



**NOTICE OF ANNUAL GENERAL MEETING**

**and**

**MANAGEMENT PROXY CIRCULAR**

**WITH RESPECT TO THE**

**ANNUAL GENERAL MEETING OF SHAREHOLDERS OF PAREX RESOURCES INC.**

**TO BE HELD ON MAY 8, 2019**

**INFORMATION CIRCULAR DATED APRIL 2, 2019**



## Chairman's Message

In the year since our last circular was mailed, Parex and our industry in general have been through a period of significant changes and challenges. Parex retains its hallmarks – a peerless balance sheet, an outstanding resource base and a talented and proven workforce. Those are the fundamental aspects that Parex Management has available to deploy in pursuit of advancing the business.

At the outset of the company, the Board of Directors ("**Board**") established a governance and stewardship framework to ensure that planning and execution of the business would properly consider the risks and rewards present within our areas of operations as well as the broader issues that affect the business environment. We conduct an annual strategic planning process that begins after every annual general meeting by posing the question, "how will the shareholder be paid?" while considering the complex balance of stakeholder interests, including being a good corporate citizen of the jurisdictions in which we operate.

Through late 2017 as the crude oil market turned, it became apparent that continuing growth of our oil production and rising oil prices would bring significant growth in cash flow and a range of opportunities. At our June 2018 strategic planning session, we elected to examine the full range of opportunities, but focused on four fundamental ways to generate value for our shareholders as follows:

- sale of all or part of the Company;
- buyback of a significant component of equity;
- consideration of a dividend; or
- continue along the path of growing production and reserves at a maximum rate through exploration or acquisition.

The Board decided to implement a strategic repositioning process, focused on marketing our Southern Casanare blocks which constituted >80% of our oil production and reserves, pursuant to our press release of July 17, 2018. The aim was to sell these assets for cash and return the net proceeds to shareholders. Advisors were retained to evaluate the sale and partial sale alternatives, and also separately to evaluate and characterize non-sale alternatives. The Board established a special committee which met on average every two weeks to promote constructive interaction amongst Parex Management, our advisors and the Board. As events played out in the fourth quarter of 2018, crude oil prices began a rapid fall. There was significant bidder interest but valuations were not compelling given the strength of the Company's assets and the non-sale alternatives that had been characterized and evaluated.

The strategic process was terminated on December 18, 2018 and the Company immediately implemented a normal course issuer bid ("**NCIB**") and communicated a clear intent to execute on the full allowable volume, with consideration to supplement it with an substantial issuer bid ("**SIB**") if warranted.

Management's presentations, as posted on the Company's website, lay out the strategy that underlies that decision:

- Ensure maintenance of per share production and reserves through the NCIB, using less than half of funds flow from operations;
- Allocate funds to develop reserves and extend our resource base to replace production at relatively low risk; and
- Maintain a significant portion of funds flow to deploy in growth activities including the addition of new exploration areas and the appraisal of successful exploration.

Parex management executed the strategic repositioning process in 2018 in a manner that was effective and that has provided the Board and shareholders with a clear path for the Company's future.

I'd like to thank all of you for your support of the Company over the past year and as we move forward on our mission of continuing to provide superior returns to our shareholders while monitoring and governing our business to benefit our other stakeholders – our employees, the communities and jurisdictions in which we operate, and the other stakeholders encompassed in our environmental, social and governance framework.

Yours Truly,

Wayne K. Foo  
Chairman of the Board of Directors



**NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS  
TO BE HELD ON MAY 8, 2019**

**TO THE HOLDERS OF COMMON SHARES**

Notice is hereby given that the Annual General Meeting of holders (the "**Meeting**") of common shares ("**Common Shares**") of Parex Resources Inc. ("**Parex**" or the "**Company**") will be held at the Conference Centre on the 4<sup>th</sup> floor of Eighth Avenue Place East Tower, 525 - 8th Avenue S.W., Calgary, Alberta T2P 1G1, on May 8, 2019 at 9:30 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, 2018, and the auditors' report thereon;
2. to fix the number of directors to be elected at the Meeting at ten (10);
3. to elect ten (10) directors;
4. to appoint auditors and to authorize the directors to fix their remuneration as such;
5. to consider an advisory, non-binding resolution (a "**Say on Pay**" vote) on the Company's approach to executive compensation described in the management information circular of the Company dated April 2, 2019 (the "**Information Circular**"); and
6. to transact such further and other business as may properly come before the Meeting or any adjournments or postponements 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 March 19, 2019 (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 adjournments or postponements thereof in person are requested to date, sign and return the accompanying form of proxy for use at the Meeting or any adjournments or postponements thereof. To be effective, the enclosed proxy must be deposited with the Company's registrar and transfer agent, Computershare Trust Company of Canada ("Computershare"): (i) by mail, using the enclosed return envelope or one addressed to Computershare Trust Company of Canada, Proxy Department, 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1; (ii) by hand delivery to Computershare Trust Company of Canada, 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1; (iii) by telephone to 1-866-732-VOTE (8683) (toll free within North America) or to 1-312-588-4290 (outside North America); (iv) by facsimile to 1-866-249-7775 or 1-416-263-9524 (if outside North America); or (v) through the internet by using the 15 digit control number located at the bottom of your proxy at [www.investorvote.com](http://www.investorvote.com), 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 adjournments or postponements thereof. All instructions are listed in the enclosed form of proxy and see also "*Proxies - Voting by Internet*" in the Information Circular. In the event of a strike, lockout or other work stoppage involving postal employees, the enclosed proxy should be deposited with Computershare by hand delivery, by telephone or through the internet.**

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.**

DATED at Calgary, Alberta this 2<sup>nd</sup> day of April, 2019.

**BY ORDER OF THE BOARD OF DIRECTORS**  
(signed) "*David R. Taylor*"  
President and Chief Executive Officer and a Director



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## Information Circular – Management Proxy Statement

For the Annual General Meeting  
of Shareholders to be Held on May 8, 2019

### 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 meeting of the Company's shareholders ("Shareholders") to be held at the Conference Centre on the 4<sup>th</sup> floor of Eighth Avenue Place East Tower, 525 - 8th Avenue S.W., Calgary, Alberta T2P 1G1, on May 8, 2019 at 9:30 a.m. (Calgary time), and any adjournments or postponements thereof for the purposes set forth in the accompanying Notice of Annual General Meeting (the "Meeting"). Only shareholders of record on March 19, 2019 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 2, 2019. All amounts set forth in this Information Circular are stated in Canadian dollars, unless otherwise noted.

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 deposited with the Company's registrar and transfer agent, Computershare Trust Company of Canada ("Computershare"): (a) by mail, using the enclosed return envelope or one addressed to Computershare Trust Company of Canada, Proxy Department, 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1; (b) by hand delivery to Computershare Trust Company of Canada, 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1; (c) by telephone to 1-866-732-VOTE (8683) (toll free within North America) or to 1-312-588-4290 (outside North America); (d) by facsimile to 1-866-249-7775 or 1-416-263-9524 (if outside North America); or (e) through the internet by using the 15 digit control number located at the bottom of your proxy at [www.investorvote.com](http://www.investorvote.com), 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 adjournments or postponements thereof. All instructions are listed in the enclosed form of proxy and see also "*Proxies - Voting by Internet*" in this Information Circular.

#### Appointment of Proxies

Those Shareholders who desire to be represented at the Meeting by proxy must deposit their proxy with the Company's registrar and transfer agent, Computershare, in the manner set forth under "*Proxies – Solicitations of Proxies*" above.

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 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 the accompanying Notice of Annual General 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 adjournments or postponements thereof to matters set forth in the proxy and described in the accompanying Notice of Annual General Meeting and this Information Circular, or if any other matters properly come before the Meeting or any adjournments or postponements 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 adjournments or postponements thereof, or with the chairman of the Meeting on the day of the Meeting, or on the day of any adjournments or postponements thereof, prior to the commencement of the Meeting.

### **Voting by Internet**

Shareholders may use the internet site at [www.investorvote.com](http://www.investorvote.com) to transmit their voting instructions. Shareholders should have their proxy in hand when they access the web site and will be prompted to enter their 15-digit control number, which is located at the bottom of the proxy. If Shareholders vote by internet, their vote must be received not later than 9:30 a.m. (Calgary time) on May 6, 2019 or 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) prior to the time set for the Meeting or any adjournments or postponements 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 Shareholders of Parex, as a substantial number of the 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 Common 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 Common 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 Common 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 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.

These securityholder materials are being sent to both registered and non-registered owners of Common Shares. If you are a non-registered owner, and the Company or its agent has sent these materials directly to you, your name and address and information about your holdings of Common Shares, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

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.

## **ADVISORIES**

This Information Circular contains certain oil and gas metrics, including finding, development and acquisition ("**FD&A**") costs, production per debt adjusted share and recycle ratio, which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included herein to provide readers with additional measures to describe and evaluate the Company's performance; however, such measures are not reliable indicators of the future performance of the Company and future performance may not compare to the performance in previous periods and therefore such metrics should not be unduly relied upon. FD&A is the sum of total capital expenditures incurred in the period and the change in future development capital ("**FDC**") required to develop reserves. FD&A cost per barrel of oil ("**bbl**") is determined by dividing current period net reserve additions into the corresponding period's FD&A cost. Total capital includes both capital expenditures incurred and changes in FDC required to bring proved undeveloped reserves and probable reserves to production during the applicable period. Reserve additions are calculated as the change in reserves from the beginning to the end of the applicable period excluding production. The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated FD&A generally will not reflect total finding and development costs related to reserves additions for that year. Production per debt adjusted share is calculated by dividing annual production for the period over the weighted average Common Shares outstanding adjusted for the effect of working capital. Recycle ratio is calculated as fourth quarter funds flow from operations for the noted year per bbl divided by FD&A cost per bbl for that year.

Funds flow from operations may from time to time be used by the Company, but does not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. Management uses this non-GAAP measure for its own performance measurement and to provide shareholders and investors with an additional measurements of the Company's efficiency and its ability to fund a portion of its future capital expenditures. Refer to the Company's management, discussions and analysis for the three months and year ended December 31, 2018 and 2017, dated March 6, 2019 for information on how this non-GAAP measure is calculated.

Certain reserves information contained in this Information Circular is based upon an evaluation (the "**GLJ Report**") prepared by GLJ Petroleum Consultants Ltd. ("**GLJ**") dated February 7, 2019 and effective December 31, 2018 and an evaluation prepared by GLJ dated February 2, 2018 and effective December 31, 2017. Each report was prepared in accordance with the standards contained in the Canadian Oil and Gas Evaluation Handbook and the reserves definitions contained in National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*. All December 31, 2018 reserves presented are based on GLJ's forecast pricing effective January 1, 2019 and all December 31, 2017 reserves presented are based on GLJ's forecast pricing effective January 1, 2018.

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

This document contains forward-looking information ("**forward-looking information**" or "**forward-looking statements**") within the meaning of applicable Canadian securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "believe", "plan", "intent", "objective", "scheduled", "continuous", "ongoing", "estimate", "expect", "may", "will", "project", "should", or similar words suggesting future events, circumstances or outcomes. All such forward-looking statements are subject to important risks, uncertainties and assumptions. Unless otherwise indicated, forward-looking statements in this document describe the Company's expectations as at the date hereof and, accordingly are subject to change after such date. The Company's actual results and events could differ materially from those expressed or implied in the forward-looking statements in this Information Circular, if known or unknown risks affect the business of the Company, or if its estimates or assumption turn out to be inaccurate. As a result, the Company cannot guarantee that the results or events expressed or implied in any forward-looking statement will materialize, and accordingly, you are cautioned against relying on these forward-looking statements. The Company disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available, as a result of future events or for any other reason, except in accordance with applicable Canadian securities laws.

## 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 March 19, 2019, there were 150,851,548 Common Shares issued and outstanding, stock options ("**Options**") to purchase 4,294,797 Common Shares issued under the Company's stock option plan ("**Option Plan**"), restricted share units ("**RSUs**") representing the right to receive 2,284,168 Common Shares issued under the Company's restricted share unit plan ("**RSU Plan**"), performance-based RSUs ("**PSUs**") representing the right to receive, subject to meeting certain conditions, 320,500 Common Shares issued under the RSU Plan, 219,350 deferred share units ("**DSUs**") representing the right to receive a cash payment issued under the Company's deferred share plan ("**DSU Plan**"), 449,350 RSUs ("**Cash/Share Settled RSUs**") representing the right to either receive a cash payment or Common Shares purchased on the open market issued under the Company's cash or share settled restricted share unit plan ("**Cash/Share Settled RSU Plan**") and 222,100 PSUs ("**Cash/Share Settled PSUs**") representing the right to either receive, subject to meeting certain conditions, a cash payment or Common Shares purchased on the open market issued under the Company's Cash/Share Settled RSU Plan, which have been granted to certain directors, officers and employees of the Company or of its subsidiaries. The Company's Cash/Share Settled RSU Plan was implemented on February 7, 2019. See "*Statement of Executive Compensation – Cash/Share Settled RSU Plan*" in this Information Circular for more information on the Cash/Share Settled RSU Plan. As at April 2, 2019, there were 149,374,556 Common Shares issued and outstanding, Options to purchase 4,245,714 Common Shares issued under the Option Plan, RSUs representing the right to receive 2,235,243 Common Shares issued under the RSU Plan, PSUs representing the right to receive, subject to meeting certain conditions, 320,500 Common Shares issued under the RSU Plan, 219,350 DSUs representing the right to receive a cash payment issued under the DSU Plan, 449,350 Cash/Share Settled RSUs representing the right to either receive a cash payment or Common Shares purchased on the open market issued under the Cash/Share Settled RSU Plan and 222,100 Cash/Share Settled PSUs representing the right to either receive, subject to meeting certain conditions, a cash payment or Common Shares purchased on the open market issued under the Company's Cash/Share Settled RSU Plan.



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 "**Board**") and to receive *pro rata* upon liquidation, dissolution or winding-up of the Company, the remaining property of the Company.

The Company has not declared or paid dividends on the Common Shares since incorporation and any decision made by the Board 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 Board 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 March 19, 2019.

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.

## **OTHER MATTERS RELATED TO THE MEETING**

### **Majority Voting for Directors**

The Board 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 immediately submit his or her resignation for the Board's consideration. The Board will consider such resignation within 90 days and after reviewing the matter will determine, having regard to all matters it deems relevant, whether to accept such resignation or not. The Board will accept such resignation absent exceptional circumstances and the resignation will be effective upon acceptance by the Board. The Board's decision to accept or reject the resignation will be disclosed to the public through the issuance of a news release within 90 days of the Meeting, a copy of which will be provided by the Company to the Toronto Stock Exchange (the "**TSX**"). If the Board determines not to accept the nominee's resignation, such news release will disclose the reasons for the Board's decision. The nominee will not participate in any Board deliberations on the resignation. The policy does not apply in circumstances involving contested director elections.

### **Advance Notice By-law**

Amended and Restated By-law No. 1 of the Company (the "**By-law**"), which was ratified by Shareholders at the Company's annual general and special meeting of Shareholders held in 2018, 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 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 regarding each director nominee and the nominating Shareholder 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. These requirements are intended to provide all Shareholders with the opportunity to evaluate and review the proposed candidates and vote on an informed and timely manner regarding such nominees. The 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. As of the date of this Information Circular, the Company has not received any nominations pursuant to the advance notice provisions contained in the By-law.

## **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, 2018 and the Auditors' Report thereon, but no vote by the Shareholders with respect thereto is required or proposed to be taken.

### 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 ten (10) members and that ten (10) directors be elected to hold office until the next annual general meeting, or until their successors are elected or appointed. There are presently ten (10) directors of the Company.

Unless otherwise directed, it is the intention of management to vote proxies in the accompanying form in favour of an ordinary resolution fixing the number of directors to be elected at the Meeting at ten (10) members, and in favour of the election as directors of the ten (10) nominees hereinafter set forth:

Curtis Bartlett  
 Lisa Colnett  
 Robert Engbloom  
 Wayne Foo  
 G.R. (Bob) MacDougall  
 Glenn McNamara  
 Ron Miller  
 Carmen Sylvain  
 David Taylor  
 Paul Wright

The name, province and country of residence, and age of each 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.

<u>Name, Province and Country of Residence and Age</u>	<u>Offices Held and Time as Director or Officer<sup>(7)</sup></u>	<u>Number of Common Shares Beneficially Owned or Controlled or Directed</u>	<u>Principal Occupation (for last 5 years)</u>
Curtis Bartlett <sup>(4)</sup> Alberta, Canada Age: 56	Director since September 29, 2009	1,000,000 <sup>(5)</sup>	Co-founder and Partner at Lorem Partners, a private equity investment firm. Over 30 years of experience as an entrepreneur and manager, private equity investor and investment banker. Director of several private companies. Member of the Institute of Corporate Directors having completed the Directors Education Program.

Name, Province and Country of Residence and Age	Offices Held and Time as Director or Officer <sup>(7)</sup>	Number of Common Shares Beneficially Owned or Controlled or Directed	Principal Occupation (for last 5 years)
Lisa Colnett <sup>(2)(3)</sup> Ontario, Canada Age: 61	Director since May 12, 2015	4,000	Currently a Director and Chair of the Human Resources and Governance Committee of Parkland Fuel Corporation, an independent marketer of fuels across Canada. Ms. Colnett brings over 20 years of experience in human resources for a variety of industries ranging from mining to information technology. Since 1991, Ms. Colnett has held senior roles in human resources, information technology and strategy including Senior Vice President and Chief Information Officer of Celestica Inc., Senior Vice President, Human Resources, also of Celestica Inc. and Senior Vice President, Human Resources and Corporate Services, of Kinross Gold Corporation. Member of the Institute of Corporate Directors having completed the Directors Education Program.
Robert Engbloom <sup>(4)</sup> Alberta, Canada Age: 69	Director since September 29, 2009	100,000	Counsel, Norton Rose Fulbright Canada LLP, a national law firm in Canada and a member of the global Norton Rose Fulbright Group. Mr. Engbloom has more than 40 years of experience in the areas of mergers and acquisitions, governance, corporate and securities law. His broad experience spans a range of businesses both public and private, operating nationally and internationally, primarily in the energy industry.
Wayne Foo Alberta, Canada Age: 62	Director since August 28, 2009	1,658,740	Currently Chairman of the Board of Directors of Parex. Chief Executive Officer of Parex from September 29, 2009 to May 10, 2017. President of Parex from September 29, 2009 to November 5, 2015. President and Chief Executive Officer of Petro Andina Resources Inc. from 2004 to 2009. 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.
G. R. (Bob) MacDougall <sup>(2)(3)</sup> Alberta, Canada Age: 55	Director since October 4, 2016	23,039	Mr. MacDougall is a professional engineer with close to 30 years of domestic and international oil and gas operations and senior executive management experience. Mr. MacDougall was Executive Vice President and Chief Operating Officer of Vermilion Energy Corporation from 2004 to 2012. Member of the Institute of Corporate Directors having completed the Directors Education Program.

Name, Province and Country of Residence and Age	Offices Held and Time as Director or Officer <sup>(7)</sup>	Number of Common Shares Beneficially Owned or Controlled or Directed	Principal Occupation (for last 5 years)
Glenn McNamara <sup>(1)(3)</sup> Alberta, Canada Age: 66	Director since October 4, 2016	4,780	Currently the President and Chief Executive Officer of Heritage Resources LP, a private fee title acreage owner business. Prior thereto, Mr. McNamara was the Chief Executive Officer and a director of PMI Resources Ltd. (formerly, Petromanas Energy Inc.), a public oil and gas company from September 2010 to May 2016. From August 2005 to August 2010, Mr. McNamara was the President of BG Canada (part of the BG Group PLC, a public gas company with its head office in the United Kingdom, trading on the London Stock Exchange). Mr. McNamara also currently serves on the board of Whitecap Resources Inc. Member of the Institute of Corporate Directors having completed the Directors Education Program.
Ron Miller <sup>(1)(2)</sup> Alberta, Canada Age: 53	Director since September 29, 2009	950,000 <sup>(6)</sup>	Co-founder and Partner of Lorem Partners, a private equity investment firm. Director of several private companies and one non-profit organization. Mr. Miller is a Chartered Professional Accountant, CA. Member of the Institute of Corporate Directors having completed the Directors Education Program.
Carmen Sylvain <sup>(4)</sup> Quebec, Canada Age: 58	Director since July 7, 2017	1,384	Currently strategic advisor to the QG100 business network and member of the Board of Directors LCI Education Network. Diplomat and public servant with 30 years of combined experience in foreign affairs, international trade and investment as well as major event management. Strategic Advisor to the OMERS pension fund from 2012 to 2014. Ms Sylvain was Canada's Ambassador to Colombia from 2014 to 2016 and served in Global Affairs Canada as Assistant Deputy Minister for Strategic Planning and Policy where she led the development of a Foreign Policy Plan for Canada. Member of the Institute of Corporate Directors having completed the Directors Education Program.
David Taylor Alberta, Canada Age: 62	Director since May 11, 2017, President since November 5, 2015 and CEO since May 11, 2017	455,500	President and Chief Executive Officer of Parex since May 10, 2017. Prior to that, Mr. Taylor was Parex' President from November 5, 2015 and prior thereto Executive Vice President Exploration and Business Development of Parex from September 29, 2009 to November 5, 2015. Vice President Business Development of Petro Andina Resources Inc. from 2007 to 2009. Prior thereto, Vice President, Exploration and International Operations with Husky Energy Inc. from August 2000 to July 2007 and Vice President, Exploration for Renaissance Energy Ltd. from June 1998 to August 2000.

Name, Province and Country of Residence and Age	Offices Held and Time as Director or Officer <sup>(7)</sup>	Number of Common Shares Beneficially Owned or Controlled or Directed	Principal Occupation (for last 5 years)
Paul Wright <sup>(1)(4)</sup> Alberta, Canada Age: 59	Director since September 29, 2009	61,000	Currently works as a financial consultant and sits on the Board of Directors of one non-profit organization. Mr. Wright is a Chartered Professional Accountant, CA with over 35 years of industry experience. He has worked in senior financial roles in both domestic and international oil and natural gas companies. Member of the Institute of Corporate Directors having completed the Directors Education Program.

## Notes:

- (1) Member of the Finance and Audit Committee.
- (2) Member of the Compensation and Human Resources Committee.
- (3) Member of the HSE and Reserves Committee.
- (4) Member of the Corporate Governance and Nominating Committee.
- (5) Includes 1,000,000 Common Shares which are held by Skeena Capital Limited ("**Skeena**"). Mr. Bartlett is the President and Secretary of Skeena and in that capacity controls and directs the Common Shares held by Skeena.
- (6) Includes (i) 908,425 Common Shares held by Walt Grace Holdings Limited, formerly AREAH Investments Limited ("**Walt Grace**"), 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) 41,575 Common Shares held by Mr. Miller personally.
- (7) 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 2, 2019, the directors and executive officers of the Company, as a group, beneficially owned or controlled or directed, directly or indirectly, 4,974,889 Common Shares constituting approximately 3.33% of the issued and outstanding Common Shares. The number of Common Shares beneficially owned or controlled or directed, directly or indirectly, by each director and executive officer of the Company significantly exceeds the share ownership requirements under the share ownership policy for executive directors and officers that was implemented by the Company. See "*Corporate Governance – Share Ownership Policy*" in this Information Circular.

#### ***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 (including Parex) 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.

### **Shareholder Advisory Vote on Executive Compensation**

The Board believes that Shareholders should have the opportunity to receive information to assist them in understanding the objectives, philosophy and principles used in its approach to executive compensation and to provide feedback to the Board on such matters. As such, the Board determined to include a Shareholder advisory vote (the "**Say on Pay Vote**") on executive compensation at the Company's annual general meetings of Shareholders, beginning with the Company's annual and special meeting of Shareholders held on May 11, 2016. The Say on Pay Vote is a non-binding advisory vote on the Board's approach to executive compensation. The purpose of the Say on Pay Vote is to provide Board accountability to the Shareholders for the Board's compensation decisions by giving Shareholders a formal opportunity to provide their views on the disclosed objectives of the Company's executive compensation plans, and on the plans themselves. At the Company's annual and special meeting of Shareholders held in 2018, Shareholders voted 97.85% in favour of the Company's approach to executive compensation described in the Company's management information circular dated April 3, 2018.

Shareholders will be asked at the Meeting to vote, on an advisory basis, on the acceptance of Parex' approach to executive compensation as set forth in the "*Statement of Executive Compensation*" section of this Information Circular. Shareholders are encouraged to carefully review the information set forth in that section before voting on this matter. The "*Statement of Executive Compensation*" section discusses our compensation philosophy, the objectives of the different elements of our compensation programs and the way the Board assesses performance and makes decisions. It explains how our compensation programs are centered on a pay-for-performance culture and are aligned with the long-term development strategy of our business in the interest of our Shareholders.

As this is an advisory vote, the results will not be binding upon the Board, however, the Board places a great deal of importance on the views of Shareholders and will take the results of the vote into account, as appropriate, when considering future compensation policies, procedures and decisions. The Board believes that it is essential for Shareholders to be well informed of Parex' approach to executive compensation and consider the advisory vote to be an important part of the ongoing process of engagement between the Shareholders and the Board. The Company will disclose the results of the Shareholder advisory vote as a part of its report on voting results for the Meeting.

In the event that the advisory resolution is not approved by a majority of the votes cast at the meeting, the Board will consult with its Shareholders (particularly those who are known to have voted against it) to understand their concerns and will review the Board's approach to compensation in the context of those concerns. Results from any such Board review, if necessary, will be discussed in the Company's management information circular for the annual meeting of Shareholders to be held in 2020. In addition, Shareholders may contact the Corporate Secretary of the Company by mail at the Company's head office at 2700 Eighth Avenue Place, West Tower, 585-8 Avenue S.W., Calgary, Alberta T2P 1G1, if they wish to share their view on executive compensation with the Board.

At the Meeting, Shareholders will be asked to approve the following resolution (the "**Say on Pay Resolution**"):

"BE IT RESOLVED, on an advisory basis and not to diminish the role and responsibilities of the Board of Directors of Parex Resources Inc. (the "**Company**"), that the shareholders accept the approach to executive compensation as disclosed in the "*Statement of Executive Compensation*" section in the management information circular of the Company dated April 2, 2019."

**Unless otherwise directed, it is the intention of management to vote proxies in favor of the Say on Pay 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 Professional 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, 2018, an electronic copy of which is available on the Company's SEDAR profile at [www.sedar.com](http://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 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.



## EXECUTIVE COMPENSATION LETTER TO SHAREHOLDERS

Dear Fellow Parex Shareholders:

At the last annual general meeting, the Company held its third Say on Pay vote, providing Shareholders with an opportunity to express their views on Parex' executive compensation program. On behalf of the Board and in particular, the members of the Compensation and Human Resources Committee ("**C&HR Committee**"), we appreciate the endorsement of our approach. Thank you for your support with 98% of Shareholders voting "For" the Company's approach to executive compensation.

Stewardship and oversight of executive compensation is an important Board responsibility. We want to ensure that total compensation elements are rewarding the appropriate behaviors and business outcomes that support our long-term strategy and Shareholder interests without incenting undue risk in executive behavior. As Chair of the C&HR Committee, I would like to share with you our approach to executive compensation, including the framework we used to make compensation decisions for 2018.

### **Compensation Discussion: Our Philosophy and Key Objectives**

The executive compensation program is designed to focus executives' efforts and to reward the sustained attainment of individual and Company performance goals. At the recommendation of the C&HR Committee, the Board approved an executive compensation program, based on the following key objectives:

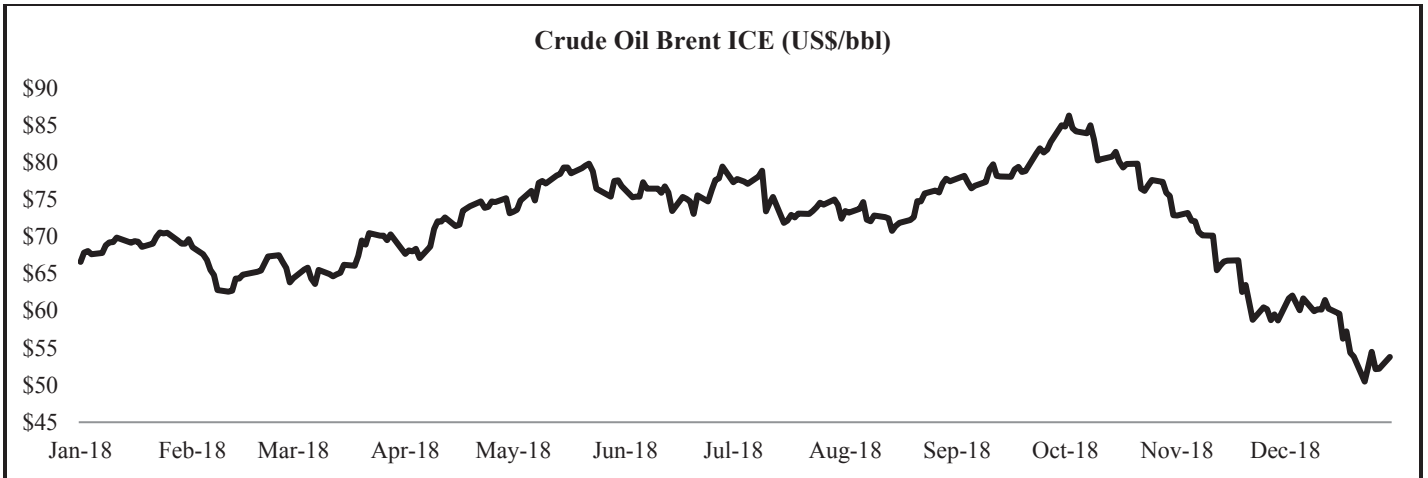
- Rewarding of performance according to the achievement of business objectives;
- Competitiveness with an external comparator group representative of the market, against which the Company is measured and with which the Company competes for talent; and
- Attraction, engagement and retention of leadership focused on managing the Company's operations, finances and assets.

### **2018 Business Results: How Did We Perform?**

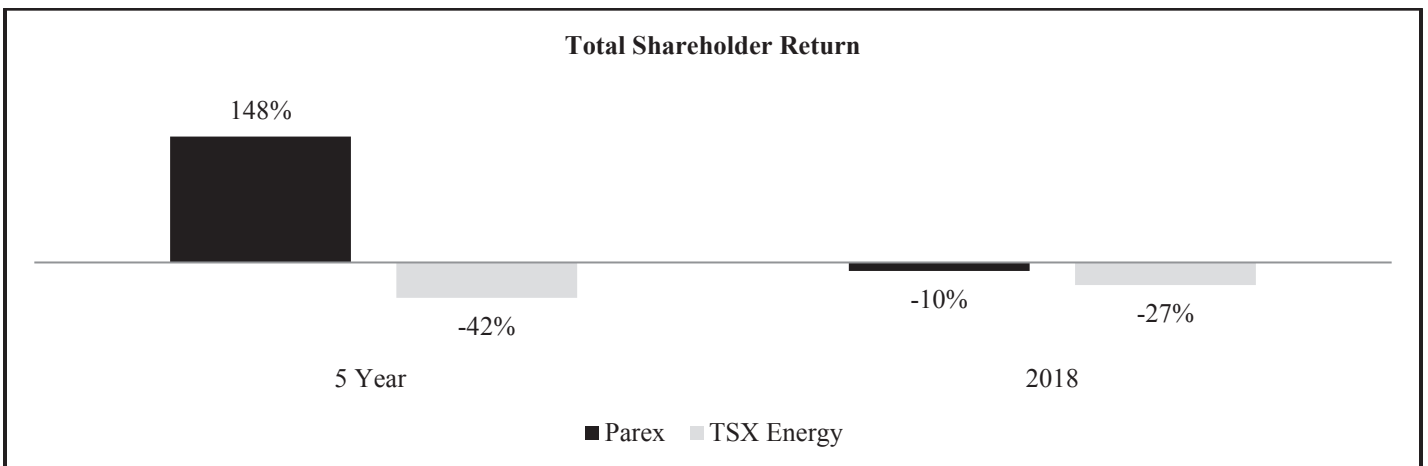
As you are aware, pursuant to the Chairman's Message in this Information Circular and our press release of July 17, 2018, in 2018 we undertook, evaluated and terminated a strategic repositioning process directed towards selling our largest oil producing asset. The President and Chief Executive Officer ("**CEO**") and executive team led the process, expending significant time and effort interacting with interested parties, communicating with all stakeholders, managing advisors and supporting the Special Committee and the Board. At the recommendation of the C&HR Committee, the Board recognized the executive management team's extraordinary efforts in support of the strategic repositioning process while delivering strong operational results. Management's individual performance evaluations recognized this exemplary performance in a challenging environment.

The global oil and gas industry continues to remain complex and volatile. During 2018, the global oil price ranged from a high of US\$86 per bbl to a low of approximately US\$50 per bbl. Parex continued to demonstrate exceptional operational execution, and notwithstanding a difficult year for TSX listed energy companies, a top quartile Common Share price performance against our peers in 2018. On a year over year basis, the Company increased its oil production, oil reserves and working capital.





Parex' total shareholder return in 2018 was negative (-10%), but significantly better than the average negative (-27%) return for the TSX Capped Energy Index ("**TSX Energy**"). Our 2018 performance represented the 6<sup>th</sup> consecutive year of surpassing the TSX Energy. In fact, successful execution of our long-term strategy over a five-year period has generated a positive total shareholder return versus a negative return for the TSX Energy.



We believe that our better than peer average Common Share price performance in 2018 reflected the following:

- **Production Growth:** In 2018 production per debt adjusted share grew by 25%;
- **Reserves Growth:** Our externally audited proved plus probable reserves increased by 14% from 162 million barrels of oil equivalent ("**mmboe**") as at December 31, 2017 to 185 mmboe (99% crude oil) as at December 31, 2018;
- **Self-Funded:** This growth in reserves and production was achieved within our internally generated funds flow from operations. Parex 2018 funds flow from operations was US\$386 million and capital expenditures were US\$302 million. The excess funds flow was primarily directed towards Common Share repurchases under our NCIB and increasing our working capital which we can deploy in the future for additional growth opportunities and/or to buy back additional outstanding Common Shares;
- **Adding Value in a Volatile Oil Price Environment:** FD&A for the year based upon the GLJ Report was US\$7.03/barrel of oil equivalent ("boe") for proved reserves and US\$7.29/boe for proved plus probable reserves including FDC; which combined with the fourth quarter 2018 funds flow from operations on a per boe basis of US\$31.39/boe, generated a recycle ratio of 4.3 times on a proved plus probable basis;
- **Balance Sheet:** The Company exited 2018 with no bank debt and working capital of US\$219 million. We continued to increase working capital in 2018, and along with a robust capital expenditure program for 2019, we commenced a NCIB in December 2018 to repurchase up to 10% of our Common Shares; and

- Corporate Social Responsibility: We maintained a meaningful and impactful community social program in Colombia in our area of operations in 2018, investing approximately US\$5.3 million (as compared to US\$3.4 million in 2017) on infrastructure and community development. These programs allow us to demonstrate the mutual benefits Parex can provide to multiple stakeholders.

Please see our December 31, 2018 Management's Discussion and Analysis and the audited consolidated financial statements for the years ended December 31, 2018 and 2017 for a further discussion of the operational and financial results of the Company and the definitions of any abbreviated terms used in this letter, which documents are available on our SEDAR profile at [www.sedar.com](http://www.sedar.com). See also "Advisories" in this Information Circular.

### Base Salary

Salaries are reviewed regularly to ensure continued alignment with our comparators and with the executive's scope of responsibilities. A salary increase in excess of a 2.5% general market adjustment increase was awarded to David Taylor, President and CEO, to better reflect Mr. Taylor's performance and alignment with his salary versus that of Parex' peers.

### Annual Incentive Plan

For short term incentive compensation for 2018, we determined annual performance goals at the start of the year through a Board approved corporate scorecard that set operational targets and strategic milestones. In February 2019, the C&HR Committee reviewed the 2018 corporate scorecard results against the pre-determined components as summarized below:

Annual Incentive Plan Components	Weight	Highlights	Score
Cost & Margin Optimization	10%	Achieved field cost targets and exceeded deep well drilling cost goals.	12%
Asset Optimization	40%	Achieved top quartile reserve additions and FD&A costs.	47%
Base Operations & Safety	20%	Exceeded production target goals and achieved safety targets.	25%
Project Milestones	30%	Achievement of specific project milestones and deliverables that can have an impact on the business as pre-defined.	21%
	<hr/> 100%		<hr/> 105%

As the executive team and staff delivered excellent operational and financial performance, the corporate component of Parex' bonus plan realized a 105% payout as compared to the target of 100%. This reflected the achievement of delivering industry leading key results such as reserve growth, capital efficiency and cost management, as well as achieving key milestones of expanding our portfolio of appraisal and development opportunities in Colombia and safely drilling key wells under budget and on time.

The individual component of the 2018 bonus program for each executive, as well as for all employees, was directly based on performance and results relative to their individual goals that supported the achievement of corporate objectives and initiatives.

### Long-term Incentives

Long term incentives make up the majority of our total direct compensation and we made no changes to our compensation structure in 2018.

Please see details of the PSU relative and operational performance measures in "Statement of Executive Compensation – Long-Term Incentives – RSUs and PSUs" in this Information Circular. We believe these measures are aligned with generating long term Shareholder value. Our 2018 long-term incentive grant value for executives was comprised of 25% Options, 25% RSUs and 50%

PSUs. The Board views the incorporation of PSUs, and the increase in the PSU component from 15% in 2017, as providing increased alignment to Shareholders and to be a significant enhancement to the long-term incentive program.

For 2018, at-risk compensation (annual bonus and long-term incentives) for executives represented 73 to 83% of total compensation, consistent with the significant pay for performance weighting of the compensation program.

In 2019, we implemented the Cash/Share Settled RSU Plan. The Cash/Share Settled RSU Plan is a non-dilutive plan in that awards of Cash/Share Settled RSUs are settled by either cash or Common Shares at the employee's election, with any Common Shares being purchased on the market on behalf of the employee to settle the vested award. As no Common Shares are being issued from treasury by Parex to settle the award, the Cash/Share Settled RSU Plan is non-dilutive and, pursuant to TSX policies, does not require approval of the Shareholders. In connection with the adoption of the Cash/Share Settled RSU Plan, Parex will not be seeking the requisite three-year approval under TSX policies of unallocated RSUs and PSUs under the RSU Plan at the Meeting and as a result no further grants may be made under the RSU Plan. While no new awards will be made under the RSU Plan, it will remain in place until such time as all outstanding RSUs and PSUs issued under it have been exercised, are cancelled or expired by their terms, which is expected to occur in 2023.

With the implementation of the Cash/Share Settled RSU Plan, the ratio of awards granted to the average weighted outstanding Common Shares is projected to be 0.10% in 2019. We have been continuing to reduce the burn rate of Common Shares outstanding as a result of our compensation programs while continuing to align management's long-term interests with Shareholders and to attract and retain a high performance executive team. Please note that there are no other long-term compensation plans in place. Parex does not provide a Company matching savings plan, pension plan or other share incentive plan at this time.

We anticipate that our approach to executive compensation will continue to evolve over time as we continually strive to match best practices for incentivizing management with good governance, our stakeholders' best interests and the growth of our business, while encouraging decision making and outcomes that are in the best interests of Parex and its Shareholders. We continue to use an independent adviser, Lane Caputo Compensation Inc. ("**Lane Caputo**") to support compensation decisions made by the C&HR Committee.

## **Executive Development**

An important part of the C&HR Committees' mandate is the regular review of management succession planning and executive development. In February 2019, the Board approved the appointment of Michael Kruchten to Senior Vice President Corporate Planning and Capital Markets. Please see "*Statement of Executive Compensation - Changes to Executive Compensation*" in this Information Circular.

## **2019 Strategic Compensation Review**

In February 2019, the C&HR Committee recommended, and the Board approved, a strategic compensation review to be undertaken this year supported by, Lane Caputo, an independent compensation consulting advisor.

In closing, I hope this letter and the following Compensation Discussion and Analysis provides you with insight into our performance and executive compensation approach. We are committed to having an executive compensation program that supports the delivery of our strategic plan and the creation of long-term value that benefits you, our Shareholders and all of our stakeholders. To that end we would be pleased to receive feedback from you and to answer any questions you may have at the Meeting.

On behalf of the C&HR Committee and the Board of Directors,

(signed)

"Lisa Colnett"  
Chair, C&HR Committee

## STATEMENT OF EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

The Company was incorporated in August 2009 and since inception the C&HR Committee has reviewed all aspects of compensation to be provided to the Company's executive officers, including the President and 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 C&HR Committee, the Board 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 promotes long-term thinking and strategy;
- 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, against which the Company is measured and with 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, PSUs, RSUs and Options. PSUs are granted under the RSU Plan. 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 PSUs, RSUs and Options, focuses Executives' performance on long-term strategic priorities, the creation of Shareholder value and acts to link Executive and Shareholder interests. In addition to these key components, the Company provides group benefits on a competitive level with peer comparator companies. Perquisites are also provided to Executives in the form of taxable paid monthly parking.

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. 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.

#### **Comparator Group**

The Company's comparator group is comprised of oil and natural gas exploration, development and production companies based principally in Calgary, Canada and with several of the companies having a significant operational focus outside of Canada. The companies in the comparator group are approved by the C&HR Committee, upon management's recommendation. The composition of the group is reviewed annually by the C&HR Committee for its ongoing business relevant to Parex. The composition of the group is comprised as follows:

Company	Enterprise Value <sup>(1)</sup> (\$ Millions)	Oil & Liquids Production (%) <sup>(2)</sup>
Advantage Oil & Gas Ltd.	602	4%
Bellatrix Exploration Ltd.	459	28%
Birchcliff Energy Ltd.	1,526	20%
Bonavista Energy Corporation	1,048	28%
Canacol Energy Ltd.	1,097	8%
Crew Energy Inc.	474	26%
Enerplus Corporation	2,856	54%
Gran Tierra Energy Inc.	1,451	99%
NuVista Energy Ltd.	1,412	40%
Obsidian Energy Ltd.	648	64%
Paramount Resources Ltd.	1,594	37%
Pengrowth Energy Corporation	1,010	78%
Peyto Exploration & Development Corp.	2,309	11%
TransGlobe Energy Corporation	170	93%
Vermilion Energy Inc.	6,202	52%
Whitecap Resources Inc.	3,038	85%
<b>Peer Comparator Group Average</b>	<b>1,619</b>	<b>45%</b>
<b>Parex Resources Inc.</b>	<b>2,068</b>	<b>99%</b>

Notes:

- (1) Information was obtained from FactSet and the information is as at December 31, 2018.
- (2) Information was obtained from documents filed publicly by the 2018 comparator group on their issuer profiles on SEDAR at [www.sedar.com](http://www.sedar.com) and from Peters & Co Limited's March 25, 2019 Energy Update.

Compensation data from the comparator group was used as the main factor in the review and consideration of competitive levels and composition of compensation for the Company's Executives, supplemented by data from the 2018 Mercer Total Compensation Survey for the Canadian energy industry for companies that met parameters typical of a mid-size exploration and production company with international operations similar to Parex.

### Compensation Risk

The C&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 interests of Parex and its Shareholders while accepting an appropriate level of risk consistent with the Company's business plan as determined by the Board. 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 Board. The compensation framework is structured to align with Parex' short and long-term strategic plans, such that corporate objectives are a key factor in assessing executive and employee performance. The C&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 and annual PSU, RSU and Option grants are at the discretion of the Board from year to year and the Board has the discretion to amend total direct compensation in the event of extraordinary circumstances. As well, PSUs have become a more significant component of Executive compensation, do not vest until after three years from grant date and will have a nil payout if certain minimum corporate performance metrics are not reached (see "*Statement of Executive Compensation – Executive Compensation Components*");

- bonus plan payouts are capped based on a percentage of salary and subject to overall maximum thresholds;
- the Option Plan and the RSU Plan are designed to motivate long term performance, as Options and RSUs have terms of three to five-years and vest over a three-year period. PSUs have a three-year cliff vesting period. These factors encourage long term sustainable Common Share price appreciation;
- recommendations for annual PSU, RSU and Option grants are reviewed by the C&HR Committee for recommendation to the Board for approval, with such recommendations being developed and reviewed relative to, amongst other things, executive retention needs and appropriate total compensation positioning compared to similar positions in the market;
- 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, such as independent engineering evaluations, 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 C&HR Committee for recommendation to the Board for approval, with such recommendations being developed and reviewed relative to, amongst other things, corporate performance goal results and performance assessments completed with executives;
- special awards may be paid to employees with outstanding performance and high potential and where significant contributions are made to the organization. Projects, key contributors and awards are recommended and ranked by the C&HR Committee and approved by the Board;
- compensation policies and practices in Parex' 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' revenue as outlined below:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
NEO Compensation (CAN\$ thousands) <sup>(1)</sup>	8,847	8,039	7,056
Oil & Gas Revenue (CAN\$ thousands) <sup>(2)</sup>	1,251,287	743,797	521,797
<b>NEO compensation/revenue (%)</b>	<b>0.71</b>	<b>1.08</b>	<b>1.35</b>

## Notes:

- (1) See "*Statement of Executive Compensation – NEO Summary Compensation Table*". NEO compensation is comprised of salary, bonus and long term incentives.
- (2) Converted to CAN\$ from USD using the Bank of Canada closing average rate for the period (December 31, 2018: \$ 1.2957; December 31, 2017: \$ 1.2986; and December 31, 2016: \$ 1.3245).

The C&HR Committee did not identify any risks associated with Parex' compensation policies and practices for the year ended December 31, 2018 that were reasonably likely to have a material adverse effect on Parex. The C&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, RSUs and PSUs).

Position	Fixed Compensation Base Salary (% of Total Compensation)	At-Risk Compensation Incentive Bonus/Long-Term Incentives (% of Total Compensation)
Executives	17% - 27%	73% - 83%

### Base Salary

The base salary amounts for each Executive are targeted at the median of the Company's peer comparator group, with the potential for base salary amounts to be above the median when actual overall Executive and corporate performance is exceptional and/or exceeds objectives, and are reviewed annually. The results of compensation studies carried out for the Company by Lane Caputo in late 2017 indicated that based on competitive market data, a salary increase for the President and CEO was warranted for 2018. In addition, as a result of Eric Furlan's promotion to Chief Operating Officer in early 2018, a salary increase was warranted. The salary increases recommended by the C&HR Committee and approved by the Board for the President and CEO and for the Chief Operating Officer were effective January 1, 2018. The studies had also indicated that the salaries for other executive positions at the time were generally competitive with market data, and that salary increases for those positions were not required for 2018.

Going forward, 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 President and CEO is approved by the Board, upon the recommendation of the C&HR Committee. The base salary level for all other Executives is recommended by the President and CEO for consideration and approval by the C&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 90% of base salary for the President and CEO and 60% of base salary for the Company's other Executives, including for the President of Parex Colombia.

Payment levels are weighted based on individual and corporate performance goals. The incentive bonus is paid within a range of between 50% and 150% of the target incentive bonus, provided minimum (threshold) performance is achieved, and subject to Board approval for a payment of greater than 150% for outstanding results against individual and corporate goals, as follows:

Position	Performance Weighting Corporate/Individual	Target Incentive Bonus (% Base Salary) <sup>(1)</sup>	Incentive Bonus Range (Payment as % of Target Incentive Bonus)	
			Threshold	Exceptional
President and CEO	75% / 25%	90%	50%	150%
Chief Financial Officer	75% / 25%	60%	50%	150%
Chief Operating Officer	75% / 25%	60%	50%	150%
Senior Vice President Exploration & Business Development	75% / 25%	60%	50%	150%
President Parex Colombia	75% / 25%	60%	50%	150%

Note:

(1) As at December 31, 2018.

The Board approves corporate performance goals, based on business and performance measures commonly used in the oil and natural gas industry. Corporate goals for 2018 were approved in early 2018 for each of the performance areas. These goals are determined by the Board to be key performance requirements for the Company, and included cost management and margin optimization, growth of reserves, safety initiatives and other milestones for 2018. In 2018, the achievement level of 105% was based on corporate performance, as described in the Annual Incentive Plan table under "*Executive Compensation Letter to Shareholders*".

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

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

### ***Long-Term Incentives***

Long-term incentives recommended by the C&HR Committee are granted by the Board in order to attract and retain high quality Executives in a competitive market environment, using criteria of retention requirements, past performance, individual potential, annual strategic planning by the Company and total Executive compensation. In 2018, these incentives were provided in the form of Options, RSUs and PSUs. The value of each individual's long term incentive is determined taking into account individual and Company performance, position with the Company as well as the value of total direct compensation versus compensation comparators. In 2018, the value of the long term incentives awarded to Executives was allocated as to 25% Options, 25% RSUs and 50% PSUs.

The number of Options, RSUs and PSUs are determined based on grant date fair value (see "*Summary of Executive Compensation – NEO Summary Compensation Table*" in this Information Circular) as well as on the dilutive impact on Shareholders and the number of Common Shares available for issuance. The Option Plan provides for the issuance of Options to a maximum of 9.0% 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 9.0% of the Common Shares outstanding from time to time.

The RSU Plan provides for the issuance of RSUs and PSUs to a maximum of 4.0% of the issued and outstanding Common Shares of the Company, provided that the maximum number of Common Shares issuable pursuant to outstanding RSUs and PSUs and all other security based compensation arrangements (as defined in the TSX Company Manual), shall not exceed 9.0% of the Common Shares outstanding from time to time.

### ***Options***

The Option Plan is administered by the Board or a committee thereof. For a summary of the Option Plan see "*Statement of Executive Compensation - Option Plan*" in this Information Circular. Under the Option Plan, grants to Executives other than the President and CEO are recommended by the President and CEO, reviewed by the C&HR Committee and approved by the Board. The Board approves Option grants for the President and CEO, upon the recommendation of the C&HR Committee. As of the date hereof, Options to purchase an aggregate of 4,245,714 Common Shares are issued and outstanding.

Under the Option Plan, the exercise price of each Option is to be determined at the discretion of the Board at the time of the granting of the Option, as are the term and vesting provisions, 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 Board, 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. Any grant of Options is subject to the restrictions of the Option Plan.



### *RSUs and PSUs*

The RSU Plan is administered by the Board 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 of RSUs and PSUs to Executives other than the President and CEO are recommended by the President and CEO, reviewed by the C&HR Committee and approved by the Board. The Board approves RSU and PSU grants for the President and CEO, upon the recommendation of the C&HR Committee. As of the date hereof, 2,235,243 RSUs and 320,500 PSUs are issued and outstanding exercisable for an aggregate of 2,555,743 Common Shares. Any grant of RSUs and PSUs is subject to the restrictions of the RSU Plan.

In connection with the adoption of the Cash/Share Settled RSU Plan, Parex will not be seeking the requisite three-year approval under TSX policies of unallocated RSUs and PSUs under the RSU Plan at the Meeting and as a result no further grants may be made under the RSU Plan. While no new awards will be made under the RSU Plan, it will remain in place until such time as all outstanding RSUs and PSUs issued under it have been exercised, are cancelled or expired by their terms which is expected to occur in 2023.

PSUs provide a performance multiplier on the base grant of 0 to 2 times, depending upon Company performance versus a defined peer group over a three-year cliff vesting period. The three corporate performance measures for the 2018 PSU grant, each with a one-third weighting, are as follows:

- *Total Shareholder Return ("TSR")*. The payout multiplier will be based on Parex' relative performance within the TSX Capped Energy index, excluding oil sands, royalty, service companies and any issuers that have less than a three-year return history. TSR will be calculated using the volume weighted daily average over the three year period.
- *Production per Common Share Growth (debt or cash adjusted)*. The payout multiplier will be based on Parex' relative performance against a select oil weighted peer group within the TSX Capped Energy index, excluding oil sands, royalty, service companies and any issuers that have less than a three-year return history. Due to the small size of the peer group, the score will be calculated using a straight line with lowest performance being awarded a 0 and best performance a 2.
- *Recycle Ratio*. Based upon total proved reserves FD&A costs, calculated on an annual calendar basis. The payout multiplier will be the average of each calendar year score over the three-year term, based on Parex' relative performance against the same peer group as for the production per share growth performance. Due to the small size of the peer group the score will be calculated using a straight line, with lowest performance being awarded a 0 and best performance a 2.

The above corporate performance measures for the 2017 and 2018 PSU grant includes no discretionary elements. As well, for each of the measures, there will be a multiplier of 0 for performance that is below the 25<sup>th</sup> percentile.

## Compensation Governance

### *Compensation & Human Resources Committee*

The C&HR Committee is responsible for reviewing all aspects of compensation to be provided to the Company's executive officers and make recommendations to the Board consistent with this mandate. The members of the C&HR Committee are Lisa Colnett, Bob MacDougall and Ron Miller. Following the Meeting, it is expected that these same three directors will form the C&HR Committee. The skills and experience that enable the members of the C&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.

<b>C&amp;HR Committee Member</b>	<b>Independent</b>	<b>Skills and Experience Relevant to C&amp;HR Committee</b>
Lisa Colnett Chairperson ICD.D	Yes	Currently a Director and Chair of the Human Resources and Governance Committee of Parkland Fuel Corporation, an independent marketer of fuels across Canada. Ms. Colnett brings over 20 years of experience in human resources for a variety of industries ranging from mining to information technology. Since 1991, Ms. Colnett has held senior roles in human resources, information technology and strategy including Senior Vice President Human Resources and Chief Information Officer of Celestica Inc., Senior Vice President, Human Resources and Corporate Services, also of Celestica Inc. and Senior Vice President, Human Resources, of Kinross Gold Corporation. Member of the Institute of Corporate Directors having completed the Directors Education Program.
Ron Miller CA, ICD.D	Yes	Co-founder and Partner of Lorem Partners, a private equity investment firm. Director of several private companies and one non-profit organization. Mr. Miller is a Chartered Professional Accountant, CA and a Member of the Institute of Corporate Directors having completed the Directors Education Program.
G. R. (Bob) MacDougall P.Eng., ICD.D	Yes	Mr. MacDougall is a professional engineer with close to 30 years of domestic and international oil and gas operations and senior executive management experience. Mr. MacDougall was Executive Vice President and Chief Operating Officer of Vermilion Energy Corporation from 2004 to 2012. Member of the Institute of Corporate Directors having completed the Directors Education Program.

### *Mandate of the C&HR Committee*

The C&HR Committee of the Board is responsible for oversight of the Company's executive appointments; succession planning; compensation; human resources; Option Plan, RSU Plan, and DSU Plan disclosures and performance assessment functions.

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

1. establishing a process for identifying, recruiting and appointing officers of the Company;
2. monitoring, assessing and making recommendations regarding compensation, benefits, short and long-term incentive programs and employee retention programs, to ensure that the Company's compensation programs are competitive and that the Company is in a position to attract, motivate and retain the quality of personnel required to meet its business objectives;
3. encouraging alignment between the tactical performance of the officers and the Company and the strategic objectives and goals of the Company;

4. reviewing and recommending to the Board:
  - (a) appointments of the officers of the Company;
  - (b) the approval of terminations, and severance arrangements for officers;
  - (c) approval of officers' annual compensation and benefits package and related terms of employment based on the officers' annual performance evaluations;
  - (d) 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
  - (e) overall budget salary increases for the Company's employees (including officers) including cash compensation consisting of salary and bonuses, and the number of new Options, RSUs and Cash/Share Settled RSUs;
5. reviewing annually the adequacy of directors' compensation to ensure it reflects the responsibilities and risks of membership on the Board and its committees and make recommendations relating to the directors' compensation;
6. 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;
7. recommending to the Board approval of the terms of the Option Plan, RSU Plan and DSU Plan of the Company and any other security based compensation plans and any amendments thereto and approval of corporate performance measures and targets used to calculate Option Plan, RSU Plan and DSU Plan annual grants and other compensation plans; and
8. determine the payout multiplier to be applied at the time of vesting of PSUs under the RSU Plan and the Cash/Share Settled PSUs under the Cash/Share Settled RSU Plan.

The C&HR Committee's responsibilities include the Company having in place a process to provide for the orderly succession of management, including the President and CEO role. The Board reviews the succession plan for the President and CEO as well as for other management positions at least once per year, including the annual Board strategic planning meeting. Due to Parex conducting its strategic repositioning process in 2018, no succession planning for the President and CEO or for other management positions was undertaken in 2018.

### Compensation Consultants

In 2017, the C&HR Committee retained Lane Caputo to review and recommend Executive and independent director compensation against the Company's peer group of companies. See "*Statement of Executive Compensation – Director Compensation*".

In 2018, the C&HR Committee also retained Lane Caputo to provide certain information and recommendations concerning executive compensation in the event of a sale of all or substantially all of the Company's assets under the strategic repositioning process that was announced on July 17, 2018. See *Executive Compensation Letter to Shareholders*.

In January 2019, the C&HR Committee retained Lane Caputo to review and make recommendations for executive and independent director compensation against the Company's peer group of companies. See *Statement of Executive Compensation- Director Compensation*.

Consultant	Date Retained	Mandate	Executive Compensation-Related Fees (includes GST)
Lane Caputo	January 4, 2019	Review of and recommendations for executive and independent director compensation for Parex against the Company's peer group of companies.	\$18,921.72

<b>Consultant</b>	<b>Date Retained</b>	<b>Mandate</b>	<b>Executive Compensation-Related Fees (includes GST)</b>
Lane Caputo	October 4, 2018	Provide tax implications of potential payments to Executives in the event of a Change of Control and provide recommendations for executive compensation relative to a smaller Parex resulting from a transaction under the strategic repositioning process.	\$ 13,683.27
Lane Caputo	August 8, 2018	Provide overview of current industry trends regarding special payments to Executives in the event of a sale of all or substantially all of the Company's assets.	\$3,104.21
Lane Caputo	May 31, 2018	Provide overview of long-term incentives for Executives in a Company equivalent in size to a start-up oil and gas company.	\$2,282.57
Lane Caputo	September 11, 2017	Review of and recommendations for executive and independent director compensation for Parex against the Company's peer group of companies.	\$13, 075.64
Lane Caputo	August 15, 2017	Review of and recommendations for executive and independent director compensation for Parex against the Company's peer group of companies.	\$47,226.00

## **Other Information Concerning Executive Compensation**

### ***Clawback Policy***

The Board has made it a priority to ensure that appropriate checks and balances are in place to govern responsible and ethical behaviors amongst the Company's executive officers. All executive officers are required to annually confirm compliance with the Company's Code of Business Conduct.

At the recommendation of the C&HR Committee, the Board adopted an Executive Compensation Clawback Policy (the "**Clawback Policy**") on April 1, 2016 applicable to the President and CEO, Chief Financial Officer and Senior Vice President, Capital Markets & Corporate Planning of the Company (the "**Executive Managers**"), which Clawback Policy has been agreed to by each of the current Executive Managers. If, in the opinion of the independent directors of the Board, Parex' financial results are restated due in whole or in part to intentional fraud or misconduct by one or more of the Executive Managers, the independent directors have the discretion to use their best efforts to remedy the fraud or misconduct and prevent its recurrence. Parex' independent directors may, based upon the facts and circumstances surrounding the restatement, direct that Parex recover all or a portion of any bonus or incentive compensation paid, or cancel all, or part of, the equity-based awards granted, to an Executive Manager. In addition, the independent directors may also seek to recover any gains realized with respect to equity-based awards, including Stock Options, RSUs, PSUs or other incentive payments made or required to be made by Parex under any discretionary, non-discretionary, targeted or other compensation plan of Parex, regardless of when issued or required to be issued at a future date.

The remedies that may be sought by the independent directors are subject to a number of conditions, including, that: (a) the bonus or incentive compensation to be recovered was based on the achievement of objective financial or other similar criteria or factors and was calculated based upon the financial results that were restated; (b) the Executive Manager in question engaged in the intentional misconduct; (c) the bonus or incentive compensation calculated or to be calculated under the restated financial results is less than the amount actually paid or awarded or to be paid or awarded; and (d) no remedy, action or proceeding for the recovery of any amount from an Executive Manager that is provided for in the policy may be commenced after a period of three years from the date such Executive Manager's employment is terminated for whatever reason.

### ***Hedging Policies***

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, RSUs, PSUs or DSUs 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 ("**Hedging Policy**"), pertaining to directors and officers.

Pursuant to the 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. For example this would be used where an officer or director of the Company exercises his or her Options and immediately sells the Common Shares acquired upon exercise of the Options to pay for any withholding taxes.

### **Changes to Executive Compensation**

The C&HR Committee retained Lane Caputo on January 4, 2019 to conduct a review of and recommendations for executive and independent director compensation against an updated peer group of companies.

In February 2019, the Board approved the appointment of Michael Kruchten as Senior Vice President Corporate Planning and Capital Markets. See "*Executive Compensation Letter to Shareholders*".

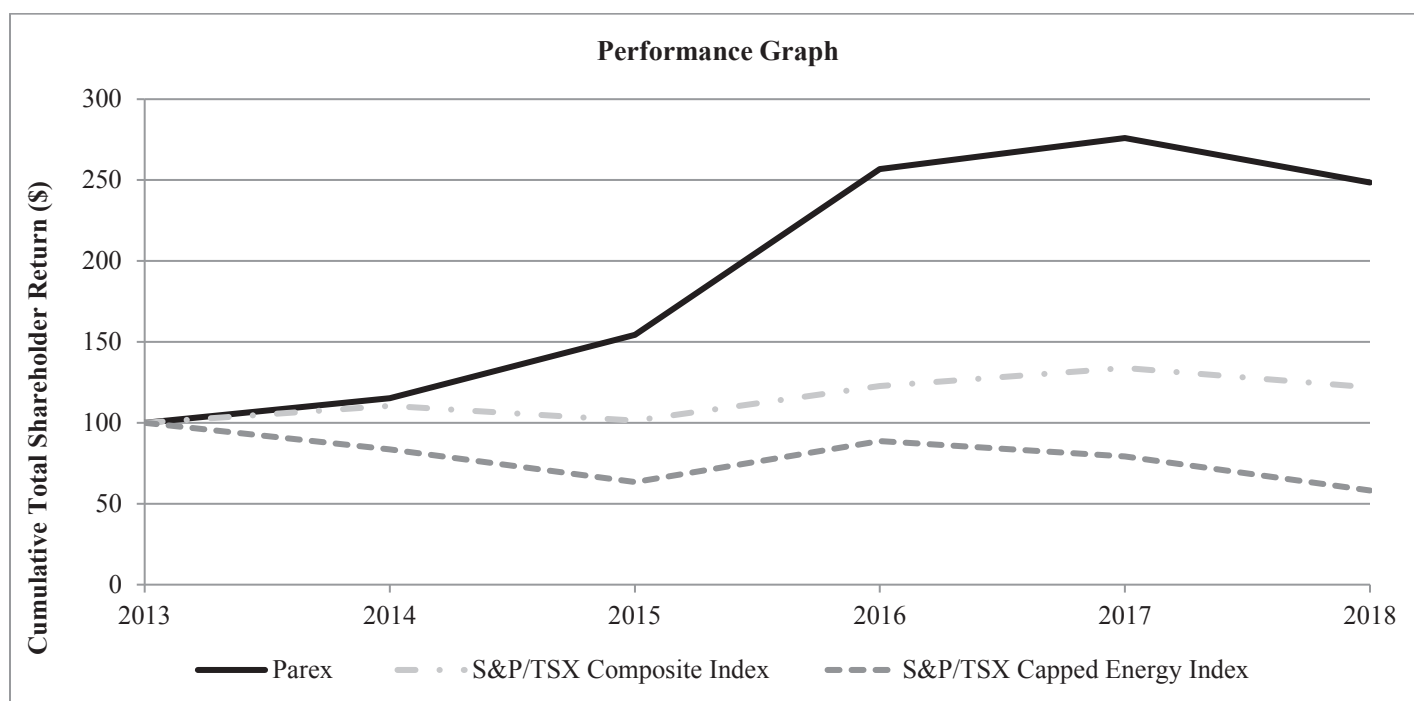
In February 2019, using the results of the Lane Caputo report, the C&HR Committee recommended and the Board approved a base salary increase for the President and CEO, effective January 1, 2019. The new salary positioned the President and CEO appropriately at slightly over the 50<sup>th</sup> salary percentile for this position in the peer group. Also based on the results of the Lane Caputo report, in February 2019 the C&HR Committee recommended and the Board approved salary increases for the CFO, the Chief Operating Officer, the Senior Vice President Exploration and Business Development, and the President of Parex Colombia. The salary increases were effective January 1, 2019.

The C&HR Committee recommended and the Board approved 2019 annual long term incentive awards to Executives and employees with a grant date of February 11, 2019. The grants to Executives included Cash/Share Settled PSUs as well as Options and Cash/Share Settled RSUs. The 2019 annual Cash/Share Settled RSU and Cash/Share Settled PSU grants to executives and employees were awarded under the new Cash/Share Settled RSU Plan approved by the Board on February 7, 2019. Cash/Share Settled PSUs represented 50% of the 2019 grant of long term incentives, continuing to reflect the intent to have a considerable portion of Executive compensation based on corporate performance based equity grants. The reduced emphasis on Options as a component of long term incentive compensation (which started four years ago) has continued with the 2019 annual grant.

The 2019 annual long term incentive grants to all Executives and employees represents a burn rate of 0.10%, calculated by dividing the total grant amount by the weighted average number of outstanding Common Shares of the Company for the fiscal year ending December 31, 2018. This reduced burn rate compared to previous years reflects the Company's undertaking to significantly reduce the number of outstanding Common Shares that may be used for equity-based long term incentives grants.

## 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 December 31, 2013 to December 31, 2018. 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.



	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018
Parex	100	115	154	257	276	248
S&P/TSX Composite Index	100	111	101	123	134	122
S&P/TSX Capped Energy Index	100	84	63	89	79	58

If \$100 was invested in the Common Shares on December 31, 2013, it would have resulted in a cumulative shareholder return of 148% on December 31, 2018. In comparison, the same amount invested in the S&P/TSX Composite Index for the same period would have resulted in a cumulative shareholder return of 22%, and the same amount invested in the S&P/TSX Capped Energy Index would have resulted in a cumulative shareholder return of negative 42%.

From December 31, 2013 to December 31, 2018, the total compensation awarded to the three Parex NEO's who were NEOs for this full time period, as reported in the "NEO Summary Compensation Table" in this Information Circular, increased by 56%.

The increase in NEO total compensation has been largely due to the significant increase from 2013 to 2018 of the increase in the price of the Common Shares of the Company, which reflected the Company's excellent performance and production per Common Share growth in the period 2013 to 2018. Thus the increase in NEO total compensation is aligned with the increase in Shareholder value.

NEO total compensation is consistent with the benchmark set by the Board for compensation to target the 50<sup>th</sup> percentile of compensation for similar positions in the Company's peer comparator group of companies for satisfactory performance and results, and the 75<sup>th</sup> percentile for excellent performance and results.

NEO Summary Compensation Table<sup>(1)</sup>

Name and principal position	Year	Salary (\$)	Share-based awards (\$) <sup>(2)(3)</sup>	Option-based awards (\$) <sup>(4)</sup>	Non-equity incentive plan compensation (\$)	All other compensation <sup>(6)</sup> (\$)	Total compensation <sup>(7)</sup> (\$)
					Annual incentive plans <sup>(5)</sup>		
David Taylor President and CEO	2016	370,000	782,500	414,900	273,615	57,634	1,898,649
	2017	400,000	1,032,645	424,500	374,640	57,245	2,289,030
	2018	420,000	1,458,450	175,613	473,043	57,245	2,584,350
Kenneth Pinsky Chief Financial Officer and Corporate Secretary	2016	325,000	626,000	368,800	232,538	56,384	1,608,722
	2017	340,000	768,480	311,300	262,752	57,245	1,739,777
	2018	340,000	958,410	115,403	267,515	57,245	1,738,573
Eric Furlan <sup>(8)</sup> Chief Operating Officer	2016	250,000	391,250	230,500	159,375	44,241	1,075,366
	2017	285,000	480,300	192,440	224,523	49,302	1,231,565
	2018	315,000	833,400	100,350	246,796	54,437	1,549,983
Ryan Fowler Senior Vice President Exploration and Business Development	2016	250,000	391,250	230,500	156,875	44,241	1,072,866
	2017	285,000	480,300	192,440	213,408	49,302	1,220,450
	2018	285,000	694,500	83,625	232,329	49,302	1,344,756
Lee DiStefano <sup>(9)</sup> President Parex Colombia	2016	397,440	352,125	207,450	244,426	198,720	1,400,161
	2017	389,580	480,300	192,440	301,067	194,790	1,558,177
	2018	388,710	694,500	83,625	268,113	194,355	1,629,303

## Notes:

- (1) The Company did not provide long term non-equity incentive plan or pension plan compensation in 2016, 2017 and 2018.
- (2) As per the prescribed requirements for the NEO Summary Compensation Table, PSUs have been combined with RSUs as share-based awards for 2017 and 2018. Although the grant date fair values are the same for PSUs and RSUs, the grant date fair value calculations are shown separately in Note (3) below for RSUs and PSUs. RSUs and PSUs are shown separately in tables that follow the NEO Summary Compensation Table in this Information Circular.
- (3) The fair value of each RSU and PSU granted is based on the market price of the Common Shares on the date of issuance. It is the same methodology used by the Company to determine the accounting fair value of the RSUs and PSUs, in accordance with International Financial Reporting Standard 2 – Share Based Payments.

	RSU Grant Date		
	November 14, 2016	March 9, 2017	February 7, 2018
Grant date fair value per RSU	\$15.65	\$16.01	\$18.52

	PSU Grant Date	
	March 9, 2017	February 7, 2018
Grant date fair value per PSU	\$16.01	\$18.52

- (4) The grant date fair value of option-based awards (Options) has been calculated using the Black-Scholes methodology, a commonly accepted methodology for valuing compensation 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:

<b>Assumption</b>	<b>Option Grant Date</b>		
	<b>November 14, 2016</b>	<b>March 9, 2017</b>	<b>February 7, 2018</b>
Expected life of Options	4.0 years	4.0 years	4.0 years
Risk-free interest rate	0.53%	1.11%	1.93%
Expected volatility	42%	43.75%	43.29%
Expected dividend yield	0%	0%	0%
Grant date fair value per Option	\$4.61	\$5.66	\$6.69

- (5) Incentive plan bonuses for 2016 were paid in February 2017, for 2017 were paid in February 2018, and for 2018 were paid in February 2019.
- (6) All other compensation for Messrs. Taylor, Pinsky, Furlan, and Fowler includes the value of paid parking and benefits payments equal to 15% of the officer's base salary, capped at \$50,000 per 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.
- (7) Total compensation equals salary plus all other cash compensation and perquisites and the grant date fair value of option and share-based awards.
- (8) Mr. Furlan was promoted to Chief Operating Officer in February 2018. Prior to this, Mr. Furlan was Senior Vice-President Engineering.
- (9) 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 of employment of 1.3248 for 2016, 1.2986 for 2017 and 1.2957 for 2018.



## NEO Incentive Plan Awards

**Outstanding Option-based and Share-based awards  
(as at December 31, 2018)**

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 (\$) <sup>(1)</sup>
David Taylor	November 10, 2014	100,000	10.23	November 10, 2019	612,000
	November 9, 2015	120,000	10.94	November 9, 2020	649,200
	November 14, 2016	90,000	15.66	November 14, 2021	62,100
	March 9, 2017	75,000	16.02	March 9, 2022	24,750
	February 7, 2018	26,250	18.53	February 7, 2023	Nil
Kenneth Pinsky	November 10, 2014	83,100	10.23	November 10, 2019	508,572
	November 9, 2015	120,000	10.94	November 9, 2020	649,200
	November 14, 2016	80,000	15.66	November 14, 2021	55,200
	March 9, 2017	55,000	16.02	March 9, 2022	18,150
	February 7, 2018	17,250	18.53	February 7, 2023	Nil
Eric Furlan	November 10, 2014	55,000	10.23	November 10, 2019	336,600
	November 9, 2015	66,000	10.94	November 9, 2020	357,060
	November 14, 2016	50,000	15.66	November 14, 2021	34,500
	March 9, 2017	34,000	16.02	March 9, 2022	11,220
	February 7, 2018	15,000	18.53	February 7, 2023	Nil
Ryan Fowler	November 10, 2014	60,000	10.23	November 10, 2019	367,200
	November 9, 2015	66,000	10.94	November 9, 2020	357,060
	November 14, 2016	50,000	15.66	November 14, 2021	34,500
	March 9, 2017	34,000	16.02	March 9, 2022	11,220
	February 7, 2018	12,500	18.53	February 7, 2023	Nil
Lee DiStefano	November 10, 2014	0	10.23	November 10, 2019	Nil
	November 9, 2015	66,000	10.94	November 9, 2020	357,060
	November 14, 2016	45,000	15.66	November 14, 2021	31,050
	March 9, 2017	34,000	16.02	March 9, 2022	11,220
	February 7, 2018	12,500	18.53	February 7, 2023	Nil

Note:

- (1) Based on the difference between the market price of the Common Shares at December 31, 2018 of \$16.35 and the exercise price of the Options.

		<b>Share-Based Awards</b>					
<b>Name</b>	<b>Grant Date</b>	<b>Number of Common Shares or units of Common Shares that have not vested (#)</b>		<b>Market or payout value of share-based awards that have not vested (\$)<sup>(1)</sup></b>		<b>Market or payout value of vested share-based awards not paid out or distributed (\$)<sup>(2)</sup></b>	
		<b>RSUs</b>	<b>PSUs</b>	<b>RSUs</b>	<b>PSUs</b>	<b>RSUs</b>	<b>PSUs</b>
David Taylor	November 10, 2014	Nil	N/A	Nil	N/A	571,900	N/A
	November 9, 2015	Nil	N/A	Nil	N/A	980,400	N/A
	November 14, 2016	16,668	N/A	272,355	N/A	544,645	N/A
	March 9, 2017	28,667	21,500	468,419	351,310	234,201	Nil
	February 7, 2018	26,250	52,500	428,925	857,850	Nil	Nil
Kenneth Pinsky	November 10, 2014	Nil	N/A	Nil	N/A	Nil	N/A
	November 9, 2015	Nil	N/A	Nil	N/A	980,400	N/A
	November 14, 2016	13,334	N/A	217,878	N/A	435,722	N/A
	March 9, 2017	21,334	16,000	348,598	261,440	174,282	Nil
	February 7, 2018	17,250	34,500	281,865	563,730	Nil	Nil
Eric Furlan	November 10, 2014	Nil	N/A	Nil	N/A	163,400	N/A
	November 9, 2015	Nil	N/A	Nil	N/A	539,220	N/A
	November 14, 2016	8,334	N/A	136,178	N/A	272,322	N/A
	March 9, 2017	13,334	10,000	217,878	163,400	108,922	Nil
	February 7, 2018	15,000	30,000	245,100	490,200	Nil	Nil
Ryan Fowler	November 10, 2014	Nil	N/A	Nil	N/A	326,800	N/A
	November 9, 2015	Nil	N/A	Nil	N/A	539,220	N/A
	November 14, 2016	8,334	N/A	136,178	N/A	272,322	N/A
	March 9, 2017	13,334	10,000	217,878	163,400	108,922	Nil
	February 7, 2018	12,500	25,000	204,250	408,500	Nil	Nil
Lee DiStefano	November 10, 2014	Nil	N/A	Nil	N/A	Nil	N/A
	November 9, 2015	Nil	N/A	Nil	N/A	179,740	N/A
	November 14, 2016	7,500	N/A	122,550	N/A	122,550	N/A
	March 9, 2017	13,334	10,000	217,878	163,400	108,922	Nil
	February 7, 2018	12,500	25,000	204,250	408,500	Nil	Nil

## Notes:

- (1) Based on multiplying the market price of the Common Shares at December 31, 2018 of \$16.35, less \$0.01 exercise price, by the number of Common Shares issuable pursuant to RSUs and PSUs that were not vested as at December 31, 2018.
- (2) Based on multiplying the market price of the Common Shares at December 31, 2018 of \$16.35, less \$0.01 exercise price, by the number of Common Shares issuable pursuant to RSUs and PSUs that were vested but not exercised as at December 31, 2018.

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, 2018 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2018.

Name	Option-based awards – Value vested during the year <sup>(1)</sup> (\$)	Share-based awards Value vested during the year (\$) <sup>(2)</sup>		Non-equity incentive plan compensation – Value earned during the year <sup>(3)</sup> (\$)
		RSUs	PSUs	
David Taylor	403,000	916,426	Nil	473,043
Kenneth Pinsky	385,232	793,489	Nil	267,515
Eric Furlan	217,312	467,919	Nil	246,796
Ryan Fowler	217,312	467,919	Nil	232,329
Lee DiStefano	214,763	453,608	Nil	268,113 <sup>(4)</sup>

Notes:

- (1) Based on multiplying 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 by the number of Options that vest on such date.
- (2) Based on multiplying the market price, less \$0.01 exercise price, of the Common Shares on the vesting date by the number of RSUs and PSUs that vest on such date.
- (3) Incentive plan bonuses for 2018 were paid in February 2019.
- (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 2018 of 1.2957.

### Option Plan

The Company has a "rolling" stock option plan reserving a maximum of 9.0% 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 9.0% of the Common Shares outstanding from time to time.

The purpose of the 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.

#### *Description of the Option Plan*

##### *Eligibility*

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

### *Exercise Price*

The exercise price of Options granted under the Option Plan will be fixed by the Board 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 Board.

### *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 Option Plan and all other share compensation arrangements of Parex is 9.0% 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 Option Plan, together with all other share compensation arrangements of Parex, within a 12-month period, must not exceed 5.0% 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 Option Plan) pursuant to the Option Plan, together with all other share compensation arrangements of Parex, must not exceed 5.0% of the outstanding issue of Common Shares;
3. the aggregate number of Common Shares issued to insiders pursuant to the Option Plan, together with all other share compensation arrangements of Parex, within a 12-month period, must not exceed 9.0% of the outstanding issue of Common Shares;
4. the aggregate number of Common Shares reserved for issuance to Insiders pursuant to the Option Plan, together with all other share compensation arrangements, at any time, must not exceed 9.0% of the issue of Common Shares;
5. the aggregate number of Common Shares reserved for issuance pursuant to the Option Plan to any one participant employed to provide investor relations activities (as defined in the Option Plan) within a 12-month period, must not exceed 2.0% 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 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 Option Plan to any non-management director cannot exceed \$100,000 in any 12-month period.

Non-management directors were not granted any Options in 2016, 2017 or 2018.

### *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.

### *Term and Vesting*

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 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 exceptional circumstances and 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 (the "**Termination Date**"): (a) the close of business 90 days after the optionee ceasing (other than by reason of death or Retirement (as defined below) 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; (b) the close of business 90 days after the optionee has been provided with written notice of dismissal related to (a) above; and (c) 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 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.

If before the expiry of an Option in accordance with the terms thereof an optionee ceases to be an employee or officer of the Company or a subsidiary of the Company, as the case may be, as a result of the optionee's Retirement, then the terms, including, with restriction, the Termination Date, of all Options held by such optionee will not change as a result of such Retirement, subject to the terms of the Retirement Agreement (as defined below) entered into by the optionee and the Company.

For the purposes of the Option Plan, "**Retirement**" means: (a) the date that an optionee who is an officer or bona fide employee of the Company or a subsidiary reaches the age of sixty (60) and voluntarily ceases to be an officer or bona fide employee of the Company or a subsidiary, provided that the optionee: (i) has, at such time, provided continuous services to Company or a subsidiary for a minimum of ten (10) years or since November 2, 2009; (ii) has provided the Company with six (6) months prior written notice of the optionee's intention to retire; and (iii) is offered by the Company the opportunity to and enters into an agreement (which shall include non-competition and non-solicitation covenants and the consequences of breaching such covenants including the immediate termination of all outstanding Options notwithstanding the provisions noted above in respect of such Retirement) with the Company respecting such optionee's retirement from any employment with the Company or a subsidiary in a form that is acceptable to the Company (a "**Retirement Agreement**"); or (b) such other meaning as the CEO of the Company in the case of an optionee who is not an officer of the Company or a subsidiary, and the Board in all other cases, may determine from time to time.

### *Change of Control and Take-Over Acceleration Right*

In the event of a Change of Control (as defined in the 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 Board, Options may provide that, whenever the Company's Shareholders receive a Take-over Proposal (as defined in the 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 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 (10<sup>th</sup>) 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.

### *Voluntary Black-Out Periods*

Pursuant to the 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 Common Shares*

Appropriate adjustments in the number of Common Shares subject to the 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 Board 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 Option Plan by the Board.

#### *Amendments to Options*

The Option Plan provides that the Option Plan and any Options granted pursuant to the Option Plan may be amended, modified or terminated by the Board without approval of the Shareholders subject to any required approval of the TSX. Notwithstanding the foregoing, the Option Plan or any Options may not be amended without Shareholder approval to: (a) increase the number of Common Shares reserved for issuance under the Option Plan or the Option Plan maximum; (b) reduce the exercise price of any Option granted pursuant to the Option Plan; (c) extend the term of any outstanding Options beyond the original expiry date of the Option, other than as permitted pursuant to the Option Plan; (d) amend the Option Plan to increase the entitlements of non-management directors under the Option Plan; (e) permit an optionee to transfer or assign Options to a new beneficial holder, other than for estate settlement purposes; (f) any amendment to increase the number of Common Shares that may be issued to insiders above the restrictions contained in the Option Plan; or (g) amend the amendment provisions in the Option Plan.

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

Further, neither the Option Plan nor any Options may be amended without Shareholder approval to cancel any Options and issue the holder of such Options a new Option or other entitlement in replacement thereof or to amend such provision in the Option Plan.

### **RSU Plan**

On October 16, 2012, the Board 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 Board 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. Prior to the adoption of the Cash/Share Settled RSU Plan, the RSU Plan was one of the Company's primary forms of long-term incentive compensation. While there remain RSUs and PSUs outstanding under the RSU Plan, Parex has not made any grants under the RSU Plan since 2018 and will not make any further grants under the RSU Plan as the requisite three-year approval under TSX policies of unallocated RSUs and PSUs under such plan expires on May 11, 2019. While no new awards will be made under the RSU Plan, it will remain in place until such time as all outstanding RSUs and PSUs issued under it have been exercised, are cancelled or expired by their terms which is expected to occur in 2023.

#### *Description of the RSU Plan*

##### *Purpose of the RSU 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 Board 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 Board 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 Board will not grant RSUs according to a prescribed formula or target. For RSUs, other than PSUs, the Board 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 Board 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 RSU Plan*

The Board administers the RSU Plan. Among other things, the Board 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 Board may determine appropriate, in its sole discretion. In addition, the Board has the discretion to determine which Service Providers will be eligible to participate in the RSU Plan (each such Service Provider a "**Participant**"); provided that after April 1, 2016, non-management directors will not be eligible to receive new grants of RSUs pursuant to the RSU Plan. The Board may delegate to a committee (the "**Committee**") of the Board all or any of the powers conferred on the Board under the RSU Plan. The Board 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 larger 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 4.0% 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 9.0% 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 9.0% 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 9.0% of the issued and outstanding Common Shares; and
- (e) the number of Common Shares issued to non-management directors, in aggregate, at any time, under all security-based compensation arrangements, shall not exceed 1.0% of the issued and outstanding Common Shares.

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 Board (the "**Grant Date**"). The number of RSUs to be offered to each Participant is determined by the Board, or the Committee delegated by the Board to do so. The Board 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 Board 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 Board 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. Prior to a vesting date in respect of any PSU, the Board will assess the performance of Parex for the applicable period based upon the performance measures, as determined by the Board. The corporate performance measures considered by the Board include, but are not limited to: (a) total shareholder return, absolute or relative; (b) the market price of the Common Shares from time to time; (c) the financial performance or results of Parex; (d) other operational or performance criteria relating to Parex; (e) activities related to the growth of Parex; (f) health and safety performance of Parex; (g) the execution of Parex' strategic plan as determined by the Board; and (h) such additional

or other measures as the Board will consider appropriate in the circumstances. The weighting of individual measures comprising the performance measures will be determined by the Board in its sole discretion having regard to the principal purposes of the RSU Plan and upon such assessment, the Board will determine the applicable payout multiplier, which will not be less than 0 and not more than 2 (the "**Payout Multiplier**"). Upon determination of the Payout Multiplier, the number of Common Shares issuable pursuant to a vested PSU will be adjusted by multiplying the number of vested PSUs by the applicable Payout Multiplier. Except as required by law and the terms of the RSU Plan, 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 Board 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 Board 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, resignation, involuntary termination (with or without cause) or death, as determined by the Board 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. In respect of PSUs, if a Participant's death occurs within 90 days of the next vesting date applicable to unvested Performance RSUs (with such vesting date having been determined at the time of grant of the PSUs), the vesting date for such unvested PSUs shall be deemed to be that vesting date, and the Payout Multiplier for such unvested PSUs shall be determined as of such vesting date. Otherwise, the unvested Performance RSUs shall be deemed to have vested immediately prior to the Forfeiture Date and the Payout Multiplier will be deemed to be 1.

Notwithstanding the foregoing or anything else contained in the RSU Plan to the contrary, if a Participant shall cease to be an officer of or be in the employ of, or other Service Provider to, any of the entities comprising the Parex Group as a result of the Participant's Retirement (as defined below), then the terms of all RSUs held by such Participant, including, with restriction, the term during which such RSUs may be outstanding, will not change as a result of such Retirement, subject to the terms of the Retirement Agreement (as defined below) entered into by the Participant and the Company.

For the purposes of the RSU Plan, "**Retirement**" means: (a) the date that a Participant who is an officer or employee of the Parex Group reaches the age of sixty (60) and voluntarily ceases to be a Service Provider, provided that the Participant: (i) has, at such time, provided continuous services to the Parex Group for a minimum of ten (10) years or since November 2, 2009; (ii) has provided the Company with six (6) months prior written notice of the Participant's intention to retire; and (iii) is offered by the Company the opportunity to and enters into an agreement (which shall include non-competition and non-solicitation covenants and the consequences of breaching such covenants including the immediate termination of all outstanding RSUs notwithstanding the above provisions in respect of such Retirement) with the Company respecting such Participant's retirement from any employment with the Parex Group in a form that is acceptable to the Company (a "**Retirement Agreement**"); or (b) such other meaning as the CEO of the Company in the case of a Participant who is not an officer of the Company or the Parex Group, and the Board in all other cases, may determine from time to time.



If Common Shares may not be issued pursuant to any RSUs due to any Black-Out Period (as defined below) at any time (the "**Restricted RSUs**") and the expiry date of a RSU occurs during or within the three business day period prior to the Black-Out Period, the expiry date of such Restricted RSU shall be extended to a date which is seven business days following the end of the Black-Out Period (or such longer period as permitted by the Exchange (as defined in the RSU Plan) and approved by the Board or the Committee). For greater certainty, no Restricted RSUs may be exercised during a Black-Out Period. 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 will, 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 defined in the RSU Plan) 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 Board may make such adjustments to the RSU Plan, to any RSUs and to any RSU agreements outstanding under the RSU Plan as the Board may, in its sole discretion, and if applicable, subject to TSX approval, 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 Board (the "**Asset Sale Accelerated Vesting Date**"), provided that if the Board approves the Sale Acceleration Right but does not determine commencement and termination dates regarding same, the Asset Sale Accelerated Vesting Date will be, and 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 Board may resolve. With respect to any unvested PSUs, the Payout Multiplier in respect of such PSUs shall be determined as of the Asset Sale Accelerated Vesting Date.

In addition, if approved by the Board, 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 Board (the "**Take-over Proposal Accelerated Vesting Date**"), provided that, if the Board approves the Take-over Acceleration Right but does not determine commencement and termination dates regarding same, the Take-over Proposal Accelerated Vesting Date will be, and 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 Board may resolve. With respect to any unvested PSUs, the Payout Multiplier in respect of such PSUs shall be determined as of the Take-over Proposal Accelerated Vesting Date.

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 Board or the Committee, all RSUs which have not otherwise vested in accordance with their terms shall immediately vest (the "**Change of Control Accelerated Vesting Date**") 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. With respect to unvested PSUs, the Payout Multiplier will be determined as of the Change of Control Accelerated Vesting Date.

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 Board, 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 Board 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 Board 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 Board 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 Board 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; (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 Board 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.

### **Cash/Share Settled RSU Plan**

On February 7, 2019, the Board approved the adoption by Parex of the Cash/Share Settled RSU Plan, which Cash/Share Settled RSU Plan does not, pursuant to TSX policies, require Shareholder approval. The Cash/Share Settled RSU Plan allows the Board to grant Cash/Share Settled RSUs, each of which is a right to receive a cash payment or Common Shares purchased on the open market by the Plan Agent (as defined in the Cash/Share Settled RSU Plan). The purpose of the Cash/Share Settled RSU Plan is to: (a) aid in attracting, retaining and motivating the Service Providers of the Parex Group by providing them Cash/Share Settled RSUs; (b) more closely align Service Providers interests with those of Parex' Shareholders; (c) focus such Service Providers on operational and financial performance and long-term Shareholder value; and (d) motivate and reward Service Providers for their performance and contributions to the Company's long-term success.

The Board administers the Cash/Share Settled RSU Plan and has the authority to: (a) determine the Service Providers to whom Cash/Share Settled RSUs may be granted; and (b) grant Cash/Share Settled RSUs on such terms and conditions as it determines. The Board may delegate to a committee (the "**Committee**") of the Board or any director or officer of the Company all or any of the powers conferred on the Board under the Cash/Share Settled RSU Plan.

The Board or the Committee may, in its sole discretion, determine: (a) the time during which Cash/Share Settled 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 Board or the Committee to the contrary, Cash/Share Settled RSUs will vest and be exercisable as to one-third of the total number of Cash/Share Settled RSUs granted on each of the first, second and third anniversaries of the Grant Date, and all Cash/Share Settled PSUs will vest on the third anniversary of the Grant Date thereof. Notwithstanding the foregoing, the Board or the Committee may, at its sole discretion at any time or in the agreement in respect of any Cash/Share Settled RSUs granted, accelerate or provide for the acceleration of vesting of Cash/Share Settled RSUs previously granted.

Prior to a vesting date in respect of any Cash/Share Settled PSU, the Board will assess the performance of Parex for the applicable period based upon the performance measures, as determined by the Board. The corporate performance measures considered by the Board include, but are not limited to: (a) total shareholder return, absolute or relative; (b) the market price of the Common Shares from time to time; (c) the financial performance or results of Parex; (d) other operational or performance criteria relating to Parex; (e) activities related to the growth of Parex; (f) health and safety performance of Parex; (g) the execution of Parex' strategic plan as determined by the Board; and (h) such additional or other measures as the Board will consider appropriate in the circumstances. The weighting of individual measures comprising the performance measures will be determined by the Board in its sole discretion having regard to the principal purposes of the Cash/Share Settled RSU Plan and upon such assessment, the Board will determine the applicable payout multiplier, which will not be less than 0 and not more than 2 (the "**Payout Multiplier**"). Any determination of a Payout Multiplier shall occur at a time when a Black Out Period (as defined in the Cash/Share Settled RSU Plan) is not in effect.

Except as required by law and the terms of the Cash/Share Settled RSU Plan, the rights of a Participant under the Cash/Share Settled 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.

The term during which an Cash/Share Settled RSU may be outstanding is, such period, not in excess of three years plus the time period required to settle the vested Cash/Share Settled RSUs.

If a Participant ceases to be in the employ of any of the entities comprising the Parex Group for any reason whatsoever, including, without limitation, resignation, involuntary termination (with or without cause) or death, as determined by the Board in its sole discretion, before all of the grants respecting Cash/Share Settled RSUs credited to the Participant's Account have vested or are forfeited

pursuant to any other provision of the Cash/Share Settled RSU Plan, the former Participant shall forfeit all unvested grants respecting Cash/Share Settled RSUs in the Participant's Account effective as at the Forfeiture Date.

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 Cash/Share Settled 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 Cash/Share Settled RSUs.

If a Participant retires from the Parex Group, the terms of all Cash/Share Settled RSUs held by such Participant will not change as a result of such Retirement (as defined in the Cash/Share Settled RSU Plan), subject to any terms in a retirement agreement entered into by the Participant and the Company.

Prior to each vesting date, Participants will be required to make an election for all vested Cash/Share Settled RSUs recorded in the Participant's Account to receive one (but not a combination) of a cash payment or Common Shares purchased on the open market by the Plan Agent. If a Participant would be making an election during a Black Out Period, the making of such election will be delayed to a date which is two business days following the end of the Black Out Period (or such longer period as approved by the Board or the Committee). In the event a Participant fails to submit an election notice in accordance with the Cash/Share Settled RSU Plan, such Participant will be entitled to receive a cash payment for all vested Cash/Share Settled RSUs recorded in the Participant's Account on such vesting date and shall not be entitled to receive Common Shares purchased on the open market.

If a cash payment would otherwise occur in respect of vested Cash/Share Settled RSUs during a Black Out Period, the making of such payment shall be delayed to a date which is seven business days following the end of the Black Out Period (or such longer period as approved by the Board or the Committee). If Common Shares would otherwise be purchased by the Plan Agent, on behalf of a Participant, pursuant to any vested Cash/Share Settled RSUs during a Black Out Period, such Common Share purchases will be delayed to a date which is seven business days following the end of the Black Out Period (or such longer period as approved by the Board or the Committee) and the Company will advise the Plan Agent in a timely fashion of any such delay.

The Board may amend or discontinue the Cash/Share Settled RSU Plan or amend any Cash/Share Settled RSU or Cash/Share Settled RSU agreement at any time without the consent of a Participant, provided that such amendment shall not adversely alter or impair any Cash/Share Settled RSU previously granted under the Cash/Share Settled RSU Plan or any related Cash/Share Settled RSU agreement, except as otherwise permitted by the Cash/Share Settled RSU Plan.

### **Burn Rate**

The following table sets forth the annual burn rate for each of the three most recently completed fiscal years for each of the Company's equity incentive plans. The burn rate has been calculated by dividing the number of awards granted under the arrangement during the applicable fiscal year, by the weighted average number of Common Shares outstanding for the applicable fiscal year:

<b>Plans</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Options	0.90%	0.43%	0.12%
RSUs	0.46%	0.41%	0.34%
PSUs <sup>(2)(4)</sup>	N/A	0.07%	0.14%
DSUs <sup>(3)</sup>	0.04%	N/A	N/A
Total	1.40%	0.91%	0.60%

Notes:

- (1) Numbers do not add precisely due to rounding.
- (2) Assuming a payout multiplier of one.
- (3) DSUs became cash-settled only, effective March 7, 2017.
- (4) No PSUs were granted in 2016.

## 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, support them in the event of employment interruption caused by a change in control of the Company, and to treat them in a fair and equitable manner. In prior years, the Company has accordingly entered into an employment agreement (the "**Employment Agreements**") with each of Mr. Taylor, Mr. Pinsky, Mr. Furlan, Mr. Fowler and Mr. DiStefano. (see "*NEO Summary Compensation Table*" in this Information Circular).

The Employment Agreements 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.

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 Messrs. Taylor, Pinsky, Furlan, Fowler and DiStefano a change of control includes, but is not limited to, 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, the sale, lease or other disposition of all or substantially all of the assets of the Company to a third party, the liquidation or dissolution of the Company and the Company ceasing to be publicly traded on a recognized exchange. For Mr. Taylor, Mr. Pinsky, Mr. Furlan, Mr. Fowler and Mr. DiStefano, 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 Board 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 and Employment Contract, as applicable, by the Company.

<b>Termination Event</b>	<b>Name</b>	<b>Incremental Compensation</b>
Termination Without Cause	David Taylor Kenneth Pinsky Eric Furlan Ryan Fowler Lee DiStefano	Retiring allowance equal to two (2) times 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.
Change of Control	David Taylor Kenneth Pinsky Eric Furlan Ryan Fowler Lee DiStefano	All applicable incremental payments for Messrs. Taylor, Pinsky, Furlan, Fowler and DiStefano are calculated as specified above for termination without cause.
Triggering Change of Control	David Taylor Kenneth Pinsky Eric Furlan Ryan Fowler Lee DiStefano	All applicable incremental payments for Messrs. Taylor Pinsky, Furlan, Fowler and DiStefano are calculated as specified above for termination without cause.
Resignation For Good Reason	David Taylor Kenneth Pinsky Eric Furlan Ryan Fowler Lee DiStefano	All applicable incremental payments for Messrs. Taylor, Pinsky, Furlan, Fowler and Mr. DiStefano are calculated as specified above for termination without cause.

Under the Employment Agreements 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 and employment contracts, 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, 2018)**

Name	Severance Period (months)	Compensation Components						Total (\$)
		2X Annual Base Salary (\$)	2X Average of Last 2 Incentive Bonus Payments <sup>(1)</sup> (\$)	2X Annual Benefits (\$)	Options (\$) <sup>(2)</sup>	RSUs <sup>(3)</sup> (\$)	PSUs <sup>(3)</sup> (\$)	
David Taylor	24	840,000	847,683	100,000	Nil	Nil	Nil	1,787,683
Kenneth Pinsky	24	680,000	530,267	100,000	Nil	Nil	Nil	1,310,267
Eric Furlan	24	630,000	471,319	94,500	Nil	Nil	Nil	1,195,819
Ryan Fowler	24	570,000	445,737	85,500	Nil	Nil	Nil	1,101,237
Lee DiStefano <sup>(4)</sup>	24	777,420	568,508	100,000	Nil	Nil	Nil	1,445,928

Notes:

- (1) The annual incentive plan bonuses for 2018 were not paid until February 2019, as previously disclosed in Note (5) to the NEO Summary Compensation Table. However, the 2018 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 NEOs incremental compensation should there have been a termination on December 31, 2018 due to termination without cause, resignation for good reason or upon a change of control.
- (2) Pursuant to the Employment Agreements for Mr. Taylor, Mr. Pinsky, Mr. Furlan, Mr. Fowler and Mr. DiStefano, 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. In accordance with the 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 Board. Based on a hypothetical termination as at December 31, 2018, due to a change of control and based on the market value of Common Shares on December 31, 2018 of \$16.35, the incremental compensation from Options for Mr. Taylor would have been \$37,200, for Mr. Pinsky would have been \$30,501, for each of Mr. Furlan and Mr. Fowler would have been \$18,981, and for Mr. DiStefano would have been \$17,830.
- (3) Pursuant to the Employment Agreements, 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 or PSUs 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 and PSU. All other RSUs and PSUs would be terminated. In accordance with the RSU Plan, in the event of a change in control of the Company, all RSUs and PSUs which have not otherwise vested in accordance with their terms shall immediately vest and be exercisable, notwithstanding the other terms of the RSUs or PSUs for a period of time ending on the earlier of the expiry date of the RSU or PSU and the thirtieth day following the

change of control. Based on a hypothetical termination as at December 31, 2018 due to a change of control and based on the market value of Common Shares on December 31, 2018 of \$16.35, the incremental compensation from RSUs for Mr. Taylor would have been \$1,169,699, for Mr. Pinsky would have been \$848,340, for Mr. Furlan would have been \$599,155, for Mr. Fowler would have been \$558,305, and for Mr. DiStefano would have been \$544,678. Based on a hypothetical termination as at December 31, 2018 due to a change of control and based on the market value of Common Shares on December 31, 2018 of \$16.35, and assuming a PSU payout multiplier approved by the Board of 1.0, the incremental compensation from PSUs for Mr. Taylor would have been \$1,209,160, for Mr. Pinsky would have been \$825,170, for Mr. Furlan would have been \$653,600, and for each of Mr. Fowler and Mr. DiStefano would have been \$571,900.

- (4) Compensation for Mr. DiStefano is paid in US\$ except for long-term incentive compensation which is paid in CAN\$. For the purposes of this table, the compensation to be paid in US\$ has been converted to CAN\$ using the average foreign exchange rate for 2018 of 1.2957, to result in a total estimated incremental compensation in CAN\$.

## Estimated Incremental Compensation

### Upon a Triggering Change of Control (based on hypothetical termination as at December 31, 2018)

Name	Severance Period (months)	Compensation Components						
		2X Annual Base Salary (\$)	2X Average of Last 2 Incentive Bonus Payments <sup>(1)</sup> (\$)	2X Annual Benefits (\$)	Options <sup>(2)</sup> (\$)	RSUs <sup>(3)</sup> (\$)	PSUs <sup>(3)</sup> (\$)	Total (\$)
David Taylor	24	840,000	847,683	100,000	37,200	1,169,699	1,209,160	4,203,742
Kenneth Pinsky	24	680,000	530,267	100,000	30,501	848,340	825,170	3,014,278
Eric Furlan	24	630,000	471,319	94,500	18,981	599,155	653,600	2,467,555
Ryan Fowler	24	570,000	445,737	85,500	18,981	558,305	571,900	2,250,423
Lee DiStefano <sup>(4)</sup>	24	777,420	568,508	100,000	17,830	544,678	571,900	2,580,335

#### Notes:

- (1) The annual incentive plan bonuses for 2018 were not paid until February 2019, as previously disclosed in Note (5) to the NEO Incentive Plan Awards. However, the 2018 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 NEOs incremental compensation should there have been termination on December 31, 2018 due to a triggering change of control.
- (2) In accordance with the 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 Board. Options calculations are based on the market value of Common Shares at December 31, 2018 of \$16.35.
- (3) In accordance with the RSU Plan, in the event of a change in control of the Company, all RSUs and PSUs which have not otherwise vested in accordance with their terms shall immediately vest and be exercisable, notwithstanding the other terms of the RSUs and PSUs for a period of time ending on the earlier of the expiry date of the RSU or PSU and the thirtieth day following the change of control. RSU and PSU calculations are based on the market value of Common Shares at December 31, 2018 of \$16.35, less \$0.01 exercise price. PSU calculations also include an assumed Payout Multiplier approved by the Board of 1.0.
- (4) Compensation for Mr. DiStefano is paid in US\$ except for long term incentive compensation which is paid in CAN\$. For the purpose of this table, the salary and bonus US\$ amounts used in the calculation of estimated incremental compensation have been converted to CAN\$ using an average foreign exchange rate for 2018 of 1.2957, to result in a total estimated incremental compensation in CAN\$.

## Director Compensation

### General

The DSU Plan was approved by the Board on April 1, 2015 and by Shareholders on May 12, 2015. DSU grants were made to independent directors on November 9, 2015, on November 14, 2016, May 15, 2017 and on May 11, 2018.

The C&HR Committee retained Lane Caputo in January 2019 for an update to their review of director compensation conducted in September 2017 and to make recommendations for Executive and independent director compensation against the Company's peer group of companies. The peer group of companies used to determine 2018 comparisons to Parex' growth plan metrics was reduced in 2018 from 18 to 16 companies due to acquisition and corporate restructuring. See "*Statement of Executive Compensation – Comparator Group*" in this Information Circular. Based on Lane Caputo's review of Parex independent director compensation against the peer group, changes were made to compensation for the Chair of the C&HR Committee and to the Chair of the HSE and Reserves Committee effective January 1, 2019, as noted below.

The current directors' compensation program is as follows, which is only available to directors who are not also NEOs:

1. Directors are entitled to the following annual retainers to be paid in cash in quarterly instalments:
  - (a) \$35,000 with respect to serving as a director;
  - (b) additional \$60,000 with respect to serving as the Chairman of the Board;
  - (c) additional \$5,000 with respect to serving as the Vice-Chairman of the Board (there was no director in this position during 2018);
  - (d) additional \$20,000 with respect to serving as the Lead Director of the Board;
  - (e) \$5,000 with respect to each standing committee of the Board on which they serve as a member;
  - (f) \$7,500 with respect to serving as Chair of the Finance and Audit Committee;
  - (g) \$2,500 with respect to serving as Chair of a standing committee of the Board other than the Finance and Audit Committee (with changes as noted below effective January 1, 2019);
  - (h) \$5,000, effective January 1, 2019, with respect to serving as Chair of the C&HR Committee; and
  - (i) \$5,000, effective January 1, 2019, with respect to serving as Chair of the HSE and Reserves Committee.

As approved by the board on February 7, 2019 and beginning in 2019 for 2020, directors may elect each year to receive their annual retainers in cash and/or the award of DSUs. The election will need to be made by each director by a specific date late in the year, with the election being effective for the following year. The default, if no election is made by an individual director each year, will be 100% cash for the annual retainer for the following year.

Directors are entitled to a payment of \$1,500 for attendance in person or by telephone at each Board 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.

2. Non-management directors are also eligible to receive long-term incentive compensation in the form of participation in the DSU Plan. The number of long-term incentives granted, if any, is to be reviewed each year by the C&HR Committee for grants to be approved by the Board and awarded following any blackout period subsequent to the annual meeting of Shareholders. Beginning in 2019, the annual long term incentive grants for directors will be comprised of 50% Cash/Share Settled RSUs and 50% DSUs. Non-management directors did not receive Option or RSU grants in 2016, 2017 or 2018.

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



### **DSU Plan**

The DSU Plan allows the Board or the C&HR Committee to grant DSUs, each of which is a unit that is equivalent in value to a Common Share. DSUs will be fully vested upon grant and a DSU Participant (as defined below) will have the right to receive a cash payment on the Separation Date (as defined below) or such later date as the DSU Participant may elect by written notice delivered to the CFO of the Company prior to the Separation Date. The purpose of the DSU Plan is to provide non-employee directors of the Company with the opportunity to acquire DSUs in order to allow them to participate in the long-term success of the Company and to promote a greater alignment of their interests with the interests of Shareholders. Any individual who is a member of the Board (an "**Eligible Director**") but who is not also an employee of the Company or any entity that is a subsidiary of the Company from time to time, any entity that is related to the Company for purposes of the *Income Tax Act* (Canada), and any other entity designated by the Board from time to time as a member of the "Parex Group" for the purposes of the DSU Plan (and, for greater certainty, including any successor entity of any of the aforementioned entities) (the "**Parex Group**") is eligible to participate in the DSU Plan.

The DSU Plan is administered by the C&HR Committee, which, from time to time in its sole discretion, will grant DSUs to Eligible Directors ("**DSU Participants**"). In respect of each grant of DSUs, the C&HR Committee will determine, among other things, the number of DSUs allocated to the DSU Participant and such other terms and conditions of the DSUs applicable to each grant.

DSUs will be fully vested upon being granted and credited to an account maintained by the Company for each DSU Participant by means of a book-keeping entry ("**Account**"). The term during which a DSU may be outstanding will, subject to the provisions of the DSU Plan which require or permit the acceleration or the extension of the term, be such period as may be determined from time to time by the Board or the C&HR Committee.

Except as required by law, the rights of a DSU Participant under the DSU 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 DSU Participant.

Notwithstanding any other provision of the DSU Plan: (i) the number of Common Shares issuable to Insiders (as defined in the TSX Company Manual), at any time, under all security based compensation arrangements, may not exceed 9.0% of the issued and outstanding Common Shares; (ii) the number of Common Shares issued to Insiders (as defined in the TSX Company Manual), within any one year period, under all security based compensation arrangements, may not exceed 9.0% of the issued and outstanding Common Shares; and (iii) the aggregate value of all DSUs (calculated as of the date of grant) granted pursuant to the DSU Plan in any calendar year (from January 1 to December 31 of such year) to any non-management director cannot exceed \$150,000 (excluding any DSU's granted in a one-time initial grant to a non-management director upon appointment to the Board provided the value of the DSU's granted in any such initial grant is not in excess of \$150,000). If the acquisition of Common Shares by the Company for cancellation should result in the foregoing tests no longer being met, this will not constitute non-compliance with the above limitations for any awards outstanding prior to such purchase of Common Shares for cancellation.

A DSU Participant will receive a Cash Payment (as defined below) in respect of DSUs recorded in the Participant's Account, on one of the following dates (the "**Distribution Date**"): (i) the date on which the DSU Participant ceases to be a director of any member of, and is not at that time an employee or officer of any member of, the Parex Group (the "**Separation Date**"); or (ii) such later date as the DSU Participant may elect by written notice delivered to the CFO of the Company prior to the Separation Date, provided that in no event will a DSU Participant be permitted to elect a date which is later than December 1 of the calendar year following the calendar year in which the Separation Date occurs.

A DSU Participant (or in the event of the DSU Participant's death, his beneficiary or legal representative) will receive a payment (the "**Cash Payment**") equal in value to the number of DSUs recorded in the Participant's Account on the Distribution Date multiplied by the Fair Market Value (as defined below) per Common Share (the "**Distribution Value**") on the Distribution Date, less any applicable withholding taxes, within ten (10) business days after the Distribution Date. Upon payment in full of the Cash Payment less any withholding taxes, the DSUs will be cancelled and no further payments will be made to the DSU Participant under the DSU Plan.

For the purposes of the DSU Plan, "**Fair Market Value**" with respect to a Common Share, as at any date, means the weighted average of the prices at which the Common Shares traded on the TSX (or, if the Common Shares are not then listed and posted for trading on the TSX or are then listed and posted for trading on more than one stock exchange, on such stock exchange on which the majority of the trading volume and value of the Common Shares occurs) for the five (5) trading days on which the Common Shares traded on the said exchange immediately preceding such date. In the event that the Common Shares are not listed and posted for trading on any

stock exchange, the Fair Market Value shall be the fair market value of the Common Shares as determined by the Board in its sole discretion, acting reasonably and in good faith.

Upon the death of a DSU Participant prior to the distribution of the DSUs credited to the Account of such DSU Participant under the DSU Plan, a Cash Payment shall be made to the estate of such DSU Participant on or about the thirtieth (30th) day after the Company is notified of the death of the DSU Participant or on a later date elected by the DSU Participant's estate in the form prescribed for such purposes by the Company and delivered to the CFO of the Company not later than twenty (20) days after the Company is notified of the death of the DSU Participant, provided that such elected date is no later than the last business day of the calendar year following the calendar year in which the DSU Participant dies so that payment can be made on or before such last business day. Such Cash Payment shall be equivalent to the amount which would have been paid to the DSU Participant pursuant to and subject to applicable withholding taxes, calculated on the basis that the day on which the DSU Participant dies, or the date elected by the estate, as applicable, is the Distribution Date.

The Board may amend, suspend or terminate the DSU Plan or any portion thereof and any DSU granted under it (together with any related agreement in respect of a DSU) at any time without prior notice. However, no such amendment, suspension or termination may materially adversely affect any DSU, or any rights pursuant thereto, granted previously to any Participant without the consent of that Participant.

### **Summary of Director Compensation<sup>(1)</sup>**

<b>Name</b>	<b>Fees earned<sup>(2)</sup> (\$)</b>	<b>Share-based awards (DSUs)<sup>(3)</sup> (\$)</b>	<b>Option-based awards<sup>(4)</sup> (\$)</b>	<b>All other compensation (\$)</b>	<b>Total (\$)</b>
Curtis Bartlett	\$62,500	\$118,370	Nil	Nil	\$180,870
Lisa Colnett	\$76,000	\$118,370	Nil	Nil	\$194,370
Robert Engbloom	\$101,500	\$133,511	Nil	Nil	\$235,011
Wayne Foo	\$129,500	\$149,913	Nil	Nil	\$279,413
G. R. (Bob) MacDougall	\$74,500	\$118,370	Nil	Nil	\$192,870
Glenn McNamara	\$91,500	\$118,370	Nil	Nil	\$209,870
Ron Miller	\$90,000	\$118,370	Nil	Nil	\$208,370
Carmen Sylvain	\$62,500	\$118,370	Nil	Nil	\$180,870
Paul Wright	\$81,000	\$118,370	Nil	Nil	\$199,370

Notes:

- (1) The Company does not provide non-equity incentive plan or pension plan compensation.
- (2) See "*Statement of Executive Compensation - Director Compensation*".
- (3) The grant date fair value of share-based awards (DSUs) is \$22.94, being the weighted average of the prices at which the Common Shares traded on the TSX for the five trading days immediately preceding the grant date of May 11, 2018, as per the terms of the DSU plan and a commonly accepted methodology for valuing compensation among the Company's peer comparator group. It is the same methodology used by the Company to determine the accounting fair value of the DSUs in accordance with International Financial Reporting Standard 2 – Share Based Payments. Directors were not granted any other share-based awards in 2018.
- (4) Directors were not granted option-based awards (Options) in 2018.

**Director Fees**

Fees were paid to directors in 2018 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 cash-settled DSUs were provided to directors in 2018. No non-equity incentive bonus compensation was provided.

The intent is for the timing of annual incentive plan awards to coincide with the election of directors at the Company's annual general meeting of Shareholders. Directors have not been granted options-based awards (Options) since 2013, or share-based awards (RSUs) since 2014.

**Outstanding Option-based and Share-based Awards – Independent Directors**

(as at December 31, 2018)

Name	Grant Date	Option-Based Awards <sup>(1)</sup>			
		Number of securities underlying unexercised Options	Option exercise price (\$/Common Share)	Option expiration date	Value of unexercised in-the-money Options (\$) <sup>(2)</sup>
Curtis Bartlett	N/A	N/A	N/A	N/A	N/A
Lisa Colnett <sup>(3)</sup>	N/A	N/A	N/A	N/A	N/A
Robert Engbloom	N/A	N/A	N/A	N/A	N/A
Wayne Foo <sup>(4)</sup>	November 10, 2014	150,000	\$10.23	November 10, 2019	918,000
	November 9, 2015	170,000	\$10.94	November 9, 2020	919,700
	November 14, 2016	125,000	\$15.66	November 14, 2021	86,250
	March 9, 2017	40,000	\$16.02	March 9, 2022	13,200
G. R. (Bob) MacDougall <sup>(3)</sup>	N/A	N/A	N/A	N/A	N/A
Glenn McNamara <sup>(3)</sup>	N/A	N/A	N/A	N/A	N/A
Ron Miller	N/A	N/A	N/A	N/A	N/A
Carmen Sylvain <sup>(3)</sup>	N/A	N/A	N/A	N/A	N/A
Paul Wright	N/A	N/A	N/A	N/A	N/A

Notes:

- (1) Options were not granted to non-management directors after 2013.
- (2) Based on the difference between the market price of the Common Shares at December 31, 2018 of \$16.35 and the exercise price of the Options.
- (3) Ms. Colnett joined the Board in 2015, Mr. MacDougall and Mr. McNamara in 2016 and Ms. Sylvain in 2017.
- (4) These options were granted to Mr. Foo while he was CEO of Parex and prior to his appointment as Chairman of the Board.

## Share-Based Awards

Name	Grant Date	Number of Common Shares or units of Common Shares that have not vested		Market or payout value of share-based awards that have not vested <sup>(1)</sup>		Market or payout value of vested share-based awards not paid out or distributed	
		RSUs (#)	PSUs (#)	RSUs (\$)	PSUs (\$)	RSUs <sup>(2)(3)</sup> (\$)	PSUs <sup>(2)(3)</sup> (\$)
Curtis Bartlett	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Lisa Colnett <sup>(4)</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Robert Engbloom	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wayne Foo <sup>(5)</sup>	November 10, 2014	N/A	N/A	N/A	N/A	817,000	N/A
	November 9, 2015	N/A	N/A	N/A	N/A	1,388,900	N/A
	November 14, 2016	21,668	N/A	\$354,055	N/A	\$708,045	N/A
	March 9, 2017	14,667	11,000	\$239,659	\$179,740	\$119,821	Nil
G. R. (Bob) MacDougall <sup>(4)</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Glenn McNamara <sup>(4)</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ron Miller	November 10, 2014 <sup>(6)</sup>	N/A	N/A	N/A	N/A	\$163,400	N/A
Carmen Sylvain <sup>(4)</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Paul Wright	N/A	N/A	N/A	N/A	N/A	N/A	N/A

## Notes:

- (1) Based on multiplying the market price of the Common Shares at December 31, 2018 of \$16.35, less \$0.01 exercise price, by the number of Common Shares issuable pursuant to RSUs or PSUs that were not vested as at December 31, 2018.
- (2) Based on multiplying the market price of the Common Shares at December 31, 2018 of \$16.35, less \$0.01 exercise price, by the number of Common Shares issuable pursuant to RSUs or PSUs that were vested but not exercised as at December 31, 2018.
- (3) RSUs were not granted to non-management directors after 2014. PSUs have not been granted to non-management directors.
- (4) Ms. Colnett joined the Board in 2015, with Mr. MacDougall and Mr. McNamara joining in 2016 and Ms. Sylvain in 2017.
- (5) These RSUs and PSUs were granted to Mr. Foo while he was CEO of Parex and prior to his appointment as Chairman of the Board.
- (6) In October 2014, Lane Caputo recommended that a DSU Plan be put in place for grants to independent directors of the Company. The DSU Plan was approved by Shareholders at the Company's annual general meeting on May 12, 2015. As a transition from the RSUs granted to directors in 2012 and 2013 with three-year vesting, to the planned DSU grants to directors commencing in late 2015 with immediate vesting upon grant date, the RSUs granted to directors on November 10, 2014 provided for full vesting three months from the date of grant. Such RSUs became fully vested on February 10, 2015.

Share-Based Awards (DSUs)<sup>(1)</sup>

<b>Name</b>	<b>Grant Date</b>	<b>Number of Common Shares or units of Common Shares that have not vested</b>	<b>Market or payout value of share-based awards that have not vested<sup>(2)</sup></b> <b>(\$)</b>	<b>Market or payout value of vested share-based awards not paid out or distributed<sup>(3)</sup></b> <b>(\$)</b>
Curtis Bartlett	November 9, 2015	Nil	Nil	\$163,500
	November 14, 2016	Nil	Nil	\$114,450
	May 15, 2017	Nil	Nil	\$114,450
	May 11, 2018	Nil	Nil	\$84,366
Lisa Colnett	May 14, 2015	Nil	Nil	\$81,750
	November 9, 2015	Nil	Nil	\$163,500
	November 14, 2016	Nil	Nil	\$114,450
	May 15, 2017	Nil	Nil	\$114,450
	May 11, 2018	Nil	Nil	\$84,366
Robert Engbloom	November 9, 2015	Nil	Nil	\$163,500
	November 14, 2016	Nil	Nil	\$114,450
	May 15, 2017	Nil	Nil	\$129,165
	May 11, 2018	Nil	Nil	\$95,157
Wayne Foo	May 15, 2017	Nil	Nil	\$145,106
	May 11, 2018	Nil	Nil	\$106,847
G. R. (Bob) MacDougall	October 6, 2016	Nil	Nil	\$14,715
	November 14, 2016	Nil	Nil	\$114,450
	May 15, 2017	Nil	Nil	\$114,450
	May 11, 2018	Nil	Nil	\$84,366
Glenn McNamara	October 6, 2016	Nil	Nil	\$14,715
	November 14, 2016	Nil	Nil	\$114,450
	May 15, 2017	Nil	Nil	\$114,450
	May 11, 2018	Nil	Nil	\$84,366
Ron Miller	November 9, 2015	Nil	Nil	\$163,500
	November 14, 2016	Nil	Nil	\$114,450
	May 15, 2017	Nil	Nil	\$114,450
	May 11, 2018	Nil	Nil	\$84,366
Carmen Sylvain	July 11, 2017	Nil	Nil	\$103,005
	May 11, 2018	Nil	Nil	\$84,366
Paul Wright	November 9, 2015	Nil	Nil	\$163,500

Share-Based Awards (DSUs)<sup>(1)</sup>

Name	Grant Date	Number of Common Shares or units of Common Shares that have not vested	Market or payout value of share-based awards that have not vested <sup>(2)</sup> (\\$)	Market or payout value of vested share-based awards not paid out or distributed <sup>(3)</sup> (\\$)
	November 14, 2016	Nil	Nil	\$114,450
	May 15, 2017	Nil	Nil	\$114,450
	May 11, 2018	Nil	Nil	\$84,366

## Notes:

- (1) On March 7, 2017, the Board approved certain amendments to the DSU Plan to provide for the cash settlement of all DSUs (including the DSUs noted in the above table) rather than the settlement through the issuance of Common Shares.
- (2) Based on multiplying the market price of the Common Shares at December 31, 2018 of \$16.35 by the number of Common Shares issuable pursuant to DSUs that were not vested as at December 31, 2018.
- (3) Based on multiplying the market price of the Common Shares at December 31, 2018 of \$16.35 by the number of Common Shares issuable pursuant to DSUs that were vested but not paid out or distributed as at December 31, 2018.

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, 2018 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2018.

Name	Option-based awards – Value vested during the year <sup>(1)</sup> (\\$)	Share-based awards (DSUs) – Value vested during the year <sup>(3)</sup> (\\$)	Non-equity incentive plan compensation – Value earned during the year <sup>(4)</sup> (\\$)
Curtis Bartlett	N/A	\$119,918	N/A
Lisa Colnett	N/A	\$119,918	N/A
Robert Engbloom	N/A	\$135,257	N/A
Wayne Foo	\$527,692 <sup>(2)</sup>	\$151,873	N/A
G.R. (Bob) MacDougall	N/A	\$119,918	N/A
Glenn McNamara	N/A	\$119,918	N/A
Ron Miller	N/A	\$119,918	N/A
Carmen Sylvain	N/A	\$119,918	N/A
Paul Wright	N/A	\$119,918	N/A

## Notes:

- (1) Based on multiplying the difference between the market price of the Common Shares on the vesting date and the exercise price of the Options on the grant date by the number of Options that vest on such date.
- (2) Option-based awards were granted to Mr. Foo while he was CEO of Parex and prior to his appointment as Chairman of the Board.
- (3) Based on multiplying the market price of the Common Shares on the vesting date by the number of DSUs that vest on such date.
- (4) The Company did not provide non-equity incentive plan compensation to independent directors during the year ended December 31, 2018.

### 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, 2018. The only equity compensation plans as at December 31, 2018 were the Option Plan and the RSU Plan. Since the Company adopted the Cash/Share Settled RSU Plan, Parex will not be seeking the requisite three-year approval under TSX policies of unallocated RSUs and PSUs under the RSU Plan. While no new awards will be made under the RSU Plan, it will remain in place until such time as all outstanding RSUs and PSUs issued under it have been exercised, are cancelled or expired by their terms which is expected to occur in 2023.

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding Options, RSUs, PSUs, warrants and rights<sup>(5)</sup></u> <u>(a)</u>	<u>Weighted average exercise price of outstanding Options, RSUs, PSUs, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))<sup>(1)(2)(4)</sup></u>
Equity compensation plans approved by security holders			
Option Plan	4,341,747 <sup>(3)</sup>	13.14	See Note 4
RSU Plan	2,847,568	0.01	See Note 4
Equity compensation plans not approved by security holders	-	-	-
<b>Total</b>	7,189,315	7.94	6,761,937 <sup>(4)</sup>

## Notes:

- (1) As at December 31, 2018, the Option Plan provided for the issuance of Options to a maximum of 9.0% 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 9.0% of the Common Shares outstanding from time to time.
- (2) As at December 31, 2018, the RSU Plan provided for the issuance of RSUs and PSUs to a maximum of 4% of the issued and outstanding Common Shares of the Company, provided that the maximum number of Common Shares issuable pursuant to outstanding RSUs and PSUs and all other security based compensation arrangements (as defined in the TSX Company Manual) shall not exceed 9.0% of the Common Shares outstanding from time to time.
- (3) Of the 4,341,747 outstanding Options as of December 31, 2018, 4,129,347 were in-the-money as of that date, based on the market value of the Common Shares at December 31, 2018 of \$16.35.
- (4) The total number of securities remaining available for future issuance under equity compensation plans as at December 31, 2018 was equal to 9.0% of the number of Common Shares outstanding as at December 31, 2018 less the number of Options outstanding under the Option Plan as at December 31, 2018 and less the number of RSUs outstanding under the RSU Plan as at December 31, 2018. As at December 31, 2018, there were 4,341,747 Options outstanding, and 2,847,568 RSUs and PSUs outstanding, leaving 6,761,937 Common Shares available for issuance under the Option Plan and/or the RSU Plan subject to the applicable limitations contained in each of such plans.
- (5) During the year ended December 31, 2018, 2,301,471 Common Shares were issued on exercise of Options and 715,883 Common Shares were issued on exercise of RSUs.





## Board Accountability

On an annual basis the directors perform an individual assessment and receive an anonymous and confidential peer assessment, from their Board peers, of their work on the Board and its committees. The results are compiled and provided to the Chair of the Board, who along with the Lead Director meets with each director one-on-one to engage in an open two-way discussion on any issues that either wants to raise, with an emphasis placed on maximizing the contribution of each director to the Board and continually improving the effectiveness of the Board. At this meeting, directors may comment on their contributions to the Board as well as the contributions of their peers. The final piece of the individual assessment process is the review of the skills matrix noted above, outlining the experience and background of the directors in a variety of key subject areas. This matrix is maintained so that the members of the Board can identify areas for strengthening the Board as a whole, if any, and address them through the recruitment of new members.

## Compensation

The C&HR Committee of the Board 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.

The C&HR Committee of the Board 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 Board for approval. As part of this process, external consultants may be engaged by the C&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.

## Conflicts of Interest

To address conflicts of interest, the members of the Board 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 Board is comprised of independent directors. In any situation where a potential conflict may arise, a director must disclose such conflict and abstain from consideration of the particular transaction or agreement and voting as a result. As members of the Institute of Corporate Directors, the directors of the Company also subscribe to the statement of ethics of that organization.

## Director Attendance

The attendance record of each of the directors for all Board and Committee meetings held in the year ended December 31, 2018 are as follows:

Name	Board Meetings Attended / Held	Finance and Audit Committee Meetings Attended / Held	C&HR Committee Meetings Attended / Held	HSE	Corporate
				and Reserves Committee Meetings Attended/ Held	Governance and Nominating Committee Meetings Attended/Held
Curtis Bartlett <sup>(4)</sup>	11/11	N/A	N/A	N/A	4/4
Lisa Colnett <sup>(2)(3)</sup>	11/11	N/A	4/4	4/4	N/A
Robert Engbloom <sup>(4)</sup>	11/11	N/A	N/A	N/A	4/4
Wayne Foo	11/11	N/A	N/A	N/A	N/A
G.R. (Bob) MacDougall <sup>(2)(3)</sup>	10/11	N/A	4/4	4/4	N/A
Glenn McNamara <sup>(1)(3)</sup>	11/11	4/4	N/A	4/4	N/A

<u>Name</u>	<u>Board Meetings Attended / Held</u>	<u>Finance and Audit Committee Meetings Attended / Held</u>	<u>C&amp;HR Committee Meetings Attended / Held</u>	<u>HSE and Reserves Committee Meetings Attended/ Held</u>	<u>Corporate Governance and Nominating Committee Meetings Attended/Held</u>
Ron Miller <sup>(1)(2)</sup>	10/11	4/4	4/4	N/A	N/A
Carmen Sylvain <sup>(4)</sup>	11/11	N/A	N/A	N/A	4/4
David Taylor	11/11	N/A	N/A	N/A	N/A
Paul Wright <sup>(1)(4)</sup>	11/11	4/4	N/A	N/A	4/4

Notes:

- (1) Member of the Finance and Audit Committee.
- (2) Member of the C&HR Committee.
- (3) Member of the Health, Safety, and Environment and Reserves Committee ("**HSE and Reserves Committee**").
- (4) Member of the Corporate Governance and Nominating Committee.

#### **Board and Committee Meetings without Management**

The Board and each Committee of the Board has a written mandate. In accordance with the mandates time is set aside at every meeting to meet *in camera* (without management present) to facilitate open and candid discussion. In 2018 there were 11 Board meetings; four HSE and Reserves Committee meetings; four Finance & Audit Committee meetings; four Corporate Governance and Nominating Committee meetings; and four C&HR Committee meetings. An *in camera* session was held at the beginning and/or end of each of those meetings. The independent directors also routinely hold meetings at which non-independent directors and members of management are not in attendance.

#### **Director Independence**

The Company currently has ten directors, a majority of which are independent directors within the meaning of NI 58-101. Curtis Bartlett, Lisa Colnett, Robert Engbloom, G.R. (Bob) MacDougall, Glenn McNamara, Ron Miller, Carmen Sylvain, and Paul Wright are all independent directors of the Company within the meaning of NI 58-101. Wayne Foo, who was the Company's CEO until May 11, 2017 and Dave Taylor who is the current President and CEO of the Company are not independent. On at least an annual basis, the Board conducts an analysis and makes a determination as to the "independence" of each member of the Board. The Finance and Audit Committee, C&HR Committee, Corporate Governance and Nominating Committee and HSE and Reserves Committee of the Board are all comprised entirely of independent directors.

The Chairman of the Board, Mr. Wayne Foo, is not an independent director since he retired from the position of CEO of Parex in 2017. For this reason, the Company has also appointed a Lead Director, Robert Engbloom who is independent within the meaning of NI 58-101. The Company has adopted a written description for the Chairman of the Board detailing the roles and responsibilities of the position which include the following:

- determining the schedules and agendas of the meetings of the Board and the Shareholders;
- enabling the design and implementation of effective committees of the Board including the selection of members;
- enhancing the Board effectiveness through guiding the Board composition and its succession planning, orientation of new directors and annual assessments of the Board 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 CEO and senior officers of the Company; and
- facilitating communication between the Board, management and Shareholders.

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

### **Director Participation with Other Reporting Issuers**

Certain of our directors are presently directors of other issuers that are reporting issuers (or the equivalent). Ms. Colnett is a director of Parkland Fuel Corporation. Mr. Foo is a director of Pengrowth Energy Corporation. Mr. McNamara is a director of Whitecap Resources Inc.

### **Director Retirement Policy**

The Company's director retirement policy requires that each director, upon reaching the age of 75 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. The Company's director retirement policy was implemented in 2014 and is reviewed periodically for relevance. The policy was amended in November 2018 to require each director, upon reaching the age of 75 years, to offer his or her resignation.

### **Director Term Limits and Board Renewal**

As disclosed above, to ensure adequate board renewal, the Corporate Governance and Nominating Committee is responsible for conducting annual assessments of the Board as a whole, the committees of the Board and the individual directors. These assessments evaluate the tenure and performance of individual directors and review the composition and effectiveness of the Board and its committees. See "*Corporate Governance – Board Assessments*".

Parex does not currently have a policy regarding term limits for directors. Board composition is assessed by the Corporate Governance and Nominating Committee as required to ensure that the Board has the right mix of skills and experience that will enable the Board to provide strong stewardship for the Company. Board renewal is facilitated by the Director Retirement Policy. See "*Corporate Governance – Director Retirement Policy*" in this Information Circular.

### **Diversity**

Parex recognizes the benefits of diversity within its Board, at the executive level and all levels of the organization. It further recognizes the importance of meritocracy and fairness in its recruitment and promotion practices and overall corporate environment. To ensure these, it adopted a Board and Management Diversity policy in August 2016. The policy reflects the Board belief that Board nominations and executive officer ("**Management**") appointments should be made on the basis of the skills, knowledge, experience and character of individual candidates and the requirements and needs of the Board and Management at the applicable time. The Company is committed to a meritocracy and believes that considering the broadest group of individuals who have the skills, knowledge, experience and character required to provide the good governance, guidance and leadership needed to achieve the Company's business objectives, without reference to their age, gender, race, ethnicity or religion, is in the best interest of the Company and all of its stakeholders. In recommending Board nominations, the Corporate Governance and Nominating Committee applies an established skills matrix aligned with the requirements of the Company and aimed at achieving Board composition that is in the best interests of the Company and its stakeholders.

Parex does not currently have any targets, rules or formal policies that specifically require the identification, consideration, nomination or appointment of women board nominees or candidates for executive management positions or that would otherwise direct the composition of the Board or the Company's executive management team. The Board encourages the consideration of women who have the necessary skills, knowledge, experience and character for promotion or hiring into a Management position within the Company. Currently, Parex does not have any women on its executive management team. However, including the broader Parex leadership group which is comprised of 34 employees, 6 are women or 18% and 20 are employees from South America.

While the emphasis in filling Board vacancies has been finding the best qualified candidates given the needs and circumstances of the Board, a nominee's diversity of age, gender, race, ethnicity, religion, experience and other attributes has and will be considered favourably in the assessment of director nominees. Moreover, as to gender, the Board is receptive to increasing the representation of women on the Board as turnover occurs, taking into account the skills, background, experience and knowledge desired at that particular time by the Board. Parex does consider the level of representation of women on the Board in the recruitment for new directors. Two of the last four director appointments have been women or 50% of the most recent appointments. Currently, of the 10 directors, 2 are women (20%).

### **Education of Directors**

All members of the Board are members of the Institute of Corporate Directors. Seven directors, namely, Curtis Bartlett, Lisa Colnett, G.R. (Bob) MacDougall, Glenn McNamara, Ron Miller, Carmen Sylvain and Paul Wright have completed the Directors Education program. The Board 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.

Most of the Company's 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 Alberta and the Canadian Bar Association. Each of those organizations have continuing education standards that apply to their members.

### **Nomination of Directors**

The Corporate Governance and Nominating Committee of the Board is comprised entirely of independent directors and is responsible for oversight of the Company's corporate governance, board development, executive appointments, human resources, disclosures and performance assessment functions.

While the Corporate Governance and Nominating Committee is ultimately responsible for recommending nominations for directors, all members of the Board 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.

When deemed appropriate to ensure that a reasonable number of suitably qualified candidates are identified and considered for any director vacancies, the Board will retain an experienced third party search firm for this purpose.

### **Orientation of Directors**

The Chairman of the Board, in conjunction with the Corporate Governance and Nominating 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 Board 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.

### **Other Board Committees and Position Descriptions**

The Company has established the Finance and Audit Committee, the C&HR Committee, the Corporate Governance and Nominating Committee and an HSE and Reserves Committee of the Board, each comprised entirely of independent directors, in accordance with NI 58-101 and in respect of the HSE and Reserves Committee, National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101") guidelines. The Board has also developed mandates for each of the Committees of the Board which detail the composition, duties and responsibilities of the Committees. Certain information regarding the Finance and Audit Committee, including the mandate of the Finance and Audit Committee is contained in the Company's annual information form for the year ended December 31, 2018, an electronic copy of which is available on the internet on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com) and

see "*Statement of Executive Compensation – Compensation Governance – Mandate of the C&HR Committee*" in this Information Circular for a description of the mandate of the C&HR Committee.

The HSE and Reserves 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.

See above under "*Orientation of Directors*" and "*Board Assessments*" for a description of the responsibilities of the Corporate Governance and Nominating Committee.

The Board has developed a written position description for the Chairman of the Board and the Chairman of each Board committee. See "*Director Independence*" above for a summary of the written position description for the Chairman of the Board. Each of the Company's written committee mandates provide that the committee shall appoint one member as committee Chairman 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 Board as a whole.

The Board 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 Board;
- 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 recommending to the Board the overall corporate organizational structure;
- establishing and maintaining an annual plan approved by the Board for the appointment, development and succession of senior management;
- 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.

### **Share Ownership Policy**

The Board has adopted a mandatory equity ownership policy for directors and executive officers. Independent directors are required to acquire and hold Common Shares with a minimum aggregate market value of four times their annual cash retainers (including committee and committee chair additional retainers) and the CEO is required to acquire and hold Common Shares with a minimum aggregate market value of four times his base annual salary. The CFO is required to acquire and hold Common Shares with a minimum aggregate market value of three times his base annual salary. The executive officers of the Company other than the CEO and CFO are required to acquire and hold Common Shares with a minimum aggregate market value of two times their base annual salary. Determinations of the value of Common Shares owned by any director or executive officer will be based on the trading price of the Common Shares on the TSX. In the event that the market value of Common Shares owned by a director or executive officer falls

below the original purchase price actually paid by the director or executive officer for such Common Shares, the original purchase price may be used when calculating the director or executive officer's Common Share ownership. The independent directors and executive officers have a period of five years from the date of the implementation of the amended policy on November 7, 2017, or from the date of their appointment as an independent director or executive officer of the Company, as applicable, whichever is later, to acquire the value of Common Shares required. As of December 31, 2018, all of the independent directors and executive officers of the Company were in compliance with the policy or are on target to be in compliance.

### **Ethical Business Conduct**

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 November 2017. A copy of the code of conduct can be obtained on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com) or upon written request to the Company.

As discussed above, the Board conducts an annual assessment process, a part of which focuses on the ethical business conduct of the Board and the organization as a whole. In addition, 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.

### **Enterprise Risk Management**

The Board is responsible to oversee Parex' enterprise risk management process. To assist in addressing its responsibilities in this connection the Board has delegated to the appropriate committee of the Board responsibility to review and assess the identification and management of enterprise risk management matters pertaining to the applicable committee of the Board as follows:

Finance and Audit Committee	Oversight of financial risks including balance sheet risk and review of appropriate risk management policies and strategies. Engaging directly with our external auditors and internal control auditors in respect of financial controls and financial disclosure.
HSE and Reserves Committee	Oversight of the disclosure of Parex' oil and gas reserves and reporting requirements, including the appointment of a qualified external reserves evaluator. Oversight of Parex' environmental, health and safety practices and programs and monitoring of surface access, including security risk.
C&HR Committee	Oversight of compensation risk, including ensuring compensation practices do not motivate undue risk taking and short-term decision making at the expense of long-term goals.
Governance & Nominating Committee	Oversight of corporate governance practices including Board composition, education, compensation and effectiveness.

The Board as a whole has retained oversight on CEO succession, Parex' business strategy, ethics-related practices and policies, and Parex' approach to corporate and social responsibility and our community relations efforts.

At the Board's direction, Parex completed a Company wide risk assessment with the assistance of an external advisor. Management and the external advisor identified and ranked the risks for impact and likelihood, and determined mitigation approaches for those risks. Identified risks are reviewed twice per year with each committee of the Board tasked with monitoring them. Further, top risks are reviewed twice a year by the Board along with the committees and Management input, and risk mitigation strategies are considered and evaluated for effectiveness.

### **Environment, Social and Governance**

Parex, as an oil and gas company working in emerging markets, is extremely focused on being a sustainable business, which includes ensuring that the communities where we operate benefit from our operations and the environment and the health and safety of our

communities and employees are not compromised. We actively engage stakeholders to ensure that our actions and initiatives yield positive socio-economic benefits, including local employment and training.

We target community investments in projects that contribute to local development as well as improve local infrastructure and services. Cognizant that we are a guest in Colombia, we rely on key partnerships and align our social programs with local development priorities and mechanisms such as "**Works For Taxes**", a Government of Colombia scheme that invites companies to pay up to 50% of their taxes by funding projects that improve the quality of life in areas affected by armed conflicts. Parex was the first company in the country to use this mechanism, investing ~US\$340,000 to provide, among other things, furniture, multi-media classrooms, computers, video-beams and didactic kits to 4,849 preschoolers and school-aged children.

Over the last 5 years, we have strategically invested in the communities within our operating jurisdictions, funding projects totaling US\$14.8 million with US\$5.3 million invested in 2018 and benefiting many people – for example, the **Weather Radar Installation** project in Carimagua covers approximately 2 million beneficiaries. We are recognized for our social investments in Colombia. In 2018, The Colombian Ministry of Mines and Energy awarded the Company's "**Water For All**" initiative for its contribution to the generation of a sustainable environment. Through this project, Parex has funded, since 2013, access to clean water to over 5,000 people by installing water-supply infrastructure.

Parex' key sustainability performance indicators and various community initiatives, accessible at <https://parexresources.com/corporate-responsibility/>, are discussed in detailed in our annual sustainability report (published on our website since 2011), highlighted in the sustainability scorecard, and covered in the Company's 2018 response to CDP's (formerly Carbon Disclosure Project) Climate change questionnaire.

## Stakeholder Engagement

Parex is focused on engaging multiple stakeholders, including Shareholders. Through regular dialogue with its Shareholders, Parex believes that direct and constructive interaction creates a strong alignment of the interests of Shareholders with the interests of the Board and management. Parex' Shareholder base is primarily comprised of institutional investors. The Company's conducts regular engagement with investors through non-deal roadshows, face to face meetings and broker sponsored conferences. Additionally, our executive leadership team hosts teleconferences to discuss our quarterly financial and operating results. The teleconferences are webcast and available to analysts and Shareholders and the public. In total, during 2018 we conducted 154 meetings with investors, including 107 meetings led by David Taylor, President and CEO. The Company's annual Shareholders meeting is also a forum where multiple stakeholders have an opportunity to directly engage with Parex directors, Executives and staff.

On February 22, 2018, a meeting was held between Ms. Colnett (Chairman of the C&HR Committee), Mr. Engbloom (Lead Director/Chairman of the Corporate Governance and Nominating Committee) and the Canadian Coalition for Good Governance ("**CCGG**"). This meeting provided an opportunity for these independent directors to discuss Parex' governance and compensation practices with CCGG and to gain insight on industry themes and trends as identified by CCGG through engagement meetings with other companies. Following this meeting, the directors that attended also provided a summary meeting report to the remaining board members.

## Strategic Planning

The Board oversees the development and execution of a long-range strategic plan and a short-range business plan for Parex which are designed to achieve Parex' principal objectives and identify the principal strategic and operational opportunities and risks of our business. To assist the Board in meeting this responsibility, the agenda for every regularly scheduled board meeting includes a discussion of the progress of the short-term business plan and quarterly financial results as well as Management's views in respect of some if not all of the following; a review of business development, exploration, financial forecasts, human resources and emerging opportunities and threats designed to provide the Board the information required for them to discuss and analyze the main risks associated with our business plan and make recommendations to adjust the plan if necessary.

In addition, the Board sets aside at least two days every year for a strategic planning session where they meet with Management and discuss the long-term plan for the organization in detail with Management providing a detailed package for their prior review and consideration. From time to time, external advisors are invited to present at these meetings. A fulsome in-camera session concludes each of these sessions.

## **Succession Planning**

The Board is responsible for the stewardship of the Company with oversight in several key areas, including succession planning. Succession Planning is a routine agenda item at Corporate Governance and Nominating committee meetings, and subsequent Board meetings where potential Board candidates are considered and discussed.

The Board also has responsibility for senior officer succession planning and specifically, succession planning for the President and CEO. Succession planning is also discussed annually, at the Company's strategic planning session, when the President and CEO discusses the progression and development of individual executives. Another succession, progression and development discussion is generally held in conjunction with the Company's Q1 Board and committee meetings, where the President and CEO, without other members of senior management present, and discusses his views on the executive leadership team in general and his potential successors. At these sessions, the Board and the President and CEO discuss succession plans and candidates for all senior officer positions, including the President and CEO role.

All of the Parex Executives are invited to attend Board meetings and the annual strategic planning session, which provides additional opportunities for the Board to interact with management. Further, the Board as a whole reviews the annual performance assessments for the President and CEO and the leadership team and therefore can assess an executive's performance against predetermined goals.

## **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 or as disclosed herein.

## **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.

## **ADDITIONAL INFORMATION**

Additional information respecting the Company is available on SEDAR at [www.sedar.com](http://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](http://www.sedar.com) or by request to the Chief Financial Officer of the Company at 2700 Eighth Avenue Place, West Tower, 585 – 8<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 1G1 or Fax (403) 265-8216.



## APPENDIX A

### MANDATE OF THE BOARD OF DIRECTORS

#### PAREX RESOURCES INC.

##### 1. Purpose of the Mandate of the Board of Directors

- a) The purpose of this Mandate is to assist the Board of Directors (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**").
- b) The Board wishes to emphasize that the substance of good corporate governance is more important than its form; adoption of a set of guidelines and principles or any particular practice or policy is not a substitute for, and does not itself assure, good corporate governance.

##### 2. Purpose of the Board of Directors

- a) The primary responsibility of the Board is to foster the long-term success of the Corporation.
- b) In overseeing the conduct of the business, the Board, through the Chief Executive Officer ("**CEO**"), shall set the standards of conduct for the Corporation.

##### 3. General Legal Obligations of the Board

- a) The *Business Corporations Act* (Alberta) identifies the following as legal requirements for the Board:
  - 1) To manage or supervise the business and affairs of the Corporation.
  - 2) To act honestly and in good faith with a view to the best interests of the Corporation.
  - 3) To exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.
- b) The Board has the responsibility to oversee the conduct of the business of the Corporation and to oversee management of the Corporation ("**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 shareholders, employees, regulators, surface rights owners, indigenous persons, industry associations, suppliers, customers and communities may have in the Corporation.
- c) 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 CEO and Management (referred to as the "**Authority Grid**").

- a) The Board retains the responsibility for managing its own affairs including:
  - 1) Appoint a Chair of the Board who is not a member of Management or, failing that, ensuring that an independent "lead director" is appointed.
  - 2) Selecting the Chair for each meeting of the Board, or an acting Chair, if the Chair is absent from the meeting.
  - 3) Recruiting strong independent directors.
  - 4) Nominating candidates for election to the Board.
  - 5) Review annually director compensation.
- b) Subject to the Articles of the Corporation and the *Business Corporations Act* (Alberta), the Board may constitute, seek the advice or recommendations 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 and Nominating Committee the responsibility of considering and making recommendations to the Board with respect to the appropriate Board size.
- b) Members of the Board should offer their resignation from the Board to the Chairman of the Board following:
  - 1) Change in personal circumstances which would reasonably interfere with the ability to serve as a director.
  - 2) Change in personal circumstances which would reasonably reflect poorly on the Corporation's (for example, conviction under the *Criminal Code* or securities legislation).
  - 3) If applicable, in accordance with the Corporation's majority voting policy, should a board member receive a greater number of votes "withheld" from his or her election than votes "for" his or her election.

## 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 Section 1.4 of National Instrument 52-110 – *Audit Committees*). Certain tasks suited to independent judgments will be delegated to specialized committees of the Board that are comprised of a majority of independent directors. The Board will develop broad standards to determine whether directors are independent and will conduct, on at least an annual basis, a determination of the independence of each of its members. The Board will disclose both the standards and the annual determinations as required by law.

- b) Any director who is not independent and whose circumstances change such that he or she might be considered to be no longer independent shall promptly advise the Board of the change in circumstances.

## **8. Performance**

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.

## **9. Nomination**

- a) The Board shall, prior to nominating any directors on behalf of the Corporation:
  - 1) Consider what competencies and skills the Board, as a whole, should possess; and
  - 2) 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 and Nominating Committee.

## **10. 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 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, including in respect of the CEO.
- 3) Assess and approve the entering into of agreements (which shall include non-competition and non-solicitation covenants and the consequences of breaching such covenants) with the Corporation respecting the retirement from any employment with the Corporation or a subsidiary by a director, officer or employee of the Corporation or a subsidiary.

### **b) Oversight of Management**

The Board has the responsibility to:

- 1) 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.
- 2) Establish a formal process for determining officers' compensation, in part, by using established criteria and objectives for measuring performance.
- 3) Acting upon the advice of the CEO, and the recommendation of the Corporate Governance and Nominating Committee, the Board has the responsibility to approve the appointment and remuneration of all 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 and update such strategic plan at least annually.
- 3) Approve the annual operating and capital plans and budgets and review status of these plans and budgets at least quarterly including:
  - Capital spending;
  - Funds flow and working capital;
  - Operating and transportation cost; and
  - Production.
- 4) Approve the establishment of credit facilities and borrowings.
- 5) Approve issuances of additional shares or other securities.
- 6) Approve the repurchase of common shares in accordance with applicable securities laws.
- 7) 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.
- 8) Be responsible for congruence between the strategic plan, stakeholder expectations and Management's performance.
- 9) Delegate to the appropriate committee of the Board the responsibility to review and assess the identification and management of Enterprise Risk Management matters pertaining to the applicable committee.

**d) New Business Development and Exploration**

The Board has the responsibility to:

- 1) Review proposed material acquisitions and divestments, including a review of the technical due diligence conducted, and be satisfied that the Corporation has in place an adequate process to review all material acquisitions and divestments.
- 2) Review at least annually, the Corporation's property portfolio management strategy and complete a quarterly review of any major projects, as applicable.
- 3) Review the Corporation's exploration plans, results versus expectations and material exploration efforts.

e) **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.

f) **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 the Corporation's payment of dividends.
- 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.

g) **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 affect the timely reporting of any other developments that have a significant and material impact on the value of the Corporation.
- 4) Review, consider and where required, approve, the reports required under National Instrument 51-101 of the Canadian Securities Administrators.
- 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.
- 7) Recommend to shareholders of the Corporation a firm of chartered professional accountants to be appointed as the Corporation's auditors.

**11. Meetings**

- a) The Board shall meet at least once in each fiscal quarter, either in person or by teleconference. 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. Telephone attendance is permissible with approval from the Chairman.
- b) Minutes of each meeting of the Board will be prepared by the Corporate Secretary. Following each meeting, the Corporate Secretary will provide draft copies of the minutes of the meeting to the Board.
- c) The CEO and such other staff as appropriate to provide information to the Board shall attend meetings at the invitation of the Board.
- d) At each Board meeting, there shall be a private session of the independent directors from which the non-independent directors will be excused, under the leadership of the Chairman of the Board, and if the Chairman is not independent, the independent directors will also meet in camera under the leadership of the Lead Director without the Chairman present.

**12. Mandate Review**

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

**13. Authorization**

This mandate of the Board of Directors is hereby approved on behalf of the Board of Directors of Parex Resources Inc. this 30th day of October, 2009 as amended November 9, 2011, November 13, 2013, October 4, 2017, and February 7, 2019.

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



