the Corporation in or outside Canada with such powers (including the power to sub-delegate) of management, administration or otherwise as may be thought fit.

7.14 Conflict of Interest

An officer shall disclose his interest in any material contract or material transaction or proposed material contract or proposed material transaction with the Corporation in accordance with section 6.01.

7.15 Fidelity Bonds

The board may require such officers, employees and agent of the Corporation, as the board deems advisable, to furnish bonds for the faithful discharge of their powers and duties, in such forms and with such surety as the board may from time to time determine.

DIVISION EIGHT
SHAREHOLDERS' MEETINGS

8.01 Annual Meetings

Subject to the Act, the annual meeting of shareholders shall be held at such time and on such day in each year and at such place or places as the board, the chairman of the board, the managing director or the president may from time to time determine, for the purpose of considering the financial statements and reports required by the Act to be placed before the annual meeting, electing directors, appointing auditors if required by the Act or the articles, and for the transaction of such other business as may properly be brought before the meeting.

8.02 Special Meetings

The board shall have the power to call a special meeting of shareholders at any time.

8.03 Place of Meetings

Meetings of shareholders shall be held as provided for in the articles, or failing any reference in the articles, at such place in Alberta as the board may determine. Subject to the Act, if the directors or the shareholders of the Corporation call a meeting of shareholders, the directors or the shareholders, as the case may be, may determine that the meeting shall be held entirely by electronic means, telephone or other communication facility that permits all participants to communicate adequately with each other during the meeting.

8.04 Record Date for Notice

The board may fix in advance a date, preceding the date of any meeting of shareholders by not more than fifty (50) days and not less than twenty-one (21) days, as a record date for the determination of shareholders entitled to notice of or to vote at the meeting. If no record date is fixed, the record date for the determination of the shareholders entitled to receive notice of or to vote at the meeting shall be the close of business on the date immediately preceding the day on which the notice is given or, if no notice is given, the day on which the meeting is held.

8.05 Notice of Meeting

Notice of the time and place of each meeting of shareholders shall be sent not less than twenty-one (21) days and not more than fifty (50) days before the meeting to each shareholder entitled to

vote at the meeting, each director and the auditor of the Corporation. Such notice may be sent by electronic means in accordance with the *Electronic Transactions Act*, or by mail addressed to, or may be delivered personally to, the shareholder, at his latest address as shown in the records of the Corporation or its transfer agent, to the director, at his latest address as shown in the records of the Corporation or in the last notice filed pursuant to section 106 or 113 of the Act, or to the auditor, at his most recent address as shown in the records of the Corporation. A notice of meeting of shareholders sent by mail to a shareholder, director or auditor in accordance with the above is deemed to be served on the day on which it was deposited in the mail. A notice of a meeting is not required to be sent to shareholders who are not registered on the records of the Corporation or its transfer agent on the record date as determined according to section 8.04 hereof. Notice of a meeting of shareholders at which special business is to be transacted shall state the nature of such business in sufficient detail to permit the shareholder to form a reasoned judgment thereon and shall state the text of any special resolution to be submitted to the meeting. A special meeting and an annual meeting may be convened by one and the same notice and it shall not be an objection to the notice that it only convenes the second meeting contingently on any resolution being passed by the requisite majority at the first meeting.

8.06 Right to Vote

Subject to the provisions of the Act as to authorized representatives of any other body corporate, at any meeting of shareholders in respect of which the Corporation has prepared the list referred to in section 8.07 hereof, every person who is named in such list shall be entitled to vote the shares shown thereon opposite his name except to the extent that such person has transferred any of his shares after the record date set pursuant to section 8.04 hereof, or, if no record date is fixed, after the date on which the list referred to in section 8.07 is prepared, and the transferee, upon producing properly endorsed certificates evidencing such shares or otherwise establishing that he owns such shares, demands not later than ten (10) days before the meeting that his name be included to vote the transferred shares at the meeting. In the absence of a list prepared as aforesaid in respect of a meeting of shareholders, every person shall be entitled to vote at the meeting who at the close of business on the record date, or if no record date is set, at the close of business on the date preceding the date notice is sent, is entered in the securities register as the holder of one or more shares carrying the right to vote at such meeting.

8.07 List of Shareholders Entitled to Notice

The Corporation shall prepare a list of shareholders entitled to receive notice of a meeting, arranged in alphabetical order, and showing the number of shares held by each shareholder in accordance with section 137 of the Act. If a record date for the meeting is fixed pursuant to section 8.04 hereof by the board, the shareholders listed shall be those registered at the close of business on the record date. If no record date is fixed by the board, the shareholders listed shall be those listed at the close of business on the last business day immediately preceding the day on which notice of a meeting is given, or where no such notice is given, the day on which the meeting is held. The list shall be available for examination by any shareholder during usual business hours at the registered office of the Corporation or at the place where its central securities register is maintained and at the place where the meeting is held.

8.08 Meetings Without Notice

A meeting of shareholders may be held without notice at any time and place permitted by the Act:

- a. if all the shareholders entitled to vote thereat are present in person or represented by proxy or if those not present or represented by proxy waive notice of or otherwise consent to such meeting being held; and
- b. if the auditors and the directors are present or waive notice of or otherwise consent to such meeting being held.

At such meetings any business may be transacted which the Corporation at a meeting of shareholders may transact. If the meeting is held at a place outside Canada, shareholders not present or represented by proxy, but who have waived notice of or otherwise consented to such meeting, shall also be deemed to have consented to a meeting being held at such place.

8.09 Waiver of Notice

A shareholder and any other person entitled to attend a meeting of shareholders may in any manner waive notice of a meeting of shareholders and attendance of any such person at a meeting of shareholders shall constitute a waiver of notice of the meeting except where such person attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

8.10 Chairman, Secretary and Scrutineers

The chairman of the board or, in his absence, the president, if such an officer has been elected or appointed and is present, or otherwise a vice-president who is a shareholder of the Corporation, shall be chairman of any meeting of shareholders. If no such officer is present within fifteen (15) minutes from the time fixed for holding the meeting, or declines to be chairman of the meeting, the persons present and entitled to vote shall choose one of their number to be chairman. If the secretary of the Corporation is absent, the chairman shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be shareholders, may be appointed by a resolution or by the chairman with the consent of the meeting.

8.11 Persons Entitled to be Present

The only persons entitled to be present at a meeting of shareholders shall be those entitled to vote thereat, the directors and auditors of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act or the articles or by-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chairman of the meeting or with the consent of the meeting.

8.12 Quorum

A quorum at any meeting of shareholders (unless a greater number of persons are required to be present or a greater number of shares are required to be represented by the Act or by the articles or by any other by-law) shall be persons present not being less than two (2) in number and holding or representing not less than twenty-five (25%) per cent of the shares entitled to be voted at the meeting. If a quorum is present at the opening of any meeting of shareholders, the shareholders present or represented may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting. If a quorum is not present at the opening of the meeting of shareholders, the shareholders present or represented may adjourn the meeting to a fixed time and place but may not transact any other business.

8.13 Participation in Meeting

A shareholder or any other person entitled to attend a meeting may participate in a meeting of shareholders by electronic means, telephone or other communication facilities as permit all persons participating in the meeting to hear or otherwise communicate with each other, and a person participating in such a meeting by such means is deemed to be present at the meeting. Subject to the Act, any person participating in a meeting pursuant to this section and entitled to vote at the meeting may vote by electronic means, telephone or other communication facility that the Corporation has made available for that purpose.

8.14 Proxyholders and Representatives

Votes at meetings of the shareholders may be given either personally or by proxy; or, in the case of a shareholder, who is a body corporate or association, by an individual authorized by a resolution of the board or governing body of the body corporate or association to represent it at a meeting of shareholders of the Corporation, upon producing a certified copy of such resolution or otherwise establishing his authority to vote to the satisfaction of the secretary or the chairman.

A proxy shall be executed by the shareholder or his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and is valid only at the meeting in respect of which it is given or any adjournment of that meeting. A person appointed by proxy need not be a shareholder.

8.15 Time for Deposit of Proxies

The board may specify in a notice calling a meeting of shareholders a time, preceding the time of such meeting by not more than forty-eight (48) hours exclusive of Saturdays and holidays, before which time proxies to be used at such meeting must be deposited. A proxy shall be acted upon only if, prior to the time so specified, it shall have been deposited with the Corporation or an agent thereof specified in such notice or, if no such time having been specified in such notice, it has been received by the secretary of the Corporation or by the chairman of the meeting or any adjournment thereof prior to the time of voting.

8.16 Joint Shareholders

If two or more persons hold shares jointly, any one of them present in person or duly represented at a meeting of shareholder may, in the absence of the other or others, vote the shares; but if two or more of those persons are present in person or represented and vote, they shall vote as one the shares jointly held by them.

8.17 Votes to Govern

Except as otherwise required by the Act, all questions proposed for the consideration of shareholders at a meeting of shareholders shall be determined by a majority of the votes cast and in the event of an equality of votes at any meeting of shareholders, the chairman shall not have a second or casting vote.

8.18 Conduct of Vote

Subject to the Act, voting at a meeting of shareholders shall be by a show of hands, unless a ballot is required or demanded as hereinafter provided, and may be held, subject to the Act, entirely by electronic means, telephone or other communication facility, if the corporation makes such a communication facility available. Every person who is present or otherwise participating in the meeting pursuant to section 8.13 hereof and entitled to vote shall have one vote. Whenever a vote shall have been taken upon a question, unless a ballot thereon is so required or demanded, a declaration by the chairman of the meeting that the vote upon the question has been carried or carried by a particular majority or defeated and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of shareholders upon the said question.

8.19 Ballots

On any question proposed for consideration at a meeting of shareholders, a shareholder, proxyholder or other person entitled to vote may demand and the chairman may require that a ballot be taken either before or upon the declaration of the result of any vote. If a ballot is demanded on the election of a chairman or on the question of an adjournment it shall be taken forthwith without an adjournment. A ballot demanded or required on any other question shall be taken in such manner as the chairman shall direct. A demand or requirement for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken each person present shall be entitled, in respect of the shares that he is entitled to vote at the meeting upon the question, to the number of votes as provided for by the articles or, in the absence of such provision in the articles, to one vote for each share he is entitled to vote. The result of the ballot so taken shall be the decision of the shareholders upon the question. The demand or requirement for a ballot shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the ballot has been demanded or required.

8.20 Adjournment

The chairman at a meeting of shareholders may, with the consent of the meeting and subject to such conditions as the meeting may decide, adjourn the meeting from time to time and from place to place. If a meeting of shareholders is adjourned for less than thirty (30) days, it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the time of the adjournment. Subject to the Act, if a meeting of shareholders is adjourned by one or more adjournments for an aggregate of thirty (30) days or more, notice of the adjourned meeting shall be given in the same manner as notice for an original meeting but, unless the meeting is adjourned by one or more adjournments for an aggregate of more than ninety (90) day, subsection 149(1) of the Act does not apply.

8.21 Resolution in Lieu of a Meeting

A resolution in writing signed by all the shareholders entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of the shareholders; and a resolution in writing dealing with all matters required to be dealt with at a meeting of shareholders and signed by all the shareholders entitled to vote at such meeting, satisfies all the requirements of the Act relating to meetings of shareholders. A copy of every such resolution in writing shall be kept with minutes of the meetings of shareholders. Any such resolution in writing is effective for all purposes at

such time as the resolution states regardless of when the resolution is signed and may be signed in counterpart.

8.22 Only One Shareholder

Where the Corporation has only one shareholder or only one holder of any class or series of shares, the shareholder present in person or duly represented constitutes a meeting.

DIVISION NINE
SHARES

9.01 Non-Recognition of Trusts

Subject to the Act, the Corporation may treat the registered holder of any share as the person exclusively entitled to vote, to receive notices, to receive any dividend or other payment in respect of the share, and otherwise to exercise all the rights and powers of an owner of the share.

9.02 Certificates

The shareholder is entitled at his option to a share certificate that complies with the Act or a non-transferable written acknowledgement of his right to obtain a share certificate from the Corporation in respect of the securities of the Corporation held by him. Share certificates and acknowledgements of a shareholder's right to a share certificate, respectively, shall be in such form as described by the Act and as the board shall from time to time approve. A share certificate shall be signed manually by at least one director or officer of the Corporation or by or on behalf of a registrar, transfer agent or branch transfer agent of the Corporation, or by a trustee who certifies it in accordance with a trust indenture, and any additional signatures required on the share certificate may be printed or otherwise mechanically reproduced on it.

9.03 Replacement of Share Certificates

The board or any officer or agent designated by the board may in its or his discretion direct the issuance of a new share certificate or other such certificate in lieu of and upon cancellation of a certificate that has been mutilated or in substitution for a certificate claimed to have been lost, destroyed or wrongfully taken on payment of such reasonable fee and on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the board may from time to time prescribe, whether generally or in any particular case.

9.04 Joint Holders

The Corporation is not required to issue more than one share certificate in respect of a share held jointly by several persons, and delivery of a certificate to one of several joint holders is sufficient delivery to all. Any one of such holders may give effectual receipts for the certificate issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such certificate.

DIVISION TEN
TRANSFER OF SECURITIES

10.01 Registration of Transfer

If a share in registered form is presented for registration of transfer, the Corporation shall register the transfer if:

- a. the share is endorsed by an appropriate person, as defined in the *Securities Transfer Act (Alberta)*;
- b. reasonable assurance is given that the endorsement is genuine and effective;
- c. the Corporation has no duty to enquire into adverse claims or has discharged any such duty;
- d. any applicable law relating to the collection of taxes has been complied with;
- e. the transfer is rightful or is to a bona fide purchaser; and
- f. the transfer fee, if any, has been paid.

10.02 Transfer Agents and Registrar

The board may from time to time by resolution appoint or remove one or more trust companies registered under the Trust Companies Act as its agent or agents to maintain a central securities register or registers, and an agent or agents to maintain a branch securities register or registers. Agents so appointed may be designated as transfer agent or registrar according to their functions, and a person may be appointed and designated with functions as both registrar and transfer or branch transfer agent. Registration of the issuance or transfer of a security in the central securities register or in a branch securities register is complete and valid registration for all purposes.

10.03 Securities Registers

A central securities register of the Corporation shall be kept at its registered office or at any other place in Alberta designated by the board to record the shares and other securities issued by the Corporation in registered form, showing with respect to each class or series of shares and other securities:

- a. the names, alphabetically arranged, and the latest known address of each person who is or has been a holder;
- b. the number of shares or other securities held by each holder; and
- c. the date and particulars of the issuance and transfer of each share or other security.

A branch securities register or registers may be kept either in or outside Alberta at such place or places as the board may determine. A branch securities register shall only contain particulars of securities issued or transferred at that branch. Particulars of each issue or transfer of a security registered in a branch securities register shall also be kept in the corresponding central securities register.

10.04 Deceased Shareholders

In the event of the death of a holder, or of one of the joint holders, of any share, the Corporation shall not be required to make any entry in the securities register in respect thereof or to make any dividend or other payments in respect thereof except upon production of all such documents as may be required by law and upon compliance with the reasonable requirements of the Corporation and its transfer agents.

DIVISION ELEVEN
DIVIDENDS AND RIGHTS

11.01 Dividends

Subject to the Act, the board may from time to time declare dividends payable to the shareholders according to their respective rights and interest in the Corporation. Dividends may be paid in money or property or by issuing fully-paid shares of the Corporation.

11.02 Dividend Cheques

A dividend payable in money shall be paid by cheque to the order of each registered holder of shares of the class or series in respect of which it has been declared and shall be mailed by prepaid ordinary mail to such registered holder at his address recorded in the Corporation's securities register or registers or such address as such holder otherwise directs. In the case of joint holders the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all such joint holders and mailed to them at their recorded address. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold.

11.03 Non-Receipt of Cheques

In the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the board may from time to time prescribe, whether generally or in any particular case.

11.04 Unclaimed Dividends

No dividend shall bear interest against the Corporation. Any dividend unclaimed after a period of six (6) years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

11.05 Record Date for Dividends and Rights

The board may fix in advance a date, preceding by not more than fifty (50) days the date for the payment of any dividend, as a record date for the determination of the persons entitled to receive payment of such dividend, provided that, unless waived as provided for in the Act, notice of any such record date is given, not less than seven (7) days before such record date, by newspaper advertisement in the manner provided in the Act and by written notice to each stock exchange in Canada, if any, on which the Corporation's shares are listed for trading. Where no record date is fixed in advance as aforesaid, the

record date for the determination of the persons entitled to receive payment of any dividend shall be at the close of business on the day on which the resolution relating to such dividend is passed by the board.

DIVISION TWELVE
INFORMATION AVAILABLE TO SHAREHOLDERS

12.01 Confidential Information

Except as provided by the Act, no shareholders shall be entitled to obtain information respecting any details or conduct of the Corporation's business which, in the opinion of the directors, it would be inexpedient in the interests of the Corporation to communicate to the public.

12.02 Conditions of Access to Information

The directors may from time to time, subject to rights conferred by the Act, determine whether and to what extent and at what time and place and under what conditions or regulations the documents, books and registers and accounting records of the Corporation or any of them shall be open to the inspection of shareholders and no shareholders shall have any right to inspect any document or book or register or account record of the Corporation except as conferred by statute or authorized by the board or by a resolution of the shareholders.

12.03 Registered Office and Separate Records Office

The registered office of the Corporation shall be at a place within Alberta and at such location therein as the board may from time to time determine. The records office will be at the registered office or at such location, if any, within Alberta, as the board may from time to time determine.

DIVISION THIRTEEN
NOTICES

13.01 Method of Giving Notices

A notice or document required by the Act, the Regulations, the articles or the by-laws to be sent to a shareholders or director of the Corporation may be sent by electronic means in accordance with the provisions of the *Electronic Transactions Act*, or by prepaid mail addressed to, or may be delivered personally to:

- a. the shareholder at his latest address as shown in the records of the Corporation or its transfer agent; and
- b. the director at his latest address as shown in the records of the Corporation or in the last notice filed under section 106 or 113.

A notice or document sent by mail in accordance with the foregoing to a shareholder or director of the Corporation is deemed to be received by him at the time it would be delivered in the ordinary course of mail unless there are reasonable grounds for believing that the shareholder or director did not receive the notice or document at the time or at all.

13.02 Notice to Joint Shareholders

If two or more persons are registered as joint holders of any share, any notice may be addressed to all of such joint holders but notice addressed to one of such persons shall be sufficient notice to all of them.

13.03 Persons Entitled by Death or Operation of Law

Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever, shall become entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the shareholders from whom he derives his title to such share prior to his name and address being entered on the securities register (whether such notice was given before or after the happening of the event upon which he became so entitled) and prior to his furnishing to the Corporation the proof of authority or evidence of his entitlement prescribed by the Act.

13.04 Non-Receipt of Notices

If a notice or document is sent to a shareholder in accordance with section 13.01 and the notice or document is returned on two (2) consecutive occasions because the shareholder cannot be found, the Corporation is not required to send any further notice or documents to the shareholder until the shareholder informs the Corporation in writing of his new address; provided always, that in the event of the return of a notice of a shareholders meeting mailed to a shareholder in accordance with section 13.01 the notice shall be deemed to be received by the shareholder on the date deposited in the mail notwithstanding its return.

13.05 Omissions and Errors

Subject to the Act, the accidental omission to give any notice to any shareholder, director, officer, auditor or member of a committee of the board or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

13.06 Signature on Notices

Unless otherwise specifically provided, the signature of any director or officer of the Corporation to any notice or document to be given by the Corporation may be written, stamped, typewritten or printed or partly written, stamped, typewritten or printed.

13.07 Waiver of Notice

If a notice or document is required by the Act or the Regulations, the articles, the by-laws or otherwise to be sent, the sending of the notice or document may be waived or the time for the notice or document may be waived or abridged at any time with the consent in writing of the person entitled to receive it. The consent of a person entitled to waive the requirement for the sending of a notice or document or to waive or abridge the time for the notice or the document may be sent by electronic means in accordance with the provisions of the *Electronic Transactions Act*.

DIVISION FOURTEEN
MISCELLANEOUS

14.01 Directors to Require Surrender of Share Certificates

The directors in office when a Certificate of Continuance is issued under the Act are hereby authorized to require the shareholders of the Corporation to surrender their share certificate(s), or such of their share certificates as the directors may determine, for the purpose of cancelling the share certificates and replacing them with new share certificates that comply with section 48 of the Act, in particular, replacing existing share certificate with share certificates that are not negotiable securities under the Act. The directors in office shall act by resolution under this section 14.01 and shall in their discretion decide the manner in which they shall require the surrender of existing share certificates and the time within which the shareholders must comply with the requirement and the form or forms of the share certificates to be issued in place of the existing share certificates. The directors may take such proceedings as they deem necessary to compel any shareholder to comply with a requirement to surrender his share certificate or certificates pursuant to this section. Notwithstanding any other provision of this by-law, but subject to the Act, the director may refuse to register the transfer of shares represented by a share certificate that has not been surrendered pursuant to a requirement under this section.

14.02 Financial Assistance to Shareholders, Employees and Others

The Corporation may give financial assistance by means of a loan, guarantee or otherwise to any person for any purpose in accordance with the provisions of the Act and the Regulations including, without limitation, the disclosure requirements specified therein.

14.03 Severability

The invalidity or unenforceability of any provision of this by-law shall not affect the validity or enforceability of the remaining provisions of this by-law.

14.04 Prior By-law

All previous by-laws of the Corporation are repealed as of the coming into force of this by-law. Such repeal shall not affect the previous operation of any by-law so repealed or affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under, or the validity of any contract or agreement made pursuant to, or the validity of any articles (as defined in the Act) or predecessor charter documents of the Corporation obtained pursuant to, any such by-law prior to its repeal. All officers and persons acting under any by-law so repealed shall continue to act as if appointed under the provisions of this by-law and all resolutions of the shareholders or the board or a committee of the board with continuing effect passed under any repealed by-law shall continue to be good and valid except to the extent inconsistent with this by-law and until amended or repealed.

MADE by the board the 12th day of March, A.D. 2014.

(signed) "Ron D. Miller"
Director

(signed) "Wayne K. Foo"
Director

CONFIRMED by the Shareholders in accordance with the *Business Corporations Act*
(Alberta), the ____ day of _____, A.D. 2014.

Director

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APPENDIX "C"
STOCK OPTION PLAN

**PAREX RESOURCES INC.
STOCK OPTION PLAN**

1. PURPOSE OF THE PLAN

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

2. DEFINED TERMS

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

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

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

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

- (A) the communication is only through the newspaper, magazine or publication; and
 - (B) the publisher or writer receives no commission or other consideration other than for acting in the capacity of publisher or writer; or
- (iv) activities or communications that may be otherwise specified by the Exchange.
- (m) "**Market Price**" means the closing trading price per Share on the TSX (or if the Shares are not listed on the TSX, on such stock exchange as the Shares are then traded) on the last trading day preceding: (i) the issuance of a news release in respect of the Option grant, or (ii) if a news release is not issued announcing the Option grant, the date of grant, or, if the Shares are not listed on any stock exchange, a price determined by the Board;
- (n) "**Option**" means an option to purchase Shares granted by the Board to certain directors, officers, employees of the Corporation or a Subsidiary, subject to the provisions contained herein;
- (o) "**Participants**" means certain directors, officers, *bona fide* employees of the Corporation or a Subsidiary to whom Options are granted and which Options or a portion thereof remain unexercised;
- (p) "**Plan**" means the stock option plan of the Corporation, as the same may be amended or varied from time to time;
- (q) "**Shares**" means the common shares in the capital of the Corporation or, in the event of an adjustment contemplated by Article 6 hereof, such other Shares to which a Participant may be entitled upon the exercise of an Option as a result of such adjustment;
- (r) "**Subsidiary**" has the meaning ascribed thereto in the *Securities Act* (Alberta) as from time to time amended, supplemented or re-enacted;
- (s) "**Take-over Proposal**" means (i) any proposal or offer by a third person, whether or not subject to a due diligence condition and whether or not in writing, to acquire in any manner, directly or indirectly, beneficial ownership of or control or direction over more than 50% of the Corporation's outstanding Voting Shares whether by way of arrangement, amalgamation, merger, consolidation or other business combination, including any single or multi-step transaction or series of related transactions that is structured to permit such third person to acquire in any manner, directly or indirectly, more than 50% of its outstanding Voting Shares, or (ii) any proposal, offer or agreement for a merger, consolidation, amalgamation, arrangement, recapitalization, liquidation, dissolution, reorganization into a royalty trust or income fund or similar transaction or other business combination involving the Corporation;
- (t) "**TSX**" means the Toronto Stock Exchange; and
- (u) "**Voting Shares**" means any securities of the Corporation ordinarily carrying the right to vote at elections of directors.

3. ADMINISTRATION OF THE PLAN

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

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

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

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

4. GRANTING OF OPTIONS

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

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

- (a) the aggregate number of Shares reserved for issuance to any one person under the Plan, together with all other share compensation arrangements of the Corporation, within a 12-month period, must not exceed 5% of the outstanding issue of Shares (on a non diluted basis);
- (b) the aggregate number of Shares reserved for issuance to any one Insider pursuant to the Plan, together with all other share compensation arrangements of the Corporation, must not exceed 5% of the outstanding issue of Shares;
- (c) the aggregate number of Shares issued to Insiders pursuant to the Plan, together with all other share compensation arrangements of the Corporation, within a 12-month period, must not exceed 10% of the outstanding issue of Shares;
- (d) the aggregate number of Shares reserved for issuance to Insiders pursuant to the Plan, together with all other share compensation arrangements, at any time, must not exceed 10% of the issue of Shares;
- (e) the aggregate number of Shares reserved for issuance pursuant to the Plan to any one Participant employed to provide Investor Relations Activities within a 12-month period, must not exceed 2% of the outstanding issue of Shares;
- (f) the aggregate number of Shares reserved for issuance to all non-management directors pursuant to the Plan cannot exceed 1.0% of the outstanding issue of Shares; and
- (g) the aggregate value of all Options (calculated as of the date of grant) granted pursuant to the Plan to any non-management director, after the Effective Date, cannot exceed \$100,000 in any 12 month period.

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

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

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

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

5. EXERCISE OF OPTION

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

6. ADJUSTMENTS IN SHARES

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

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

7. DECISIONS OF THE BOARD

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

8. TERMINATION OF EMPLOYMENT/DEATH

8.1 Unless otherwise provided in the agreement evidencing the grant of Options, Options shall terminate at the earlier of (the "**Termination Date**"): (i) the close of business 90 days after the optionee ceasing (other than by reason of death but including termination with or without cause) to be at least one of an officer, director or employee of the Corporation or a Subsidiary of the Corporation, as the case may be, (ii) the close of business 90 days after the optionee has been provided with written notice of dismissal related to (i) above; and

(iii) the original expiry date of the Option, provided that the number of Shares that the optionee shall be entitled to purchase until the Termination Date shall be the number of Shares which the optionee was entitled to purchase on the date the optionee ceased to be an officer, director or employee of the Corporation or a Subsidiary of the Corporation, as the case may be.

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

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

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

9. CHANGE OF CONTROL

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

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

10. AMENDMENT OR DISCONTINUANCE OF PLAN

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

- (a) increase the number of Shares reserved for issuance under the Plan or the Plan maximum pursuant to Section 4 hereof;
- (b) reduce the Exercise Price of any Option granted pursuant to the Plan;

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

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

11. GOVERNMENT REGULATION

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

- (a) the satisfaction of all requirements under applicable securities laws in respect thereof and obtaining all regulatory approvals as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
- (b) the admission of such Shares to listing on any Exchange on which such Shares may then be listed; and
- (c) the receipt from the Participant of such representations, agreements and undertakings as to future dealings in such Shares as the Corporation determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

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

12. PARTICIPANTS' RIGHTS

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

13. OPTION AGREEMENT

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

14. INDEPENDENT ADVICE

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

15. HOLD PERIOD

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

16. VOTING SHARES DULY ISSUED

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

17. MERGERS, AMALGAMATION AND SALE

17.1 If the Corporation shall become merged (whether by plan of arrangement or otherwise) or amalgamated in or with another corporation or entity or shall sell the whole or substantially the whole of its assets and undertakings for shares or securities of another corporation or other entity, the Corporation shall, subject to this Section 17, make provision that, upon exercise of an Option after the effective date of such merger, amalgamation or sale, the optionee shall receive such number of shares of the continuing successor corporation or other entity in such merger or amalgamation or the securities or shares of the purchasing corporation or other entity as the optionee would have received as a result of such merger, amalgamation or sale if the optionee had purchased the shares of the Corporation immediately prior thereto for the same consideration paid on the exercise of the Option and had held such shares on the effective date of such merger, amalgamation or sale and, upon such provision being made, the obligation of the Corporation to the optionee in respect of the Shares subject to the Option shall terminate and be at an end and the optionee shall cease to have any further rights in respect thereof. Adjustments under this section or any determinations as to fair market value of any securities shall be made by the Board, and any reasonable determination made by the Board shall be binding and conclusive.

18. OPTIONS TO COMPANIES

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

19. TAX WITHHOLDING

19.1 The Corporation shall have the power and the right to deduct or withhold, or require a Participant to remit to the Corporation, the required amount to satisfy federal, provincial, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of the Plan, including the grant or exercise of Options granted under the Plan. With respect to required withholding, the Corporation shall have the irrevocable right to, and the Participant consents to, the Corporation setting off any amounts required to be withheld, in whole or in part, against amounts otherwise owing by the Corporation to the Participant (whether arising pursuant to the Participant's relationship as a director, officer or employee of the Corporation or as a result of the Participant providing services on an ongoing basis to the Corporation or otherwise), or may make such other arrangements satisfactory to the Participant and the Corporation. In addition, the

Corporation may elect, in its sole discretion, to satisfy the withholding requirement, in whole or in part, by withholding such number of Shares as it determines are required to be sold by the Corporation, as trustee, to satisfy the withholding obligation net of selling costs. The Participant consents to such sale and grants to the Corporation an irrevocable power of attorney to effect the sale of such Shares and acknowledges and agrees that the Corporation does not accept responsibility for the price obtained on the sale of such Shares.

20. NO GUARANTEES REGARDING TAX TREATMENT

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

21. EFFECTIVE DATE

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