



PACIFIC RUBIALES ENERGY CORP.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED

DECEMBER 31, 2012

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ABBREVIATIONS AND DEFINITIONS

bbbl	barrels	MMboe	million barrels of oil equivalent
bbbl/d	barrels per day	Mcf	thousand cubic feet
Bcf	billion cubic feet	Mcf/d	thousand cubic feet per day
boe	barrels of oil equivalent	MMBtu	million British thermal units
boe/d	barrels of oil equivalent per day	MMcf	million cubic feet
Btu	British thermal units	MMcf/d	million cubic feet per day
COP	Colombia pesos	NGL	natural gas liquids
km	kilometers	Psi	pounds per square inch
m	meters	Psia	pounds per square inch absolute
m ²	square meters	Psig	pounds per square inch gauge
m ³	cubic meters	Tcf	trillion cubic feet
Mbbl	thousand barrels	U.S.\$	United States dollars
MMbbl	million barrels	WI	working interest
Mboe	thousand barrels of oil equivalent		

NOTE: Disclosure provided herein that is expressed in barrels of oil equivalent (boe) is derived by converting natural gas to oil in the ratio of five thousand seven hundred cubic feet (Mcf) of natural gas to one barrel (bbl) of oil. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 5.7 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. In this Annual Information Form, the Company has expressed boe using the Colombian conversion standard of 5.7 Mcf: 1 bbl required by the Colombian Ministry of Mines and Energy for those properties located in Colombia. Properties outside of Colombia use a conversion ratio of 6.0 Mcf: 1 bbl.

GLOSSARY OF TERMS

The following terms used but not otherwise defined in this Annual Information Form have the meanings set out below. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.

Non-Technical Terms

“2009 Indenture” has the meaning given to such term under the heading entitled “Historical Overview – 2009 Senior Notes Financing”.

“2009 Senior Notes” has the meaning given to such term under the heading entitled “Historical Overview – 2009 Senior Notes Financing”.

“2009 Rights Plan” has the meaning given to such term under the heading entitled “Description of Capital Structure – Shareholder Rights Plan”.

“2011 Indenture” has the meaning given to such term under the heading entitled “Historical Overview – 2011 Senior Notes Financing”.

“2011 Senior Notes” has the meaning given to such term under the heading entitled “Historical Overview – 2011 Senior Notes Financing”.

“2011 Rights Plan” has the meaning given to such term under the heading entitled “Description of Capital Structure – Shareholder Rights Plan”.

“**2012 Swiss Migrations**” has the meaning given to such term under the heading entitled “Information Concerning the Company”.

“**Abanico Contract**” has the meaning given to such term under the heading entitled “Oil and Natural Gas Contracts and Properties – Producing Properties”.

“**Amalgamation**” means the amalgamation of Pacific Stratus and a wholly-owned subsidiary of the Company pursuant to the Plan of Arrangement.

“**ANH**” means Agencia Nacional de Hidrocarburos, the governmental entity in the Republic of Colombia with responsibility for the granting of exploration and exploitation agreements with respect to hydrocarbons.

“**Annual Information Form**” means this Annual Information Form dated March 13, 2013 in respect of the fiscal year ended December 31, 2012.

“**Arauca TEA**” means the Arauca Technical Evaluation Agreement.

“**Arauca Contract**” means the Arauca Exploration & Production (E&P) contract.

“**Association Contract**” means a contract entered into with Ecopetrol, as amended, giving rights to the Company to explore and exploit Colombian state-owned hydrocarbons with participation rights for Ecopetrol, excluding those surface rights, easements and permits used, useful or held for use in connection with such contract.

“**Audit Committee**” means the Audit Committee of the Board of Directors.

“**BCBCA**” means the *Business Corporations Act* (British Columbia) including the regulations promulgated thereunder, as amended.

“**BDRs**” means Brazilian depository receipts representing Common Shares listed for trading on the BOVESPA.

“**Blue Pacific**” means Blue Pacific Assets Corp.

“**Board of Directors**” means the board of directors of the Company.

“**BOVESPA**” means BM&FBOVESPA S.A. - Bolsa de Valores Mercadorias e Futuros (or the Brazilian Stock Exchange).

“**BPZ**” means BPZ Resources Inc.

“**Buganviles Contract**” has the meaning given to such term under the heading entitled “Oil and Natural Gas Contracts and Properties – Producing Properties”.

“**BVC**” means the Bolsa de Valores de Colombia (or the Colombian Stock Exchange).

“**C&C Arrangement Agreement**” has the meaning given to such term under the heading entitled “Historical Overview – C&C Energia Acquisition”.

“**C&C Energia**” means C&C Energia Ltd.

“**Canacol**” means Canacol Energy Ltd.

“**Cerrito Contract**” has the meaning given to such term under the heading entitled “Oil and Natural Gas Contracts and Properties – Producing Properties”.

“**Cerrito MOU**” has the meaning given to such term under the heading entitled “Oil and Natural Gas Contracts and Properties – Producing Properties”.

“**CGX**” means CGX Energy Inc.

“**Chipalo Contract**” has the meaning given to such term under the heading entitled “Oil and Natural Gas Contracts and Properties – Producing Properties”.

“**Cicuco Contract**” has the meaning given to such term under the heading entitled “Oil and Natural Gas Contracts and Properties – Producing Properties”.

“**Colombian Peso Facility**” has the meaning given to such term under the heading entitled “Historical Overview – Revolving Credit Facilities”.

“**Common Shares**” means the common shares in the capital of the Company.

“**Company**” or “**Pacific Rubiales**” means Pacific Rubiales Energy Corp.

“**Consents**” has the meaning given to such term under the heading entitled “Historical Overview – 2009 Senior Notes Exchange Offer”.

“**Consent Solicitation**” has the meaning given to such term under the heading entitled “Historical Overview – 2009 Senior Notes Exchange Offer”.

“**Consent Solicitation Statement**” has the meaning given to such term under the heading entitled “Historical Overview – 2009 Senior Notes Financing”.

“**Consolidation**” has the meaning given to such term under the heading entitled “Information Concerning the Company”.

“**Contracted Area**” is the surface and its projection in the subsoil of the boundaries of the block, on which the Company is authorized, by virtue of different contracts, to carry out exploration for and evaluation and exploitation of hydrocarbons which are the object thereof.

“**Debentures**” has the meaning given to such term under the heading entitled “Historical Overview – Kappa Acquisition and Offering of Convertible Debentures”.

“**Debenture Indenture**” has the meaning given to such term under the heading entitled “Historical Overview – Kappa Acquisition and Offering of Convertible Debentures”.

“**Dindal Contract**” has the meaning given to such term under the heading entitled “Oil and Natural Gas Contracts and Properties – Producing Properties”.

“**Early Conversion Period**” has the meaning given to such term under the heading entitled “Historical Overview – Early Conversion of the Debentures”.

“Early Participation Date” has the meaning given to such term under the heading entitled “Historical Overview – 2009 Senior Notes Exchange Offer”.

“Ecopetrol” means Ecopetrol, S.A., a company majority-owned by the state of Colombia and involved in the exploration and exploitation of hydrocarbons.

“E&P” means exploration and production.

“ELE” means ELE Financial S.A.

“Exchange Offer” has the meaning given to such term under the heading entitled “Historical Overview – 2009 Senior Notes Exchange Offer”.

“Exchange Offer and Consent Solicitation” has the meaning given to such term under the heading entitled “Historical Overview – 2009 Senior Notes Exchange Offer”.

“Expiration Date” has the meaning given to such term under the heading entitled “Historical Overview – 2009 Senior Notes Exchange Offer”.

“forward-looking information” has the meaning given to such term under the heading entitled “Forward-Looking Information”.

“GMP” means GMP Securities L.P.

“Gran Tierra” means Gran Tierra Energy Inc.

“Heavy Oil Round” has the meaning given to such term under the heading entitled “Oil and Natural Gas Contracts and Properties – Exploration Properties”.

“HOCOL” means HOCOL, S.A.

“InterOil” means InterOil Corporation.

“Kappa” means Kappa Energy Holdings Ltd.

“Kappa Acquisition” has the meaning given to such term under the heading entitled “Historical Overview – Kappa Acquisition and Offering of Convertible Debentures”.

“Kappa Agreement” has the meaning given to such term under the heading entitled “Historical Overview – Kappa Acquisition and Offering of Convertible Debentures”.

“Karoon” means Karoon Gas Australia Ltd.

“Karoon Blocks” has the meaning given to such term under the heading entitled “Historical Overview – Karoon Farm-In Agreement”.

“Karoon Farm-In Agreement” has the meaning given to such term under the heading entitled “Historical Overview – Karoon Farm-In Agreement”.

“La Creciente Contract” has the meaning given to such term under the heading entitled “Oil and Natural Gas Contracts and Properties – Producing Properties”.

“**Lando**” means Lando Industrial Park, S.A.

“**Las Quinchas Contract**” has the meaning given to such term under the heading entitled “Oil and Natural Gas Contracts and Properties – Producing Properties”.

“**Letter Agreement**” has the meaning given to such term under the heading entitled “Oil and Natural Gas Contracts and Properties – Producing Properties”.

“**M&P Colombia**” means Maurel & Prom Colombia B.V.

“**Major**” means Major International Oil, S.A., a company duly incorporated under the laws of Panama and a direct wholly-owned subsidiary of the Company.

“**Maurel**” means Les Etablissements Maurel & Prom, S.A.

“**Mercantile**” means Mercantile Colombia Oil and Gas, a company duly incorporated under the laws of British Virgin Islands, which is currently named “Interoil Colombia Exploration and Production”, with a branch office duly registered in Colombia.

“**Meta**” means Meta Petroleum Corp., a company duly incorporated under the laws of Schaffhausen, Switzerland and an indirect wholly-owned subsidiary of the Company.

“**MME**” is the Colombian Ministry of Mines and Energy.

“**NBOC**” means the New Business Opportunities Committee of the Board of Directors.

“**NI 51-101**” means National Instrument 51-101 – *Statement of Reserves Data and Other Oil and Gas Information*.

“**NSAI**” means Netherland, Sewell & Associates, Inc.

“**OAM**” means Oleoducto Alta Magdalena.

“**OBC**” means Oleoducto Bicentenario de Colombia.

“**OBC Pipeline**” means the pipeline between Araguaney, in the Casanare Department of central Colombia, to the Coveñas Export Terminal in the Caribbean.

“**OCENSA**” means Oleoducto Central S.A.

“**OCENSA Pipeline**” means the pipeline between the Monterrey Station to the Coveñas Export Terminal in the Caribbean.

“**ODC**” means Oleoducto de Colombia S.A.

“**ODC Pipeline**” means the pipeline that runs from the Vasconia Station in Puerto Boyacá (Boyaca Department) to the Caribbean Port of Coveñas (Cordoba Department).

“**ODL**” means Oleoducto de los Llanos Orientales S.A.

“ODL Pipeline” means the pipeline between the Rubiales field and the Monterrey Station in Casanare, Colombia.

“OGD” means Guaduas-La Dorada pipeline.

“Pacific Acquisition” has the meaning given to such term under the heading entitled “Information Concerning the Company”.

“Pacific Coal” means Pacific Coal Resources Ltd. and any predecessor company.

“Pacific Infrastructure” means Pacific Infrastructure Inc. and any predecessor company.

“Pacific Infrastructure LOI” has the meaning given to such term under the heading entitled “Historical Overview – Port Investment”.

“Pacific Power” means Pacific Power Generation Corp. (formerly Ronter Inc.), a company duly incorporated under the laws of Panama in which the Company has a 24.9% equity interest.

“Pacific Stratus” means Pacific Stratus Energy Corp.

“PAP Formula” has the meaning given to such term under the heading entitled “Exploration Properties – Ecopetrol Contracts – Quifa Contract”.

“Participation Risk Contract” means a contract entered into with Ecopetrol giving rights to the Company to explore and exploit Colombian state-owned hydrocarbons with participation rights for Ecopetrol in the exploratory phase, and excluding those surface rights, easements and permits used, useful or held for use in connection with such contract.

“PAS” means Petroleum Aviation Services S.A.S.

“person” includes an individual, body corporate, partnership, syndicate or other form of unincorporated entity.

“Petro Rubiales” means Petro Rubiales Corp.

“Petroamerica” means Petroamerica Oil Corp.

“Petrodorado” means Petrodorado Ltd.

“Petroeléctrica” means Petroeléctrica de los Llanos, S.A.

“PetroMagdalena” means PetroMagdalena Energy Corp.

“PetroMagdalena Arrangement” has the meaning given to such term under the heading entitled “Historical Overview – PetroMagdalena Acquisition”.

“Petromont” has the meaning given to such term under the heading entitled “Historical Overview – Portofino Acquisition”.

“Petrotech” means Petrotech Engineering Ltd. of Burnaby, British Columbia, Canada, an independent petroleum engineering consulting firm.

“PF One” means PF One Limited, a company duly incorporated under the laws of the Cayman Islands.

“Plan of Arrangement” means the arrangement in which the Company effected the acquisition of Pacific Stratus.

“Platino Energy” means Platino Energy Corp.

“PNG Farm-In Agreement” has the meaning given to such term under the heading entitled “Historical Overview – Triceratops and PPL 237, Papua New Guinea Farm-In Agreement”.

“Portofino Acquisition” has the meaning given to such term under the heading entitled “Historical Overview – Portofino Acquisition”.

“PPL 237” has the meaning given to such term under the heading entitled “Historical Overview – Triceratops and PPL 237, Papua New Guinea Farm-In Agreement”.

“PRE-PSIE” means PRE-PSIE CÖOPERATIEF U.A., a Dutch subsidiary beneficially owned by the Company.

“Proelectrica” means Promotora de Energia Electrica de Cartagena & Cia, S.C.A. E.S.P.

“PSIE” means Pacific Stratus International Energy Ltd., a direct wholly-owned subsidiary of the Company.

“Puli-B Contract” has the meaning given to such term under the heading entitled “Oil and Natural Gas Contracts and Properties – Producing Properties”.

“Quifa” means Quifa Petroleum Corp.

“Quifa Contract” has the meaning given to such term under the heading entitled “Oil and Natural Gas Contracts and Properties – Producing Properties”.

“Quifa SW” means the south western region of the Quifa field.

“RBL Facility” has the meaning given to such term under the heading entitled “Historical Overview – RBL Facility”.

“Revolving Credit Facilities” has the meaning given to such term under the heading entitled “Historical Overview – Revolving Credit Facilities”.

“RHL” means Rubiales Holdings Corp., a company duly incorporated under the laws of Schaffhausen, Switzerland and a direct wholly-owned subsidiary of the Company.

“RHL Acquisition” means the acquisition by the Company of a 75% share interest in RHL.

“Rio Seco Contract” has the meaning given to such term under the heading entitled “Oil and Natural Gas Contracts and Properties – Producing Properties”.

“RPS” means RPS Energy Canada Ltd., of Calgary, Alberta, an independent petroleum engineering consulting firm.

“**Rubiales Field**” means the Company’s producing oil field located within the Rubiales and Piriri concessions.

“**SEC**” means the U.S. Security and Exchange Commission.

“**Shareholder**” means a holder of Common Shares.

“**Superfinanciera**” has the meaning given to such term under the heading entitled “Historical Overview – BVC Listing”.

“**TEA**” means Technical Evaluation Agreement.

“**Tethys**” means Tethys Petroleum Company Inc.

“**Topoyaco MOU**” has the meaning given to such term under the heading entitled “Oil and Natural Gas Contracts and Properties – Producing Properties”.

“**Transmeta**” means Transportadora Del Meta, S.A.

“**TSX**” means the Toronto Stock Exchange (including any predecessor exchange thereto).

“**TSXV**” means the TSX Venture Exchange (including any predecessor exchange thereto).

“**U.S. Dollar Facility**” has the meaning given to such term under the heading entitled “Historical Overview – Revolving Credit Facilities”.

“**Warrants**” means the warrants in the capital of the Company issued in connection with the RHL Acquisition.

Technical Terms

“**API**” means the American Petroleum Institute gravity measure of petroleum liquid compared to water.

“**barrel**” means the volume unit of measure of liquid hydrocarbons equivalent to forty-two (42) U.S. gallons, corrected to standard conditions (a temperature of sixty degrees Fahrenheit (60° F) and to one (1) atmosphere of absolute pressure).

“**DRA**” means drag reducing agents.

“**ESP**” means Electro-Submersible Pump.

“**hydrocarbons**” are all the organic compounds mainly composed of the natural mixture of carbon and hydrogen, as well as of those substances which accompany them or are derived from them.

“**natural gas**” is the mixture of hydrocarbons in a gaseous state, under standard conditions (a temperature of sixty degrees Fahrenheit (60° F) and one (1) atmosphere of absolute pressure), composed of the most volatile members of the paraffin series of hydrocarbons.

“**reserves**” means estimated reserves of natural gas, natural gas liquids and crude oil.

“**SFD**” means stress field detector.

“**STOOIP**” means Stock Tank Original Oil in Place, and represents the oil in place before commencement of production.

“**TVDSS**” means true vertical depth sub-sea.

“**undeveloped reserves**” means reserves that are expected to be recovered from a known accumulation where a significant expenditure is required to render them capable of production (e.g. in comparison to the costs of drilling a well). Such reserves must fully meet the requirements of the reserves classification to which they are assigned (proved or probable).

“**working interests**” means the percentage of participation within a specified area for the exploration and/or production of hydrocarbons.

“**workover**” means an operation carried out in the walls of a well after being completed to ensure, restore or improve production in a zone that is currently open for production in the well. Said operations will include, but are not limited to, well stimulation operations, excluding however any routine repair or maintenance work, drilling, sidetracking, deepening, completion, recompletion or retroplugging of a well.

FORWARD-LOOKING INFORMATION

This Annual Information Form may contain or incorporate by reference information that constitutes “forward-looking information” or “forward-looking statements” (collectively, “**forward-looking information**”) within the meaning of the applicable securities legislation which involves known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. When used in this Annual Information Form, such information uses words such as “may”, “will”, “expect”, “believe”, “plan”, “intend” and other similar terminology. This forward-looking information reflects current expectations regarding future events and operating performance and speaks only as of the date of this Annual Information Form. Forward-looking information involves significant risks and uncertainties, should not be read as a guarantee of future performance or results, and will not necessarily be an accurate indication of whether or not such results will be achieved and accordingly undue reliance should not be placed on such statements. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information, including, but not limited to, the factors discussed under the heading entitled “Risk Factors”. Although the forward-looking information contained in this Annual Information Form is based upon what management of the Company believes are reasonable assumptions, the Company cannot assure readers that actual results will be consistent with the forward-looking information. This forward-looking information is made as of the date of the Annual Information Form, and the Company assumes no obligation to update or revise it to reflect new events or circumstances.

In particular, this Annual Information Form contains, or incorporates by reference, forward-looking information pertaining to the following:

- drilling inventory, drilling plans and timing of drilling, re-completion and tie-in of wells;
- plans for facilities construction and completion and the timing and method of funding thereof;
- the performance characteristics of the Company’s oil and natural gas properties;
- drilling, completion and facilities costs;
- results of various projects of the Company;
- timing of development of undeveloped reserves;

- the Company's oil and natural gas production levels;
- the size of the Company's oil and natural gas reserves;
- projections of market prices and costs;
- supply and demand for oil and natural gas;
- expectations regarding the ability to raise capital and to continually add to reserves through acquisitions, exploration and development;
- treatment under governmental regulatory regimes and tax laws; and
- capital expenditure programs and the timing and method of financing thereof.

With respect to forward-looking information contained in this Annual Information Form, the Company has made assumptions regarding, among other things:

- future prices for oil and natural gas;
- future currency and interest rates;
- the Company's ability to generate sufficient cash flow from operations and access existing credit facilities and capital markets to meet its future obligations;
- the regulatory framework representing taxes and environmental matters in the countries in which the Company conducts its business; and
- the Company's ability to obtain qualified staff and equipment in a timely and cost-efficient manner to meet the Company's demand.

Forward-looking information is based on current expectations, estimates and projections that involve a number of risks which could cause actual results to vary and in some instances to differ materially from those anticipated by the Company and described in the forward-looking information contained in this Annual Information Form. The material risk factors include, but are not limited to:

- volatility in market prices for oil and natural gas;
- the potential for the return of conditions persisting during the recent global financial crisis and economic downturn;
- liabilities inherent in oil and gas operations;
- uncertainties associated with estimating oil and natural gas reserves;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- incorrect assessments of the value of acquisitions;
- geological, technical, drilling and processing problems;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry; and
- the other factors discussed under the heading entitled "Risk Factors".

Information relating to "reserves" or "resources" is deemed to be forward-looking information, as it involves the implied assessment, based on certain estimates and assumptions about the profitable production of the resources and reserves described.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking information contained in this Annual Information Form is expressly qualified by this cautionary statement. The Company does not undertake any obligation to publicly update or revise any forward-looking information, other than as required by applicable securities laws.

GENERAL MATTERS

In this Annual Information Form, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and references to “\$” are to Canadian dollars.

The industry and other statistical data presented in this Annual Information Form, except where otherwise noted, have been compiled from sources and participants which, although not independently verified by the Company, are considered by the Company to be reliable sources of information. References in this Annual Information Form to research reports or articles should not be construed as depicting the complete findings of the entire referenced report or article and such report or article is expressly not incorporated by reference into this Annual Information Form.

EXCHANGE RATE INFORMATION

United States Exchange Rate Information

The following table sets out: (1) the rate of exchange for one Canadian dollar in U.S. dollars in effect at the end of each of the periods set out immediately below; (2) the high and low rate of exchange during those periods; and (3) the average rate of exchange for those periods, each based on the noon spot rate as published on the Bank of Canada’s website. On March 13, 2013 the noon nominal rate for one Canadian dollar in U.S. dollars as published by the Bank of Canada was CDN\$1.00 = U.S.\$1.0051.

	High	Low	Average	End of Period
Years ended December 31,				
2012	1.0299	0.9599	1.0004	1.0051
2011	1.0583	1.0110	0.9430	0.9833
2010	1.0054	0.9278	0.9709	1.0054

Colombia Exchange Rate Information

The following table sets out: (1) the rate of exchange for one Canadian dollar in Colombian pesos (COP) in effect at the end of each of the periods set out immediately below; (2) the high and low rate of exchange during those periods; and (3) the average rate of exchange for those periods, each based on the noon spot rate as published on the Bank of Canada’s website. On March 13, 2013 the noon nominal rate for one Canadian dollar in Colombian pesos as published by the Bank of Canada was CDN\$1.00 = COP 1,776.1989.

	High	Low	Average	End of Period
Years ended December 31,				
2012	1,893.9394	1,718.2131	1,797.4277	1,776.1989
2011	1,968.5039	1,792.1147	1,867.4484	1,904.7619
2010	1,960.7843	1,709.4017	1,840.9001	1,930.7619

INFORMATION CONCERNING THE COMPANY

Name, Address and Incorporation

The full legal name of the Company is Pacific Rubiales Energy Corp. The head office of the Company is located at 333 Bay Street, Suite 1100, Toronto, Ontario M5H 2R2 and its records office is located at Suite 650 - 1188 West Georgia Street, Vancouver, British Columbia, V6E 4A2.

The Company was incorporated under the laws of the Province of British Columbia on April 10, 1985 under the name Agincourt Explorations Inc. On September 13, 1995, the Company changed its name to AGX Resources Corp. The Company was continued as a corporation of the Yukon Territories on May 22, 1996. On November 26, 1999, the Company changed its name to Consolidated AGX Resources Corp. The Company was continued back into the Province of British Columbia on July 9, 2007.

On July 13, 2007 in conjunction with the Company's acquisition of a 75% share interest in RHL completed on the same date, the Company changed its name to Petro Rubiales Energy Corp. The Company subsequently acquired the remaining 25% interest in RHL in November, 2007.

On January 23, 2008, the Company completed the acquisition of Pacific Stratus (the "**Pacific Acquisition**") and, in conjunction with the Pacific Acquisition, the Company changed its name to Pacific Rubiales Energy Corp. The Pacific Acquisition was effected through the Amalgamation, pursuant to the Plan of Arrangement, under which Pacific Stratus shareholders received 9.5 pre-Consolidation Common Shares for every Pacific Stratus share held at closing. Warrants and options of Pacific Stratus were exchanged based upon the same ratio.

On May 9, 2008, the Company consolidated its Common Shares on a 1:6 basis (the "**Consolidation**") by issuing one Common Share for every six Common Shares then outstanding.

In 2012, the Company undertook various corporate reorganizations. In order to take advantage of favourable bilateral investment treaty protection, Meta and RHL were migrated from Panama to Schaffhausen, Switzerland in November, 2012 (the "**2012 Swiss Migrations**"). In connection with the 2012 Swiss Migrations, Meta, Quifa and Tethys merged with Meta becoming the surviving entity.

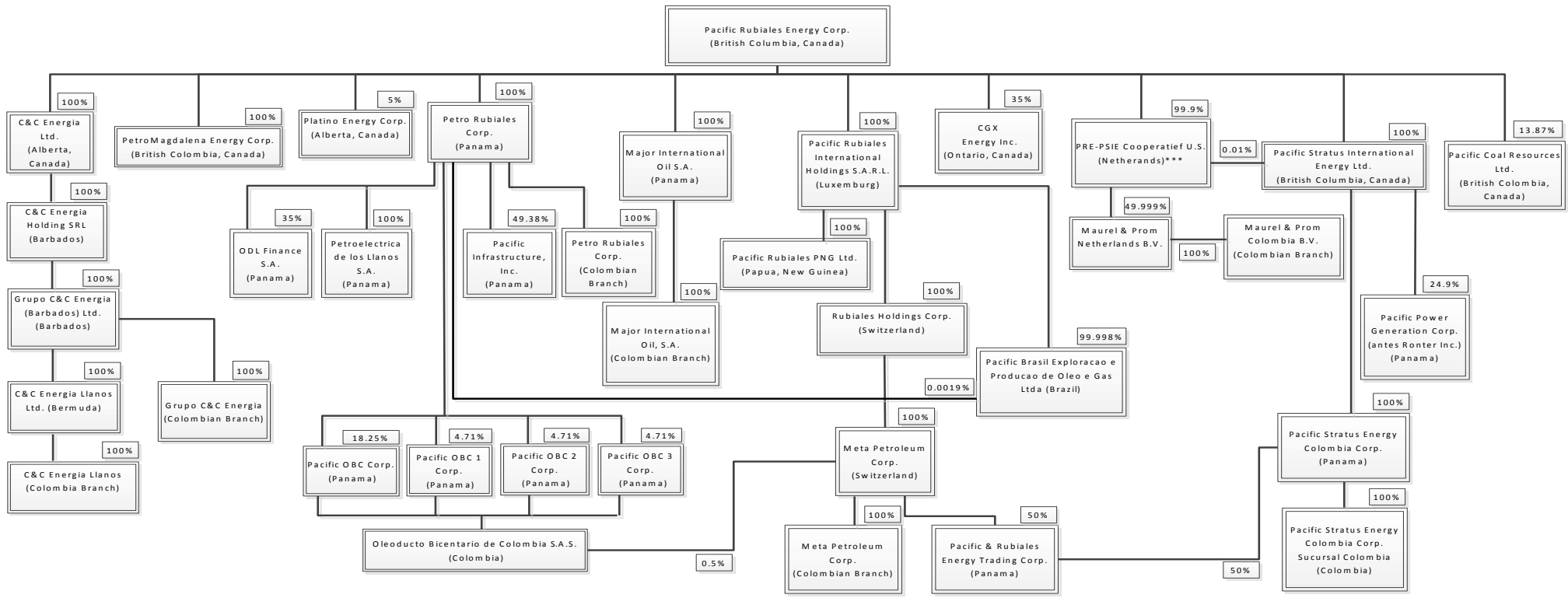
In December, 2012, the Company commenced the process of reorganizing its pipeline and infrastructure assets, such that the majority of such assets were transferred to Petro Rubiales. In December 2012, the Company also undertook a post-acquisition reorganization of PetroMagdalena, a company acquired in July 2012. These reorganizations form part of the Company's continued efforts to streamline its corporate structure, especially in light of recent acquisitions.

The Common Shares trade on the TSX, the BVC and as Depository Receipts on the BOVESPA.

Intercorporate Relationships

The following chart illustrates the principal subsidiaries of the Company, together with the jurisdiction of incorporation of each company and the percentage of voting securities beneficially owned or over which control or direction is exercised by the Company as at December 31, 2012.

The subsidiaries of the Company not set out below each accounted for: (i) less than 10% of the Company's consolidated assets as at December 31, 2012; and (ii) less than 10% of the Company's consolidated revenues for the fiscal year ended December 31, 2012. In aggregate, the remaining subsidiaries accounted for less than 20% of each of (i) and (ii) described above.



GENERAL DEVELOPMENT OF THE BUSINESS

Pacific Rubiales, a Canadian company and producer of natural gas and crude oil, owns 100% of Meta, which operates the Rubiales, Piriri and Quifa heavy oil fields in the Llanos Basin, and 100% of Pacific Stratus, which operates the La Creciente natural gas field in the northwestern area of Colombia. Pacific Rubiales has also acquired 100% of PetroMagdalena, which owns light oil assets in Colombia, and 100% of C&C Energia, which owns light oil assets in the Llanos Basin. In addition, the Company has a diversified portfolio of assets beyond Colombia, which includes producing and exploration assets in Peru, Guatemala, Brazil, Guyana and Papua New Guinea. During 2012, the Company had average net production after royalties and internal consumption in Colombia and Peru of 97,657 boe/d (246,575 boe/d total field production), with working interests in 62 blocks in Colombia, Peru, Brazil, Guatemala and Papua New Guinea.

Historical Overview

The following describes the significant events in the development of the Company's business over the last three years.

ODL Pipeline

On January 2, 2008, the Company signed a memorandum of understanding with Ecopetrol for the construction and operation of the ODL Pipeline, through a special purpose company, ODL, owned 65% by Ecopetrol and 35% by Pacific Rubiales.

On March 12, 2009, ODL secured a debt facility from Grupo Aval, a Colombian banking group led by Banco de Bogotá for approximately U.S.\$200 million (disbursed in Colombian Pesos) to finance the construction of this pipeline.

The construction of the ODL Pipeline, initially having a length of 235 km, a diameter of 24 inches and a capacity of 170,000 bbl/d, was concluded in early September 2009, representing a total construction time of only 21 months. Line-fill commenced on September 10, 2009, four days before its inauguration by the then President of Colombia, Mr. Alvaro Uribe. The completion of this first phase of the project allowed the transportation of 68,000 bbl/d of diluted crude through the ODL Pipeline to the Monterrey station for dilution to 18.5° API where the blended product is transported through the OCENSA Pipeline system to the export terminal port at Coveñas on the Caribbean coast, as part of the Castilla crude stream (18.5° API Colombian commercial grade).

The second phase of the ODL Pipeline project was fully commissioned in February 2010. Operations and maintenance of the pipeline was transferred to Ecopetrol in April 2010, as set out in the shareholders agreement governing ODL. Since then, the ODL Pipeline has been fully operational. The maximum capacity has exceeded 200,000 bbl/d with the use of DRA.

In November 2009, the ODL board of directors approved an expansion of the pipeline from 170,000 bbl/d to 340,000 bbl/d. The project included construction of a pipeline branch to the Cusiana station (already in operation), construction of two booster stations and increased storage capacity at the Rubiales pumping station. As of December 31, 2011, all construction for the expansion project was completed.

The pipeline capacity was fully automated in 2012 to 340,000 bbl/d, and from September 2009 to December 2012, a total of 211 MMbbl of diluted crude have been transported from the Rubiales field to the Monterrey and Cusiana Stations.

For the twelve months ended December 31, 2012, the ODL Pipeline transported a total of 79 MMbbl and 35% of this volume corresponds to the Company's crude oil share.

In addition, ODL is pursuing a project involving an extension of the existing pipeline and consisting of a new 85 km with a 36 inch diameter pipeline with capacity to transport up to 460,000 bbl/d between Cusiana and Araguaney. This will allow the connection of the ODL Pipeline to the OBC Pipeline. Once this project is in operation, oil production from the Company's blocks in the Llanos Basin will have access to the export terminal of Coveñas through the existing Caño Limón pipeline. Engineering and environmental permits for the extension of the ODL Pipeline started in late 2011.

The new blending project in Cusiana will allow blending of light oil trucked to Cusiana with heavy oil pumped through the ODL Pipeline. As a consequence, API gravity in the ODL Pipeline will be reduced from 18 to 16 degrees with significant savings in diluent transportation costs. As of the date of this report, the project is in the final stage of construction and commissioning and it is expected to commence operating in the second quarter of 2013.

For further details regarding the ODL Pipeline see the heading entitled "Pipelines".

Proelectrica Investment

In June 2008, the Company announced that it had acquired a 21.7% indirect interest in Proelectrica, a Colombia-based 90 megawatt electrical utility. The Company acquired an indirect interest in Proelectrica through two equity investments totaling U.S.\$8.7 million in Pacific Power, a private Panamanian company which owns 100% of the shares of Proelectrica. Proelectrica is paid a premium as a peak demand energy supplier to the fast growing Cartagena area. The Company has entered into several take or pay agreements as well as interruptible gas sales and transport agreements to supply gas from the La Creciente natural gas field to Proelectrica's gas-fired plant.

In December 2012, the Company invested approximately U.S.\$5 million in Pacific Power as a result of cash calls made on investors. The Company currently owns approximately 25% of Pacific Power, which in turn owns 100% of Proelectrica.

For further information see the heading entitled "Related Party Transactions".

Port Investment

In July 2008, the Company acquired from ELE an option to purchase two lots of land in Cartagena. The intent of the Company was to build a gas compression plant for export purposes on one of the lots and to use the second lot to build an oil products terminal. The option had previously been acquired by ELE from Lando. The total consideration for the lots was U.S.\$11 million, consisting of a payment for the option and the actual purchase price for the lots, of which the Company advanced Lando U.S.\$6 million. Since then, the Company has decided to locate its gas export project in Coveñas, thereby eliminating the need for one of the two lots.

Subsequently, pursuant to a settlement agreement dated January 29, 2010, Lando agreed that the Company could return the first lot without penalty and the Company agreed to grant Lando an extension until July 31, 2010, to transfer to the Company ownership over the second lot. The U.S.\$6 million paid initially by the Company was credited as full payment of the amount due to ELE for the assignment of the option and the purchase price for the first lot, due to Lando.

On September 29, 2010, Petro Rubiales entered into a share purchase agreement with Energy Power Consulting and Services Corp. with respect to the purchase of a 4% equity interest in Lando on a fully-diluted basis. On September 30, 2010, Lando changed its name to Pacific Infrastructure Inc.

In 2011, the Company acquired an additional 5.83% equity interest in Pacific Infrastructure as a result of two separate share purchase agreements with third party sellers. The aggregate cost for this additional interest was U.S.\$7,287,500.

On March 26, 2012, the Company entered into a letter of intent with Pacific Infrastructure whereby the Company agreed to invest up to an additional U.S.\$140 million in tranches of at least U.S.\$20 million (the “**Pacific Infrastructure LOI**”). To date, the Company has invested U.S.\$120 million pursuant to the Pacific Infrastructure LOI and approximately U.S.\$140 in the aggregate.

As a result of the Company’s participation in several private placement investments in Pacific Infrastructure, a reorganization of its share capital, and the purchase of additional equity interests, the Company currently holds a 53% equity interest in Pacific Infrastructure.

Pacific Infrastructure is developing a new crude oil and products terminal and port in Cartagena, as well as a new pipeline that will link Coveñas with Cartagena in the Caribbean region. With this investment, the Company has secured alternative storage and port capacity for both its imports and growing exports. For further information see the heading entitled “Related Party Transactions”.

Kappa Acquisition and Offering of Debentures

On September 3, 2008, the Company acquired 100% of Kappa for U.S.\$170.4 million in cash and acquisition costs of U.S.\$2.7 million (the “**Kappa Acquisition**”) pursuant to a purchase and sale agreement dated July 4, 2008 (the “**Kappa Agreement**”) among the Company and each shareholder of Kappa. Kappa was a Colombian oil and gas exploration and production company which held exploration and production licenses in Colombia, where it had been operating since 1997.

Financing for the Kappa Acquisition was provided through an offering of \$220 million principal amount of 8% convertible unsecured subordinated debentures (the “**Debentures**”), due August 29, 2013, which are convertible into Common Shares. A syndicate of underwriters, led by GMP, purchased the Debentures pursuant to an underwriting agreement dated August 7, 2008 and exercised an over-allotment option to purchase an additional \$20 million principal amount of Debentures at the same offering price. Excess funds from the offering of Debentures were committed to the general working capital requirements of the Company. The Debentures were issued under a debenture indenture (the “**Debenture Indenture**”) dated August 28, 2008 between the Company and Equity Financial Trust Company (formerly Equity Transfer & Trust Company).

In 2009, the Company, in order to achieve financial and administrative efficiency, merged its two wholly-owned subsidiaries, PSIE and Kappa, with the former being the surviving company. In turn, all of the assets, rights and obligations of Kappa and its subsidiaries were absorbed by PSIE.

Llanomulsion Project

In January 2009, we started the development of a special transport emulsion formula (oil on water), which could eliminate the need for diluents. The formula, called “Llanomulsion”, increases pipeline capacity by reducing fluid viscosity to approximately one-third of the original viscosity of the diluted crude.

Additional testing was conducted in 2010 and 2011 for a new surfactant developed by Ecopetrol's research and development affiliate the Colombian Petroleum Institute (Instituto Colombiano del Petróleo), which involved the construction of additional facilities at our Rubiales field and at the Cusiana station of the Orensa pipeline.

While the technology proved successful for Rubiales crude, the Company has decided to focus on alternate solutions, such as heated pipeline in the ODL Pipeline and partial dilution at the Cusiana station, which would provide a faster implementation time while achieving an equivalent cost reduction for diluent.

RBL Facility

During the second quarter of 2009, the Company put in place and secured commitments for a U.S.\$250 million senior secured revolving reserves-based credit facility (the "**RBL Facility**") with BNP Paribas, Calyon, Banco Davivienda, Banco de Bogotá, Bancolombia, Banco de Occidente and WestLB AG. The RBL Facility had a maturity of June 30, 2013, and bore interest at LIBOR plus 5.50%. The Company paid commitment fees of 1.50% on the unutilized portion of outstanding commitments under the RBL Facility. The RBL Facility was subsequently terminated and repaid in full by the Company on November 10, 2009 upon closing of the 2009 Senior Notes financing, as described below.

2009 Senior Notes Financing

On November 10, 2009, the Company closed an offering of U.S.\$450 million senior unsecured notes (the "**2009 Senior Notes**") at a rate of 8.75%. The 2009 Senior Notes were issued at a price of 99.09% of the principal amount, for aggregate net proceeds to the Company of approximately U.S.\$442 million, after taking into account discounts, commissions and expenses of the offering. The net proceeds from the 2009 Senior Notes were used by the Company to: (i) repay U.S.\$250 million, equal to the entire principal outstanding, plus accrued interest, under the RBL Facility; and (ii) for general corporate purposes.

The 2009 Senior Notes are direct, unsecured senior obligations of the Company and rank equal in right of payment with all of its existing and future senior unsecured debt. The Company will redeem a portion of the principal of the 2009 Senior Notes on each of November 10, 2014 (33.33%), November 10, 2015 (33.33%), and November 10, 2016 (33.34%). The Company may, at its option at any time, redeem the 2009 Senior Notes, in whole but not in part, at the greater of: (i) 100% of their principal amount plus accrued interest and additional amounts, if any; and (ii) the sum of the present values of the remaining scheduled payments of principal and interest and additional amounts, if any, on the notes, discounted to the date of redemption at the applicable treasury rate plus 75 basis points.

Effective November 10, 2009, the Company listed the 2009 Senior Notes on the Official List of the Luxembourg Stock Exchange and they trade on the Euro MTF market.

In June 2010, the Company commenced a consent solicitation process with respect to an amendment to the indenture governing the 2009 Senior Notes (the "**2009 Indenture**") pursuant to the Company's consent solicitation statement dated as of June 30, 2010 (the "**Consent Solicitation Statement**"). Pursuant to the Consent Solicitation Statement, the Company successfully solicited consents to amend the 2009 Indenture to provide the Company with needed flexibility to invest in minority equity investments in joint venture entities that are engaged in any business that is related, ancillary or complementary to the business of the Company, and to provide guarantees of the indebtedness of such entities. On July 14, 2010, the Company received the requisite number of consents from holders of the 2009 Senior Notes in order to effect the proposed amendment to the 2009 Indenture. In connection with the consent solicitation

process, the Company paid each noteholder who validly delivered a consent prior to July 14, 2010, U.S.\$2.50 for each U.S.\$1,000 in principal amount of 2009 Senior Notes.

BVC Listing

On December 18, 2009, the Company received approval from the Superintendencia Financiera de Colombia (“**Superfinanciera**”), the Colombian regulatory entity responsible for supervising public issuers, for the listing of its Common Shares on the BVC. The Company was the first international issuer to have its shares listed on the BVC. The Common Shares commenced trading on the BVC beginning the week of December 21, 2009 under the symbol “PREC”.

The listing did not involve the issuance of new Common Shares or any other securities or derivatives, as it was structured solely to allow the Common Shares that were then issued and outstanding, and trading on the TSX, to be tradeable by investors through the facilities of the BVC. Other than enabling investors to buy and sell the Common Shares in Colombian Pesos, the listing did not result in any changes to the rights and entitlements of holders of Common Shares, irrespective of whether investors purchased their Common Shares through the TSX or the BVC.

Revolving Credit Facilities

In April 2010, the Company closed the syndication of a U.S.\$250 million unsecured revolving credit facility (the “**2010 Revolving Credit Facility**”). On April 13, 2011, the Company closed an amendment to the Revolving Credit Facility (the “**2010 RCF Amendment**”) increasing the Revolving Credit Facility to U.S.\$350 million. The 2010 RCF Amendment was limited to the same lenders under the Revolving Credit Facility and, in addition to increasing the aggregate amount of the facility from U.S.\$250 million to U.S.\$350 million, under the terms of the 2010 RCF Amendment the Company extended the term of the Revolving Credit Facility to April, 2013 and reduced the applicable commitment fees from 1% to 0.75% and the applicable margin from 3.25% to 2.50% over LIBOR based on the Company’s current rating assigned to the Company's senior debt securities by Standard & Poor’s Ratings Group and Fitch Inc.

On September 13, 2012, the Company entered into two revolving credit and guaranty Agreements: (i) U.S.\$400 million revolving credit and guaranty agreement (the “**U.S. Dollar Facility**”) with a syndicate of international lenders and Bank of America, N.A., as administrative agent; and (ii) Meta Colombia Branch and Pacific Stratus Colombia Branch, entered into a Colombian peso equivalent of U.S.\$300 million revolving credit agreement as borrowers (the “**Colombian Peso Facility**”, and together with the U.S. Dollar Facility, the “**Revolving Credit Facilities**”), with a syndicate of Colombian lenders and Sociedad Fiduciaria Bogotá, S.A., as administrative agent.

The Revolving Credit Facilities have an interest rate determined in accordance with the ratings assigned to the Company's senior debt securities by Standard & Poor's Ratings Group, Moody’s and Fitch Inc. Based on the Company's credit rating as at December 31, 2011 and March 31, 2012, the interest rate was LIBOR plus 2.75% under the U.S. Dollar facility and DTF + 2.25% under the Colombian Peso Facility. In addition, the Company is required to pay commitment fees of 0.95% on the unutilized portion under the U.S. Dollar Facility and 0.40% under the Colombian Peso Facility of any outstanding commitments under the two facilities. As of December 31, 2012, the Company had drawn down U.S.\$353.6 million on the U.S. Dollar Facility and U.S.\$25 million on the Colombian Peso Facility.

Pacific Coal

During the third quarter of 2010, the Company acquired 24 million common shares in the capital of Pacific Coal (representing a 20% interest at the time of the subscription), a then private company

incorporated in Panama, for U.S.\$24 million. Since the time of the initial subscription by the Company, Pacific Coal has gone public and the Company has invested an additional approximately U.S.\$30 million in Pacific Coal. Pacific Coal is engaged in the acquisition and development of coal mining and asphaltite assets and related businesses in Colombia. Four directors and one officer of the Company are also directors of Pacific Coal.

The investment in Pacific Coal represents a decision by the Company to participate in the development of asphaltite and coal assets. The asphaltite resources, in particular, if economically developed, will afford the Company access to large and very profitable markets for export and domestic needs as Colombia tackles its burgeoning need to expand its road infrastructure as well as service other industrial uses that arise in a growing economy.

Pacific Coal's common shares and warrants trade on the TSXV. As of the date hereof, the Company holds 10.8% of the issued and outstanding common shares in the capital of Pacific Coal on a fully diluted basis or 14.4 % on a non-diluted basis. For further information see the heading entitled "Related Party Transactions".

OBC Pipeline

In December 2010, the Company acquired a 32.88% equity interest in the OBC Pipeline. OBC is a special purpose company promoted by Ecopetrol, which has 55.97% interest in the company and with the participation of other oil producers operating in Colombia who control the remaining 11.15% interest. OBC will be responsible for the financing, design, construction and operation of Colombia's newest oil pipeline transportation system, which will run from Araguaney, in the Casanare Department of central Colombia, to the Coveñas Export Terminal in the Caribbean.

The pipeline will eventually add 450,000 bbl/d to the capacity of the existing pipeline systems, connecting the Eastern Llanos Basin to the export markets. The project, which will be constructed in phases, includes a new pipeline from Araguaney Station to Coveñas export terminal. Total extension of this new pipeline is estimated to be 976 km with different sections of 30, 36 and 42 inch diameter line.

As of December 31, 2012, phase 1, which comprises a 230 km 42 inch pipeline from Araguaney to Banadía, is under construction; 195 km of the pipeline have already been welded, the pumping station in Araguaney is currently under expansion and two tanks of 600,000 bbl capacity each are under construction in the Coveñas terminal. The construction progress for phase 1 is 60% complete as of December 2012. The OBC Pipeline is expected to start pumping during the second half of 2013.

For further details regarding the OBC Pipeline project see the heading entitled "Pipelines".

Petroelectrica

In 2010, the Company incorporated Petroelectrica de los Llanos, S.A. ("**Petroelectrica**"), which is responsible for the design, construction and operation of a new power transmission line of 230 kilovolts that will connect the Rubiales field to Colombia's national energy grid. The new transmission line originates from the Chivor substation and will have an extension of 260 km to the Rubiales field. The line includes two substations to supply power to the booster stations of the ODL Pipeline, as well as a main station for the Rubiales and Quifa fields.

Field construction commenced in May 2012 and is expected to be completed by the third quarter of 2013. As of December 2012, the civil works in the Chivor substation were completed, and 115 out of 534 towers had been erected.

Petroeléctrica is a strategic piece of infrastructure for the Company as it will assist the development of the Rubiales, Quifa and other nearby fields in the Llanos Basin, including the Sabanero block and CPE-6 block.

Dividends

On November 24, 2010, the Company announced its intention to pay a cash dividend on a quarterly basis in the aggregate amount of U.S.\$25 million or U.S.\$0.093 per common share. The first dividend was paid on December 16, 2010 to shareholders of record as of December 3, 2010. On March 14, 2012 the Company announced its intention to increase its quarterly cash dividend to U.S.\$0.11 per common share and expects to continue paying a quarterly dividend in this amount, subject to approval of the Board of Directors. For further information see the heading entitled “Risk Factors – Dividends” and the heading entitled “Dividends”.

STAR Project

In 2009, the Company announced the development of the synchronized thermal additional recovery (“**STAR**”) technology based on concepts of “in situ” combustion developed by the Company’s proprietary knowledge and experience to suit heavy oil crude reservoirs like the Rubiales and Quifa fields, among others in Colombia, taking the advantage of drainage patterns already used in the present primary recovery development.

In March 2011, the Company and Ecopetrol agreed to advance the STAR project in the Quifa SW field as a preliminary step to expanding the technology in the future. The STAR project may make full utilization of all production facilities and infrastructure already acquired for the Rubiales and Quifa fields and carry out the main specialized studies and lab tests under a fast track strategy. This pilot test is being executed under the existing terms and conditions of the Quifa Contract.

The Quifa SW field was selected as the pilot test area because its reservoir represents similar or average conditions of the entire Quifa field. Initial reservoir numerical simulations have been done after developing a detailed geological and reservoir model. The results thus far have corroborated the feasibility of carrying out the pilot test in the Quifa field and the additional recovery factors. If the STAR project is successful, it will add significant secondary recovery reserves.

As of the date hereof, a cluster of nine wells have been completed and a full primary production evaluation has been concluded, as well as two key tests. The steam injection test was performed in order to determine the response of the reservoir to increased temperature and a nitrogen test was performed in order to create a minimum gas saturation in the wellbore that will facilitate the air injection. Both tests indicated a positive response from the reservoir and the air injection started on February 19, 2013 with an initial air rate of 1.7 MMcf/d, as planned. As of the date hereof, direct measurements have indicated that “in situ combustion” has taken place within the reservoir. All wells and production facilities are under continuous monitoring. As of the date hereof, 30 MMcf of air have been injected and 60% of it is being produced as CO₂, CO, N₂, CH₄, among others gases, indicating that strong combustions are now taking place now in the reservoir. Higher oil production has been measured in some wells and the synchronizing process to control the combustion front has started as part of the STAR technology technical fundamentals.

During September 2012, the Colombian Government (Colciencias) granted the Company a tax incentive for its investments in research and development in connection with the STAR technology. The incentive will provide an additional 75% deduction for the amounts invested and the possibility to fully depreciate the asset in the first year.

The Company continues its commitment to the implementation of this technology, not only because it creates significant value to the Company, its partners and shareholders, but also because it is believed that once in operation, STAR will have a significant impact on the entire heavy oil industry in the region and on Colombia itself.

Maurel & Prom Colombia

On May 6, 2011, PRE-PSIE, a Dutch subsidiary beneficially owned by the Company, successfully completed the acquisition of a 49.999% interest in M&P Colombia for cash consideration of U.S.\$63.4 million and certain exploratory commitments. M&P Colombia owns the following hydrocarbon interests located on-shore in Colombia:

- 100% participation in the Sabanero block located in the central region of Colombia in the Department of Meta.
- 100% participation in the Muisca block located in the central region of Colombia in the Departments of Boyaca and Cundinamarca.
- 50% participation in the SSJN-9 block located in the northern region of Colombia in the Departments of Bolivar, Cesar and Magdalena. The remaining 50% interest is currently held by HOCOL.
- 50% participation in CPO-17 block located in the central region of Colombia in the Department of Meta. The remaining 50% interest is currently held by HOCOL.
- 100% participation in the COR-15 block located in the central region of Colombia in the Department of Boyaca.

CGX Energy Investment

On October 29, 2011, the Company purchased 58,720,000 common shares in the capital of CGX at a price of \$0.70 per common share for an aggregate investment of \$41,104,000.

On May 28, 2012, the Company purchased an additional 85,714,285 units of CGX at \$0.35 per unit for an aggregate investment of \$30 million. At the same time, the Company has entered into a technical services agreement with CGX whereby Pacific Rubiales agreed to provide technical assistance to CGX in respect of its operations. In addition, the Company acquired an option to participate in each of the next wholly-owned commitment wells to be drilled on the Corentyne and Annex offshore petroleum production licences (“PPLs”), in Guyana, by funding 50% of the exploration well costs and certain seismic costs, in exchange for a 33% interest in the respective PPL's.

On February 27, 2013, the Company entered into a binding term sheet with CGX, pursuant to which the Company agreed to invest \$35 million in CGX at a price of \$0.14 per unit for an aggregate of 250 million units (the “**CGX Term Sheet**”). Each unit will consist of one common share and one common share purchase warrant of CGX, with each warrant being exercisable to acquire one CGX common share at an exercise price of \$0.20 per share for a period of five years following the date of issuance of the units. Upon closing of the CGX Term Sheet, the Company will own 60% of CGX's issued and outstanding common shares on a non-diluted basis and 70% on a fully diluted basis. The Company will also nominate a majority of the board of directors of CGX.

CGX is a Canadian-based oil and gas exploration company focused on the exploration for oil in the Guyana/Suriname Basin, an area that is ranked second in the world for oil and gas prospectivity by the United States Geological Service.

Early Conversion of the Debentures

On October 25, 2011, the Company provided notice to all holders of the Debentures of an incentive opportunity to voluntarily convert their Debentures at the then current conversion rate, plus an incentive amount payable in Common Shares for a temporary period commencing November 9, 2011 and expiring at 5:00 p.m. (Toronto time) on November 29, 2011 (the “**Early Conversion Period**”).

Debenture holders who converted their Debentures during the Early Conversion Period received: (i) all of the Common Shares contractually due under the current conversion rate of 77.9359 Common Shares per \$1,000 face value of Debentures; and (ii) an additional number of Common Shares with value equal to \$200 per \$1,000 face value of Debentures comprised of a “make whole” payment representing the coupon to maturity and an incentive for converting early. Holders who converted their Debentures during the Early Conversion Period received accrued and unpaid interest up to and including the date that is one day prior to the conversion date payable in cash pursuant to the terms of the Debenture Indenture.

During the Early Conversion Period, \$236,223,000 or 98.9% of the Debentures were converted early, representing an issuance of 20,450,600 Common Shares, of which 2,040,352 represented the incentive Common Shares.

For further information see the heading entitled “Description of Capital Structure – Debentures”.

2009 Senior Notes Exchange Offer

On December 5, 2011, the Company commenced an offer to exchange its 2009 Senior Notes (the “**Exchange Offer**”) and a solicitation of consents (the “**Consents**”) to proposed amendments to the 2009 Indenture (the “**Consent Solicitation**”), and together with the Exchange Offer, the “**Exchange Offer and Consent Solicitation**”). The purpose of the Exchange Offer was to amend the covenant package of the 2009 Senior Notes and to diversify the maturity profile of the Company’s existing debt by extending the maturity of the 2009 Senior Notes until 2021, which is the maturity of the Company’s 2011 senior unsecured notes bearing a rate of 7.25% (the “**2011 Senior Notes**”).

The Exchange Offer and Consent Solicitation expired at 11:59 p.m. (Toronto time) on January 3, 2012 (the “**Expiration Date**”). Holders who validly tendered 2009 Senior Notes prior to December 16, 2011 (the “**Early Participation Date**”) received an aggregate principal amount of 2011 Senior Notes equal to U.S.\$1,150, which included an early participation fee of U.S.\$30. Holders who validly tendered 2009 Senior Notes after the Early Participation Date, but on or prior to the Expiration Date, received an aggregate principal amount of 2011 Senior Notes equal to U.S.\$1,120. All holders whose 2009 Senior Notes were validly tendered and accepted also received a cash payment equal to the accrued and unpaid interest on their 2009 Senior Notes accepted for exchange from the last applicable interest payment date up to, but excluding, the applicable exchange date.

As of the Early Participation Date, U.S.\$336.4 million aggregate principal amount of 2009 Senior Notes were validly tendered and accepted in exchange for 2011 Senior Notes, representing approximately 74.75% of the total outstanding 2009 Senior Notes.

As of the Expiration Date, the Exchange Offer resulted in U.S.\$358.5 million aggregate principal amount of the 2009 Senior Notes being validly tendered and accepted in exchange for 2011 Senior Notes. This represents approximately 80% of the total outstanding 2011 Senior Notes.

For further information see the heading entitled “Description of Capital Structure – 2009 Senior Notes”.

2011 Senior Notes Financing

On December 12, 2011, the Company closed an offering of U.S.\$300 million in 2011 Senior Notes.

The 2011 Senior Notes are governed by an indenture (the “**2011 Indenture**”) which sets out the principal terms of the notes. The 2011 Senior Notes are direct, unsecured, subordinated obligations and rank *pari passu* without preference among themselves. The 2011 Senior Notes bear interest at an annual rate of 7.25% on the outstanding principal amount, payable semi-annually in arrears on June 12 and December 12 of each year, commencing on June 12, 2012. The 2011 Senior Notes will mature on December 12, 2021.

The 2011 Senior Notes have been assigned ratings of BB by Fitch Ratings and Standard & Poor’s Corporation, and Ba2 by Moody’s Investors Services.

For further information see the heading entitled “Description of Capital Structure – 2011 Senior Notes”.

BDR Listing

In December 2011, the Company received approval from the *Comissão de Valores Mobiliários*, the Brazilian regulatory entity in charge of supervising public issuers, and the BOVESPA for the trading on the Brazilian Stock Exchange of BDRs representing the Common Shares. Pacific Rubiales is the first Canadian company to have BDRs listed on the Brazilian stock exchange. The BDRs began trading at the opening of market on February 2, 2012 under the symbol “PREB”.

Triceratops and PPL 237, Papua New Guinea Farm-In Agreement

The Company entered into a farm-in agreement on July 30, 2012 with InterOil relating to its acquisition of a 10.0% net (12.9% gross) participating interest in Petroleum Prospecting License 237 (“**PPL 237**”) onshore Papua New Guinea, including the Triceratops structure and exploration acreage located within that license (the “**PNG Farm-In Agreement**”).

Execution of the PNG Farm-In Agreement accomplishes one of the milestones contemplated to complete the farm-in transaction. Completion of the farm-in transaction remains subject to satisfaction of additional conditions within eighteen months, including execution of joint venture operating agreements with Pacific Rubiales and Papua New Guinea government approval. Additionally, Pacific Rubiales has the option to terminate the PNG Farm-In Agreement at various stages of the work program and to be reimbursed up to U.S.\$96 million of the U.S.\$116 million initial cash payment, which does not include carried costs, out of future upstream production proceeds.

Portofino Acquisition

On July 24, 2012, the Company signed binding letters of agreement with Petrolera Monterrico S.A. Sucursal Colombia (“**Petromont**”) to acquire a 40% participating interest, and with Canacol to acquire operatorship, of the onshore Portofino exploration block in Colombia (the “**Portofino Acquisition**”).

The Portofino Acquisition consists of a U.S.\$23.5 million cash payment to Petromont, which includes payment for past exploration costs, plus a U.S.\$2.2 million carry of their obligations related to an approved exploration work program. As part of the Portofino Acquisition, there is an additional carry obligation to finance certain production facilities and other activities required for the development of the block of up to U.S.\$45 million. This carry obligation will be recovered from the proceeds of production.

In a separate agreement, the Company agreed to pay Canacol cash consideration of U.S.\$3.7 million to assume operatorship of the block. Pacific Rubiales will be transferred operatorship of the block following the drilling of the next four wells. The Portofino Acquisition is subject to government and regulatory approvals.

PetroMagdalena Acquisition

On July 27, 2012, the Company closed the acquisition of all of the issued and outstanding common shares in the capital of PetroMagdalena (the “**PetroMagdalena Acquisition**”) by way of plan of arrangement (the “**PetroMagdalena Arrangement**”). Pursuant to the PetroMagdalena Arrangement, shareholders of PetroMagdalena received \$1.60 per common share and holders of share purchase warrants received \$0.25 per unexercised warrant held. The total cost of the acquisition was approximately \$240 million.

Karooon Farm-In Agreement

On September 18, 2012, the Company reached an agreement (the “**Karooon Farm-In Agreement**”) with Karooon to acquire a 35% net working interest in the following exploration blocks offshore in the Santos Basin, Brazil: S-M-1101, S-M-1102, S-M-1037 and S-M-1165, and also has as an option to acquire a 35% interest in S-M-1166 (collectively, the “**Karooon Blocks**”). In consideration for acquiring the interests in the Karooon Blocks, the Company agreed to pay Karooon U.S.\$40 million and fund up to U.S.\$210 million in carried well costs, as follows: (i) The Company will carry well costs of up to U.S.\$70 million for each of the Kangaroo and Cassowary/Emu exploration wells for a total well carry cost of up to U.S.\$140 million. After meeting up to the first U.S.\$70 million costs for each of the first two wells, the Company will fund 35% of all costs thereafter; and (ii) the Company may elect to participate in the third well of the three well exploration commitment program, the Bilby well. If the option is exercised, Pacific Rubiales must carry up to the first U.S.\$70 million in costs for the Bilby well and contribute 35% of all costs thereafter.

C&C Energia Acquisition

On November 19, 2012, the Company entered into an arrangement agreement with C&C Energia (the “**C&C Arrangement Agreement**”) whereby Pacific Rubiales agreed to acquire all of the common shares of C&C Energia (the “**C&C Energia Acquisition**”).

The acquisition of C&C Energia closed on December 31, 2012. Pursuant to the C&C Arrangement Agreement, on closing of the acquisition each common share of C&C Energia was exchanged for 0.3528 common shares of Pacific Rubiales, one common share of a new exploration company named Platino Energy and \$0.001. As part of the transaction, Pacific Rubiales retained a 5% equity interest in Platino Energy.

DESCRIPTION OF THE BUSINESS

Summary

The Company, which commenced generating revenues on July 16, 2007 with the closing of the RHL Acquisition, is involved in the exploration, development and production of certain oil and natural gas interests, primarily located in the Republic of Colombia but also located in Peru, Guatemala, Brazil, Papua New Guinea and Guyana. The Company strives to enhance shareholder value through the acquisition, exploration and development of highly prospective oil and gas exploration areas. As part of

its business strategy, the Company continues to analyze various projects to diversify its portfolio, principally in Latin America but also worldwide.

A summary of the Company's oil and natural gas properties with reserves is set out below:

Basin	Block	Working Interest	Gross Acres	Net Acres	Operator
Colombia					
Llanos	Rubiales	40%	88,420	35,368	Meta
Llanos	Piriri	50%	66,432	33,216	Meta
Llanos	Quifa	60%	377,419	226,451	Meta
Lower Magdalena	La Creciente	100%	30,665	30,665	Pacific Stratus
Upper Magdalena	Abanico	25%	62,560	15,640	Pacific Stratus
Llanos	CPE-6	50%	593,018	296,509	Meta
Lower Magdalena	Guama	100%	186,713	186,713	Pacific Stratus
Middle Magdalena	Guaduas (Dindal and Rio Seco)	90.6%	47,689	43,206	Pacific Stratus
Upper Magdalena	Buganviles	49.38%	77,754	15,454	Pacific Stratus
Llanos	Yamu ¹	10%	11,243	1,124	WOGSA
Caguan - Putumayo	Mecaya ¹	58%	74,127	42,993	Gran Tierra
Casanare	Cubiro ¹	61% ²	27,012	16,342	Alange Energy Corp.
Casanare	Arrendajo ¹	67.5%	78,100	52,718	Pacific Stratus
Llanos	Cravoviejo ³	100%	48,839	48,839	Grupo C&C
Llanos	Cachicamo ³	100%	87,648	87,648	Grupo C&C
Llanos	LLA-19 ³	100%	100,560	100,560	Grupo C&C
Llanos	Sabanero ⁴	49.999%	107,244	53,622	Maurel&Prom Colombia
Peru					
Offshore, Peru	Block Z-1	49%	551,001	271,951	BPZ

¹ This block was acquired as a result of the PetroMagdalena Acquisition.

² The Cubiro block has three different working interests at 60.5% in Arauco and Careto fields, 70% in Cernicalo, Tijereto Sur, Petirrojo and Petirrojo Sur fields, and 57.13% in Copa, Copa A Sur and Copa B fields.

³ This block was acquired as a result of the C&C Energia Acquisition.

⁴ The Company holds an indirect ownership interest of 49.999% in M&P Colombia, which is party to the exploration and production contract relating to the Sabanero block.

Oil and Gas Production

The Company's average net production after royalties and internal consumption in 2012 was 97,657 boe/d (246,575 boe/d total field production). In Colombia, average net production reached 96,084 boe/d (243,264 boe/d total field production). Net production in Colombia has increased by approximately 11% year-over-year, driven by more than 246 development wells drilled mainly in the Rubiales and Quifa SW fields, and the production from the new acquisitions.

Heavy Oil - Rubiales and Quifa fields

The Rubiales and Quifa fields are the Company's main assets and the Rubiales field continues to be one of Colombia's fastest growing production fields. During 2012, gross production at the Rubiales field

averaged 177,015 bbl/d and 192,395 bbl/d during the fourth quarter of 2012. The production from the Rubiales field is transported through the ODL Pipeline to the Monterrey station and the OCENSA station at Cusiana where the diluted crude oil is transported through the OCENSA Pipeline system to the export terminal port of Coveñas on the Caribbean coast, as part of the Castilla crude stream (18.5° API Colombian commercial grade).

During the first quarter of 2010, the Company obtained the declaration of commerciality for the Quifa SW field which is now one of the Company's most important producing properties. The average gross production of the Quifa field for December 2012 was 49,271 bbl/d. The average gross production for the Quifa field throughout 2012 was 46,701 bbl/d.

During 2012, the Company continued to be one of the largest operators drilling horizontal wells in Colombia. Throughout the year, the Company drilled 177 development wells (76.8 net wells) at the Rubiales field and 51 development wells (31 net wells) at the Quifa SW field.

Other Oil

In May 2011, the Company acquired a 49.999% interest in M&P Colombia, which owns 100% of the Sabanero Block. Average gross production at the Sabanero Block was 1,244 bbl/d in 2012.

In 2012, the Company acquired PetroMagdalena and C&C Energia, which expanded the Company's light and medium oil production in Colombia. Average gross production in 2012 at the Cubiro and Arrendajo blocks was 2,196 bbl/d and 901 bbl/d, respectively. The C&C Energia acquisition closed on December 31, 2012, and the Company expects to report the production for these assets in the first quarter of 2013.

Natural Gas

In 2012, the Company continued its project to improve its facilities for handling and treating gas in La Creciente, which allowed for a stable average gross production of approximately 62 MMcf/d.

Offshore Peru

The Block Z-1, offshore Peru, maintained average gross of 3,311 bbl/d in 2012. The Company acquired a 49% participating interest in the block as the result of a transaction with BPZ that received Peruvian governmental approval on December 12, 2012, but was effective as of January 1, 2012.

Exploration

The Company's exploration portfolio currently covers 7,024,031 hectares (17,356,760 acres), and it remains the largest portfolio of any independent oil and gas company in Colombia, second only to the state-owned Ecopetrol. The Company further expanded its portfolio in 2012 by acquiring an interest in twenty-four blocks in Colombia through the Company's acquisition of PetroMagdalena, C&C Energia and the farm-in transaction involving the Portofino block.

During 2012, and as part of its exploration drilling campaign, the Company drilled a total of 55 wells: 3 exploratory and 34 appraisal and stratigraphic wells, of which 7 wells were successful, representing a success ratio of 80%.

Total net exploration expenditure for 2012 was U.S.\$355.4 million, of which U.S.\$139.3 million were for the fourth quarter of 2012. For further information see the heading entitled "Exploration Properties".

Specialized Skill and Knowledge

Operations in the oil and natural gas industry mean that the Company requires professionals with skills and knowledge in diverse fields of expertise. In the course of its exploration, development and production, the Company requires the expertise of drilling engineers, exploration geophysicists and geologists, petrophysicists, petroleum engineers, petroleum geologists, and well-site mud specialists. To date, the Company has not experienced any difficulties in hiring and retaining the professionals and experts it requires for its operations. For further details regarding this risk factor see “Risk Factors – Ability to Attract and Retain Qualified Personnel”.

Competitive Conditions

The oil and natural gas industry is inherently competitive. The Company faces competition in the areas of finance, technical facilities, and acquisition of assets. While the Company has been successful in its ability to acquire properties from other organizations in the industry, there is no guarantee that it will continue to do so. Nonetheless, management of the Company believes that it will be able to be competitive with other local and foreign oil and gas companies in Colombia and elsewhere in Latin America. For further details regarding this risk factor see “Risk Factors - Competition”.

Environmental Protection

The oil and natural gas industry in Colombia, Peru, Guatemala, Brazil and Papua New Guinea is subject to environmental laws and regulations. Compliance with such obligations and requirements can mean significant expenditures and/or may constrain the Company’s operations in the applicable jurisdiction. Breach of environmental obligations could lead to suspension or revocation of requisite environmental licenses and permits, civil liability for damages caused and the possible fines and penalties, all of which may significantly and negatively impact the Company’s position and competitiveness. For further details regarding this risk factor see “Risk Factors – Environmental Factors”.

Employees

As of the date hereof, the Company has 22 employees at its head office in Toronto, Canada, and approximately 2,090 employees in its project offices and field offices throughout Colombia. At its project offices in Lima, Peru, the Company has 60 employees. The Company also has 4 employees in Guatemala.

Foreign Operations

The Company’s revenues are generated through the sale of hydrocarbons; all of the Company’s hydrocarbon production activity is located in Colombia and all of the Company’s exploration properties are located in Colombia, Peru and Guatemala. The Company has an interest in 62 blocks in total, comprised of 50 blocks in Colombia, 5 blocks in Peru, 2 blocks in Guatemala, 4 blocks in Brazil and 1 block in Papua New Guinea.

Social or Environmental Policies

The Company has established guidelines and management systems to comply with the laws and regulations of Colombia and other countries in which it operates. During 2009, Meta and PSIE received certification of their environmental, health and safety management systems under ISO 9001, ISO 14001 and OHSAS 18001 standards, and both subsidiaries continue to be in compliance. These management

systems are developed to comply with applicable international health, safety, environmental and quality regulations and global performance standards.

The Company devotes significant time and resources to achieve its environmental and safety performance goals. The Company has dedicated employees responsible for all matters affecting the environment and local communities. While the Company endeavours to meet all of its environmental obligations, it cannot guarantee that it has and will be in compliance at all times. Nonetheless, management believes that operations are in substantial compliance with all material environmental laws and regulations. For further details regarding this risk factor see “Risk Factors - Environmental Factors”.

The Company has instituted social programs specific to the areas in which it operates, which are carried out by employees or staff in Colombia. The Company’s social workers attend in the various municipalities where it operates to determine the community’s needs and formulate the Company’s programs to meet the requirements of each particular area. The Company has been involved in the provision of educational and health supplies, the building of schools and funding of hospitals, and the sponsorship of other local, cultural, sporting and other organizations and events.

In September 2010, the Company founded the Regional Center for Latin America and the Caribbean in support of the United Nations Global Compact. The United Nations Global Compact is an international initiative proposed by the United Nations whose purpose is to achieve a voluntary commitment of public and private entities to social responsibility, by means of implementation of certain principles regarding human, labour, environmental rights and the fight against corruption. As a member of the United Nations Global Compact since January 25, 2011, the Company has undertaken to report its progress with respect to human, labour and environmental rights to the United Nations on an annual basis.

In June 2011, the Company announced its support for the Extractive Industries Transparency Initiative (the “**EITI**”). The EITI is an international non-profit organization formed in 2002 at the World Summit for Sustainable Development in South Africa. The EITI supports improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining. The EITI standards are implemented by governments with an international multi-stakeholder structure at the core of the initiative. Currently, more than fifty of the largest oil, gas and mining companies have chosen to become EITI supporting companies. The EITI’s initiatives aim for good governance so that the exploitation of resources can generate revenues to foster growth and reduce poverty.

Pacific Rubiales was the first company to implement the EITI standards in Colombia and is committed to taking a leading role in the implementation of EITI in Colombia by collaborating with all stakeholders within the EITI. In Canada, which is an EITI supporting country, and Peru and Guatemala, which are EITI candidate countries, Pacific Rubiales is committed to actively supporting EITI processes.

In 2012, the Board of Directors appointed a Sustainability Committee to assist in carrying out the Company’s corporate sustainability policies, including environmental, social, health, safety and ethical matters, and is responsible for advising the Board of Directors, committees of the Board of Directors and executive management on such matters.

In 2012, Pacific Rubiales entered the Jantzi Social Index and the STOXX® Global ESG Index. According to Sustainalytics’ environmental, social and governance analysis, Pacific Rubiales ranks among the top 10 per cent of the oil, gas, coal, and consumable fuels peer group. It notes that the Company has demonstrated strong policies and management systems to mitigate the risks associated with operating in high risk countries. In 2012, the Company received the following recognition for its achievements in sustainability and corporate social responsibility: (i) World Finance (London) awarded Pacific Rubiales

recognition as the “Most Sustainable Oil & Gas Company” in Latin America; (ii) award from the RS and Corporación Calidad magazine, for its contribution to sustainable development through holistic management; (iii) silver and gold medals for our environmental responsibility, awarded by the Fundación Siembra Colombia; (iv) a prize for the “Best Oil & Gas Producer in Corporate Social Responsibility 2012” awarded by Capital Finance International; and (v) the award to excellence and innovations in corporate training by the international organization Corporate University Xchange (CorpU). The Company became one of the two Latin American companies selected as winners of the award “Pioneros de la Inversión Social 2012” (pioneers of social investment), launched by the Secretary of Principles for Social Investment during the Corporate Sustainability Forum in 2012, Rio+20.

For further details regarding the Company’s sustainability policies, please see our Sustainability Report, which is available on our website at www.pacificrubiales.com.

OIL AND NATURAL GAS CONTRACTS AND PROPERTIES

The following describes the Company’s principal oil and gas contracts, properties and areas under evaluation as of December 31, 2012. Readers are cautioned that any estimates of reserves and future net revenue for individual properties disclosed in this Annual Information Form may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

Producing Properties

The Company holds direct and indirect interests in certain hydrocarbon producing properties in Colombia through its wholly-owned subsidiaries, pursuant to certain agreements with Ecopetrol, the ANH and farm-in agreements with third parties, as described further below.

Rubiales and Piriri Contracts

The Company holds an interest in the Rubiales and Piriri contracts pursuant to a 40% interest in a Participation Risk Contract and a 50% interest in an Association Contract, such contracts known as the Rubiales Contract and the Piriri Contract, respectively.

The Rubiales field, which is one of the Company’s main oil assets, is located within the Rubiales and Piriri contract areas in the south-eastern portion of the Llanos Basin (Department of Meta) of Colombia which is also known as the Guyana Shelf. The Llanos Basin is one of a series of hydrocarbon producing basins paralleling the eastern margin of the Andes Mountains from Colombia to Argentina. These features obtained their current configuration during the Tertiary period and are associated with the Andean mountain formation. Oil accumulation is concentrated in the sandstones of the Lower Tertiary Basal Carbonera formation (Eocene – Oligocene) within a general depth of 2,400 feet to 2,900 feet measured depth (732 to 884 m). These reservoirs lie unconformably on the Paleozoic basement. They underlie an Oligocene sequence of inter-bedded fluvial to marginal marine sandstone, shale, limestone and coal. The structure of the Rubiales field has been defined as a monocline gently dipping in the northwest direction with an average dip angle of one to two degrees.

The Rubiales and Piriri Contracts expire in June 2016. The average gross production of the Rubiales field for the fourth quarter of 2012 was 192,395 bbl/d. The average gross production for this field throughout 2012 was 177,015 bbl/d.

Quifa Contract

The Company holds a 60% interest in the Quifa Contract, relating to a property known as the Quifa block. During the first quarter of 2010, the Company obtained the declaration of commerciality for the Quifa Southwest field which is now one of the Company's most important producing properties. Additional information on this contract can be found in the exploration properties section, below.

The average gross production of this field during the fourth quarter of 2012 was 49,271 bbl/d. The average gross production for this field throughout 2012 was 46,701 bbl/d.

During the third quarter of 2012, Ecopetrol accepted the commerciality of the Cajua field, which is located in the Quifa block. The average gross production for the Cajua field was 2,875 bbl/d in the fourth quarter of 2012 and 926 bbl/d throughout 2012.

La Creciente Contract

Pacific Stratus, the Company's wholly owned subsidiary, holds a 100% interest in an agreement (the "**La Creciente Contract**") with the ANH relating to the La Creciente natural gas field, located in the Lower Magdalena Basin, Colombia. The La Creciente Contract, which expires in August 2034, includes the following: (i) five exploration phases totaling 65 months; (ii) 2 to 4 years for an evaluation phase; and (iii) a 24 year exploitation phase, with the exploitation phase extendable for an additional 10 years or its economic limit.

Late in December 2007 the production facilities at the La Creciente natural gas field were officially certified by the MME and as a result, at the beginning of 2008, the Company began delivering 35 MMcf/d to the Guepaje-Sincelejo main pipeline.

In 2009, the Company entered into bilateral negotiations with interested bidders for the natural gas volumes on offer, and the Company entered into certain take or pay contracts, and interruptible contracts, adding up to a total of 65 MMcf/d for the period 2009 to 2013.

The average gas production of this field for the fourth quarter of 2012 was 63 MMcf/d. The average production for this field throughout 2012 was 62 MMcf/d.

On January 18, 2010, the minimum exploratory program for the block was completed, but the Company elected to request an additional exploratory phase from the ANH. This additional phase consisted of two additional exploratory phases, each lasting 24 months and includes the drilling of one exploratory well per phase, which will allow the Company to explore additional prospects within the block. On January 18, 2012, the Company completed the first additional exploratory phase and drilled one exploratory well. Currently the Company is in the second additional exploratory well and will drill another exploratory well.

Cubiro Contract

Through the PetroMagdalena Acquisition, the Company acquired an interest in the Cubiro exploration and production contract with the ANH relating to the area located in Orocué, San Luis de Palenque y Trinidad, Departamento de Casanare, Colombia.

The average gross production of this field for the fourth quarter of 2012 was 5,877 bbl/d. The average gross production for this field throughout 2012 was 2,196 bbl/d.

Abanico Contract

The Company holds a 25% interest in an Association Contract (the “**Abanico Contract**”) relating to the Abanico oil field, which may vary from well to well pursuant to operating agreements between the parties to the Abanico Contract. The Abanico oil field is located within the Upper Magdalena Basin (Department of Tolima) of Colombia. The Upper Magdalena Basin is one of a series of hydrocarbon producing basins located within Colombia’s eastern and central mountain ranges. These features obtained their current configuration during the Tertiary period and are associated with the Andean mountain formation. Oil accumulation is concentrated in the sandstones of the Cretaceous Guadalupe formation within a general depth of 2,800 feet to 3,200 feet measured depth (853 to 975 m). These reservoirs lie below the sealing Tertiary shales. The Abanico oil field is a stratigraphic trap, consisting of a truncated monocline gently dipping in the northwest direction with an average dip angle of close to fifteen degrees.

The Abanico Contract is in its production phase and will be valid without further work commitments until 2024. The average gross production of this field for the fourth quarter of 2012 was 1,479 bbl/d. The average gross production for this field throughout 2012 was 1,584 bbl/d.

Dindal and Rio Seco Contracts (Guaduas Field)

The Company holds a 90.6% working interest in two Association Contracts (the “**Dindal Contract**” and the “**Rio Seco Contract**”) relating to the Guaduas field. The remaining 9.4% working interest belongs to Cimarrona LLC.

The Guaduas field, which covers 30,665 acres in the Middle Magdalena Valley approximately 100 km northwest of Bogotá, is located on the west flank of the Guaduas syncline and produces 19° API oil from naturally fractured Cretaceous Cimarrona carbonates.

The Dindal Contract expires in March 2021 and the Rio Seco Contract expires in August 2023.

The average gross production of this field for the fourth quarter of 2012 was 1,379 bbl/d. The average gross production for this field throughout 2012 was 1,130 bbl/d.

Arrenadajo Contract

As a result of the PetroMagdalena Acquisition, the Company has a 67.5% working interest in the Arrendajo contract. The Arrendajo block has a total area of 31,607 hectares and is located in the Llanos Basin.

During the fourth quarter of 2012, average gross daily production was 1,583 bbl/d and throughout 2012 it was 901 bbl/d.

Sabanero Farm-In

In May 2011, the Company acquired a 49.999% interest in M&P Colombia, which owns 100% of the Sabanero Block. Average gross production at the Sabanero Block was 1,244 bbl/d in 2012.

Exploration Properties

During 2012, total new exploration expenditure was approximately U.S.\$355 million with exploration activity consisting of drilling a total of 55 wells (44 successful), acquisition of additional 2D and 3D seismic in Colombia and other geophysical activities.

Ecopetrol Contracts

The Company holds indirect interests in certain exploration properties through its wholly-owned subsidiaries, pursuant to certain agreements with Ecopetrol described below.

Quifa Contract

The Company holds a 60% interest in the Quifa Contract, relating to a property known as the Quifa block. During the first quarter of 2010, the Company accomplished the commitments for the last phase of the exploratory program, and in April, 2010, the Company obtained the declaration of commerciality for the Quifa Southwest field. In May 2010, Ecopetrol approved the extension of the exploratory program for two additional years. The Quifa block covers an area of 234,254 km² surrounding the Rubiales field, located in the Puerto Gaitan area, within the Meta Department in Colombia.

In the Quifa North area, the exploratory campaign of a total of 19 appraisal wells confirmed the hydrocarbon potential for this part of the block, and on August 15, 2012, the executive committee of the Association Contract approved the commerciality for the Cajua field.

Under the terms of the Quifa Contract, capital costs and operational expenses must be borne 70% by the Company and 30% by Ecopetrol. The Company holds a 60% participation interest in the production from the Quifa block less: (i) the applicable government royalty; and (ii) any additional participation percentage attributable to Ecopetrol when the cumulative production of each commercial field in the Quifa block, including the volume corresponding to royalties, exceeds five million barrels of liquid hydrocarbons.

The additional participation percentage for Ecopetrol is calculated based on the following formula (the “**PAP Formula**”):

$$\text{PAP} = \left[\frac{\text{P} - \text{Po}}{\text{P}} \right] \times 30\%$$

Where:

PAP = Additional participation percentage in production for Ecopetrol.

P = For liquid hydrocarbons, is the simple arithmetic average price per barrel of “West Texas Intermediate” (WTI) marker crude oil in U.S. dollars per barrel. This average price is for the relevant calendar month, whose specifications and quotations are published in media of recognized international prestige. For gaseous hydrocarbons, it is the simple arithmetical average price for “U.S. Gulf Coast Henry Hub” marker natural gas in U.S. dollars per MMBtu. This average price is for the relevant calendar month whose specifications and quotations are published in media or recognized international prestige.

Po = For liquid hydrocarbons, the base price of the market crude oil, expressed in U.S. dollars per barrel

as indicated in the table below:

API grade produced	Po (USD\$/bbl)
< 10° and ≤ 15°	\$40
< 15° and ≤ 22°	\$28
< 22° and ≤ 29°	\$27
< 29°	\$26

(Note: For calculation purposes, Po should be expressed in current money terms using the US department of Labor Producer Price Index – PPI.)

The PAP Formula may also be triggered in respect of gaseous hydrocarbons five years after the start of production of a gas field being declared commercial; however, the Company does not currently expect the Quifa block to yield significant gas resources.

On September 27, 2011, Ecopetrol and the Company agreed on an arbitration process to settle differences in the interpretation of the PAP Formula and its effect on the production division. On April 12, 2012, the Company initiated the arbitration process before the Bogotá Chamber of Commerce. In addition, both parties agreed to apply the formula that the ANH uses in its contracts to assign the presumptive additional share to Ecopetrol, as from the activation of the additional production clause in April 2011, until the arbitration was concluded.

On March 13, 2013, the arbitration panel delivered its decision interpreting that the PAP Formula should be calculated on 100% of the production of the Quifa SW field, instead of simply the Company's 60%. However, the arbitration panel expressly denied Ecopetrol's demand for an order requiring Pacific Rubiales to deliver the associated volumes of hydrocarbons as a result of its interpretation of the PAP Formula. As of the date hereof, the arbitration decision is not yet firm nor does it provide enforceable remedies against the Company. The Company is evaluating the decision as it leaves open several unresolved issues and also evaluating all of its alternative remedies under Colombian laws and applicable international treaties.

In the event that the interpretation of the PAP Formula by the arbitration panel becomes enforceable, the Company would be required to deliver an additional 1,393,252 bbl of oil to Ecopetrol, representing Ecopetrol's additional share in Quifa SW production from April 3, 2011 to December 31, 2012, which in any case would be delivered in kind from future production out of 10% of its daily net share of production of the Quifa SW field (as of today, approximately 2,270 bbl/d over a 20 month period). This additional volume has been recorded as an over-lift in the consolidated financial statements as at December 31, 2012.

The Quifa Contract expires in 2031.

Buganviles

The Company holds a 49.4% interest in the Buganviles Contract for a block located in the Department of Tolima, Colombia.

In November 2009, pursuant to a competitive bid process (farm-out process) the Company awarded Petrodorado certain rights in the Buganviles block. The Company awarded 29.5% of its working interest in the Buganviles block to Petrodorado in exchange for Petrodorado providing 100% of total investment for future exploratory work in the block, This exploration phase involves a minimum investment of

U.S.\$4.6 million, which will be spent on the drilling of one new exploratory well. The Company will retain a 19.875% working interest in this future exploratory activity and a 49.4% working interest in the rest of the block.

ANH Contracts

Pursuant to agreements with the ANH, the Company holds direct and indirect interests through certain of its wholly-owned subsidiaries in various exploration properties in Colombia as described in more detail below.

La Creciente Block

PSIE, the Company's wholly-owned subsidiary, holds a 100% interest in an agreement (the "**La Creciente Contract**") with the ANH relating to the La Creciente natural gas field, located in the Lower Magdalena Basin, Colombia. The La Creciente Contract, which expires in 2034, started in August 2004, covering five consecutive exploration phases that ended in January 18, 2010. At that point, two additional 2-year exploration phases were requested and approved, with commitments of one exploratory well each. The first of these additional phases expired in January 2012.

In the La Creciente block, the Company continued drilling the Apamate-2 appraisal well. In February 2012, the well was tested but failed to flow at economic rates and was plugged and abandoned.

Arrendajo

The Company has a 67.5% working interest in the Arrendajo contract. The Arrendajo block has a total area of 31,607 hectares and is located in the Llanos Basin. The Company presented an ANH evaluation plan for well Azor-1 and requested additional exploratory program consisting in two phases of 24 months with a work commitment of one exploratory well per phase. The Company has drilled the Azor-1 and Azor-2 wells.

Guama

On March 14, 2007, the Company was awarded a 100% interest in the 87,465-hectare Guama block located in the Lower Magdalena Valley Basin in the north of Colombia. Commitments for the first 18-month phase of this contract included reprocessing of 300 km of 2D seismic and the acquisition of 200 km of 2D seismic; during 2007, these commitments were accomplished. In August 2009, the Company requested the merger of phases 2 and 3 of the Guama contract, which was approved in 2009.

As part of the contract commitments of merged phases 2 and 3, during 2010 the Company finished drilling the Pedernalito-1X exploratory well, on the flank of an incipient diapiric feature with a 2,355 acre closure, with a target in the thinly laminated sands of the Middle Miocene Porquero Formation. The well reached a final depth of 7,100 feet MD, penetrating the massive Porquero from surface down to true depth. The well resulted in a new gas discovery, and the petrophysical evaluation indicated a total of 29 feet of net pay in low-resistivity, thinly laminated sands in eight different prospective zones, of which four were completed and tested.

In the Guama block, the Cotorra-1X exploration well reached TD at 7,210 feet MD on January 17, 2012 after initiating drilling in December 2011. Short tests and subsequent hydraulic fracturing was successfully carried in four intervals of the Porquero Medio sands target, flowing gas and condensate. In the same block, the Manamo-1X exploration well started drilling on December 14, 2012 and by December 31, 2012, it was drilling ahead at 1,808 feet.

CPE-6

In September 2008, and as part of the Heavy Oil Round, the CPE-6 block (technical evaluation contract) was awarded to a joint venture made up of the Company (50%) and Talisman (Colombia) Oil & Gas Ltd. (50%), with the Company as operator. The CPE-6 block has an area of 608,247 hectares and is located to the southwest of the Rubiales field and the Quifa block.

In 2012, the Company drilled two stratigraphic wells at the CPE-6 block.

Sabanero

On the Sabanero block, M&P Colombia, the operator of the block, drilled a total of 21 wells in 2012, including one exploratory, five stratigraphic and fifteen appraisal wells. The Chaman-1 exploratory well resulted in a new discovery in the northern part of the Sabanero block.

The Company holds an indirect ownership interest of 49.999% in M&P Colombia, which is party to the exploration and production contract relating to the Sabanero block.

Portofino

In the Portofino block, where the Company has a 40% interest, the operator of the block, Carrao Energy Sucursal Colombia, drilled the Achote-1 stratigraphic well in 2012. The well did not find the expected Mirador basal sands, so the well was plugged and abandoned. The operator is planning to drill a second stratigraphic well during the first half of 2013.

CPE-1 TEA

In September, 2008 the Company was awarded a 100% interest in the CPE-1 in the offering organized by the ANH of certain heavy oil evaluation and exploration blocks for the Llanos Basin (the “**Heavy Oil Round**”). CPE-1 block has an area of 989,963 hectares and is located in the northern part of the basin on the border with Venezuela, east of the Caño Limon oil field. It is also located at the eastern limit of the Arauca block, where the Company has performed exploration activities. The ANH granted an extendable period for 21 months on the 24 month-long exploration only phase. The total investment for the block will be U.S.\$31.1 million and includes the acquisition of 500 km of 2D seismic and drilling four stratigraphic wells.

In 2012, the Company drilled four stratigraphic wells as part of the TEA commitment. After logging and sampling, the four wells were plugged and abandoned.

SSJN3

The Company holds a 100% working interest in the SSJN3 block. This block has an area of 256,718 hectares and is located 70 km north of the La Creciente natural gas field. The first exploration phase includes work commitments of 500 km of 2D seismic and one exploratory well, for a total investment of U.S.\$20.6 million. The contract is currently suspended pending an ANH review because the Ministry of Environment denied the environmental license for E&P activities in this block due to the existence of a Ramsar Wetland.

SSJN7

The SSJN-7 Contract was signed in 2008. The Company holds a 50% working interest, acting as operator, with ONGC Videsh Limited holding the remaining 50%. The block has an area of 270,702 hectares and is adjacent to the La Creciente natural gas field. The first exploration phase requires an investment of U.S.\$24.6 million, expected to be spent on the acquisition of 590 km of 2D seismic and the drilling of one exploratory well. During 2010, social and environmental activities and geochemical and geological studies were carried out.

During the fourth quarter of 2011, the Company started 651 km of 2D seismic surveys in the SSJN7 block and the CR-1 block. Due to regulatory delays with respect to the certification of the presence of indigenous communities in the area, the Company requested an extension from the ANH of 28 months and 26 days to explore phase 1. The contract is still pending ANH approval.

CR-1

The CR-1 contract was awarded to a joint venture pursuant to which the Company holds a 60% interest and Petrobras Colombia Limited holds a 40% interest, with the Company acting as operator. This block, which has a total area of 124,394 hectares, is located in the northernmost part of the Cesar-Rancheria Basin in the La Guajira Peninsula on the boundary with Venezuela. The first exploration phase required an investment of U.S.\$12 million, to be spent on the acquisition of 250 km of 2D seismic and one exploratory well. Due to regulatory delays with respect to the certification of the presence of indigenous communities in the area and the negotiation with El Cerrejon (a mining company in the area), the Company requested an extension from the ANH of 14 months to explore phase 1. The contract is still pending ANH approval.

CPO-1

The Company originally held a 100% working interest in the CPO-1 block, which has an area of 61,776 hectares and is located 80 km north of the Rubiales field. For the first exploration phase (36 months), the Company agreed to invest in the acquisition of 200 km of 2D seismic, drilling of one exploratory well and geophysical and geological studies, for a total investment of U.S.\$8.6 million.

In November 2009, pursuant to a competitive bid round (farm-out process), the Company awarded 50% of its working interest in the block to Petroamerica, a Calgary-based oil and gas company, in exchange for Petroamerica providing 100% of the total investment required to complete the first phase of the minimum exploratory program for the block, equal to U.S.\$8.6 million. The final agreement was signed by the parties on March, 2010.

During the fourth quarter of 2011, the Company started 376 km² of 3D seismic surveys targeting heavy oil prospects on the CPO-1 and CPO-12 blocks.

CPO-12

This block was awarded to a joint venture formed by an indirect wholly-owned subsidiary of the Company as operator (40%), CEPCOLSA (30%) and Talisman Colombia Oil and Gas Ltd. (30%). This block has an area of 286,827 hectares located to the southwest of the Rubiales field. During the first exploration phase, the consortium has agreed to invest in the acquisition of 898 km of seismic and the drilling of three exploratory wells, for a total amount of U.S.\$35 million. During the last quarter of 2010,

the Company finished the acquisition, processing and interpretation of 417 km of 2D seismic. The Company started the acquisition of the remaining 481 km during 2011.

In 2012, the Company drilled two exploration wells, the Espiguero-1X and Escarabajo-1X, as part of the contract exploration commitment. Both wells targeted the Basal sands of the Carbonera Formation, but the petrophysical results did not show commercial hydrocarbon accumulations and the wells were considered dry holes.

CPO-14

This block was awarded to a joint venture formed by an indirect wholly-owned subsidiary of the Company as operator (62.5%) and CEPCOLSA (37.5%). This block has an area of 209,488 hectares and is located to the southeast of the Rubiales field. The first exploration phase requires a minimum working program which includes the acquisition of 850 km of 2D seismic and drilling three exploratory wells for a total investment of U.S.\$32 million. As part of the permitting requirements, the Company is in the process of consulting with affected communities in order to start the seismic acquisition program. The contract is suspended until previous consultation processes with two communities are officially registered.

Tacacho

The Tacacho E&P contract was awarded by the ANH on November 10, 2009 with a work commitment of 480 km of 2D seismic for the first phase. The Tacacho block covers 238,363 hectares and is located in the Putumayo basin.

In November 2009, pursuant to a competitive bid round (farm-out process), the Company awarded 49.5% of its working interest in the block to Petrodorado, in exchange for Petrodorado providing 100% of the total investment required to complete the first phase of the minimum exploratory program for the block, equal to U.S.\$8 million. The 36 month-long first exploration phase requires a minimum investment of U.S.\$8 million, which will be spent on the acquisition, processing and interpretation of 480 km of 2D seismic. The Company will retain a 50.5% working interest in the block. The final agreement relating to the transaction was executed in January 2010.

Throughout 2010, the Company took the necessary steps to obtain the environmental and social permits required by the Colombian authorities in order to start the seismic acquisition program. As of the date hereof, as part of the permitting requirements, the Company is consulting with the communities residing within certain parts of the block area. This process was expected to conclude in the third quarter of 2011, but due to delays of the governmental authorities the seismic acquisition program has not started. The exploration phase 1 ended on May 9, 2012, and as such the Company requested unification of phase 2 from the ANH in order to comply with its work commitments.

Teracay

On November 10, 2009 the Company executed the Teracay E&P contract, which has an area of 237,399 hectares located in the Putumayo oil basin, in the foreland of the southeastern Cordillera of Colombia near Ecuador. The minimum exploratory commitments include in the first phase of the exploration period the acquisition of 476 km of 2D seismic with a minimum investment of U.S.\$8.1 million.

As with the Tacacho block, during 2010 the Company engaged in taking the steps needed to obtain the environmental and social permits required by the Colombian authorities in order to start the seismic acquisition program. Similarly, the Company is consulting with the communities residing within certain

parts of the block area. This process was expected to conclude in the third quarter of 2011, but due to delays by the governmental authorities the seismic acquisition program has not started. The exploration phase 1 ended on May 9, 2012, and as such the Company requested unification with phase 2 from the ANH in order to comply with work commitments.

Properties in Peru

In July 2007, Pacific Stratus was awarded blocks 135, 137 and 138 offered by Perupetro in the 2007 bidding program, and the contracts were signed on November 21, 2007. These blocks total 1,883,553 hectares and are located in the prolific Marañón and Ucayali Basins, to the south of the producing Ecuadorian Napo (Oriente) and Colombian Putumayo Basins and 300 km north from the prolific Camisea area. The commitments for the first exploration phase include the acquisition of regional gravimetric and magnetometric data and regional studies. Upon the successful completion of phase one, the Company has the option to continue the exploration program with additional seismic acquisition and drilling one well for each block. The Company has a 100% working interest in these blocks.

Block 135

Block 135 is located in the Marañón Basin. The second exploration phase requires a minimum investment of U.S.\$36 million, which will be spent on the planned acquisition of 789 km of 2D seismic, which is currently on going. There is not previous seismic information in this area, so this will be the first exploratory activity to be held in the southeast Marañón basin. The acquisition, processing and interpretation of this seismic is expected to be completed at the second half of 2013.

Block 137

Block 137 is located in the Marañón Basin on the northeastern part of Block 135. The minimum work commitment requires the acquisition of 200 km of 2D seismic; the acquisition of data from remote sensors and satellite images; and integration of such data with the technical information and analysis from the data base of Perupetro. This block is currently in force majeure due to the refusal of representatives of indigenous communities to attend the workshops required by law to complete the socio-environmental study. Negotiations are still underway, and upon successful resolution of this matter the Company plans to proceed with the acquisition of 400 km of 2D seismic.

Block 138

Block 138 is located in the Ucayali Basin. Exploration activities started in 2008 with the acquisition of satellite information that covered the whole northeast portion of the Ucayali basin. After completed the first exploratory period, the activities were focused on the approval of the environmental permit for drilling the first exploratory well in the block, which represents an investment of up to U.S.\$45 million. This permit was approved in November, 2012 and activities are currently on going. According to the previous multi-disciplinary studies, and based on the 560 km of 2D seismic already acquired, the area looks attractive as the Company pursues development of the Yahuish-1X well.

Block Z-1

In 2012, the Company and the operator of the block, BPZ, acquired and processed 1,142.74 km² of 3D seismic data and started acquisition of other 426 km² of 3D seismic data, covering approximately 90 % of Block Z-1. With these surveys the Company expects to better delineate the Corvina and Albacora fields and other exploration prospects, including the Piedra Redonda,

Delfin and Barracuda structures.

Properties in Guatemala

Blocks N-10-96 and O-10-96

To secure participation in the exploration activities in Guatemala, the Company executed a farm-in agreement with: (i) Flamingo Energy Investment (BVI) Ltd.; (ii) CHX Guatemala Limitada; and (iii) Compañía Petrolera del Atlantico S.A. on October 6, 2010, who currently holds 100% of the interest in the contract that is comprised of two blocks. Once the relevant authorizations are obtained, this will allow the Company to obtain a 55% interest and operatorship of the contract. In 2012, the Company continued with the contracting process for geophysical data acquisition in both blocks.

Properties in Brazil

Blocks S-M-1101, S-M-1102, S-M-1037 and S-M-1165

In September 2012, the Company acquired a 35% net working interest in the Karoon Blocks, located offshore in Brazil's Santos Basin. In 2012, Karoon commenced the drilling of the Kangaroo-1 well on December 28, 2012. This well is targeting post-salt Cretaceous Santonian and Campanian as well as the Tertiary Miocene and Eocene reservoirs in the Kangaroo prospect, located in block S-M-1101.

PIPELINES

ODL Pipeline

On January 2, 2008, the Company signed a memorandum of understanding with Ecopetrol for the construction and operation of the ODL Pipeline, through a special purpose company, ODL, owned 65% by Ecopetrol and 35% by Pacific Rubiales.

On March 12, 2009, ODL secured a debt facility from Grupo Aval, a Colombian banking group led by Banco de Bogotá for approximately U.S.\$200 million (disbursed in Colombian Pesos) to finance the construction of this pipeline.

The construction of the ODL Pipeline, initially having a length of 235 km, a diameter of 24 inches and a capacity of 170,000 bbl/d, was concluded in early September 2009, representing a total construction time of only 21 months. Line-fill commenced on September 10, 2009, four days before its inauguration by the then President of Colombia, Mr. Alvaro Uribe. The completion of this first phase of the project allowed the transportation of 68,000 bbl/d of diluted crude through the ODL Pipeline to the Monterrey station for dilution to 18.5° API where the blended product is transported through the OCENSA Pipeline system to the export terminal port of Coveñas on the Caribbean coast, as part of the Castilla crude stream (18.5° API Colombian commercial grade).

The second phase of the ODL Pipeline project was fully commissioned in February 2010. Operations and maintenance of the pipeline was transferred to Ecopetrol in April 2010, as set out in the shareholders agreement governing ODL. Since then, the ODL Pipeline has been fully operational. The maximum capacity has exceeded 200,000 bbl/d with the use of DRA.

In November 2009, the ODL board of directors approved an expansion of the pipeline from 170,000 bbl/d to 340,000 bbl/d. The project included construction of a pipeline branch to the Cusiana station (already in

operation), construction of two booster stations and increased storage capacity at the Rubiales pumping station. As of December 31, 2011, all construction for the expansion project was completed.

The pipeline capacity was fully automated in 2012 to 340,000 bbl/d, and from September 2009 to December 2012, a total of 211 MMbbl of diluted crude have been transported from the Rubiales field to the Monterrey and Cusiana Stations.

For the twelve months ended December 31, 2012, the ODL Pipeline transported a total of 79 MMbbl and 35% of this volume corresponds to the Company's crude oil share.

In addition, ODL is pursuing a project involving an extension of the existing pipeline and consisting of a new 85 km and 36 inch diameter pipeline with capacity to transport up to 460,000 bbl/d between Cusiana and Araguaneý. This will allow the connection of the ODL Pipeline to the OBC Pipeline. Once this project is in operation, oil production from the Company's blocks in the Llanos Basin will have access to the export terminal of Coveñas through the existing Caño Limón pipeline. Engineering and environmental permits for the extension of the ODL Pipeline started in late 2011. As of December 2012, detailed engineering was ongoing once the FEED was completed during the year and the Environmental Agency gave its positive opinion about the Environmental Alternative Analysis.

The blending project in Cusiana is a new project that will allow blending light oil trucked to Cusiana station with heavy oil pumped through the ODL Pipeline. As a consequence, API gravity in the ODL Pipeline will be reduced from 18 to 16 degrees with significant savings in diluent transportation costs. As of the date hereof, the project is under final stage of construction and commissioning and it is expected to start in the second quarter of 2013.

OBC Pipeline

In December 2010, the Company acquired a 32.88% equity interest in Bicentenario. This is a special purpose company promoted by Ecopetrol, which has 55.97% interest in the company and with the participation of other oil producers operating in Colombia who control the remaining 11.15% interest. Bicentenario will be responsible for the financing, design, construction and operation of Colombia's newest oil pipeline transportation system, which will run from Araguaneý, in the Casanare Department of central Colombia, to the Coveñas Export Terminal in the Caribbean.

The new pipeline will eventually add 450,000 bbl/d to the capacity of the existing pipeline systems, connecting the Eastern Llanos Basin to the export markets. The project, which will be constructed in phases, includes a new pipeline from Araguaneý Station to Coveñas export terminal. Total extension of this new pipeline is estimated to be 976 km with different sections of 30, 36 and 42 inch diameter line.

As of December 2012, phase 1, which comprises a 230 km 42 inch pipeline from Araguaneý to Banadía, is under construction; 195 km of the pipeline have already been welded, the pumping station in Araguaneý is currently under expansion and two tanks of 600,000 bbl capacity are under construction in the Coveñas terminal. The construction progress for phase 1 is 60% complete as of December 2012. The OBC Pipeline is expected to start pumping during the second half of 2013.

Other Pipeline Interests

The Company has a 90.6% interest in the OGD and minority interests in two trunk oil pipelines, ODC and OAM with 110,000 bbl/d capacity. The OGD is a 10" pipeline that runs 63 km from the production facilities at Guaduas field to the OAM pipeline at La Dorada with a capacity of 40,000 bbl/d. The ODC

pipeline runs 481 km from Vasconia to the Coveñas terminal and has a 24” diameter with a capacity of up to 210,000 bbl/d.

During the last quarter of 2009, the Company also signed two agreements with OCENSA in order to secure firm transport capacity for its share of the production from the Rubiales field. The agreements provide the Company with (i) firm capacity to unload up to 10,000 bbl/d of diluent at the Cusiana station during a five year period commencing on April 2010 as well as the use of the OCENSA system from the Cusiana station to the export terminal of Coveñas, and (ii) firm capacity to transport up to 160 million barrels of oil from Cusiana station to the export terminal of Coveñas during a ten year period commencing in February 2010, with an upper limit of 50,000 bbl/d during 2010, 60,000 bbl/d between January 2011 and January 2017, and 20,000 bbl/d between February 2017 and January 2020. These two agreements guarantee transportation of the Company’s share of production from the Rubiales field up to the end of the current term of the concession and allows for the optimization of the use of diluents with substantial savings in transportation costs for the Company.

On April 26, 2011, the Company partnered with EXMAR N.V., a gas transportation company, to develop a liquefied natural gas project in northern Colombia. This project includes the construction of a 88 km, 18 inch gas pipeline from La Creciente to Tolú, a port on the Caribbean coast of Colombia, for the transportation of up to 120 MMcf/d from the La Creciente field and a Floating, Liquefying, Regasification and Storage Unit (“**FLRSU**”). The FLRSU may be connected to a Floating Storage Unit (“**FSU**”) in order to allow FOB exports to standard carriers (145,000 CBM).

The Company currently holds a 53% equity interest in Pacific Infrastructure, which is developing a new crude oil and products terminal and port in Cartagena, as well as a new pipeline that will link Coveñas with Cartagena in the Caribbean region known as “Olecar”. The Olecar pipeline will ensure the uninterrupted supply of crude oil for export. The Olecar pipeline project includes: (i) a pumping station at Coveñas with a capacity of 300 Mbb/d, (ii) a 30” diameter and 130 km pipeline and (iii) a bi-directional connection between Cartagena Refinery and Puerto Bahía.

As of December 2012, initial environmental studies were completed and right of way negotiations were in progress. Receipt of environmental permitting is expected in the second half of 2013.

With this investment, the Company has secured alternative storage and port capacity for both its imports and growing exports.

RISK FACTORS

The business and operations of the Company are subject to a number of risks. The Company considers the risks set out below to be the most significant to potential investors in the Company, but not all of the risks associated with an investment in securities in the capital of the Company. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the Company is currently unaware or which it considers not to be material in relation to the Company’s business, actually occur, the Company’s assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Company’s securities may decline and investors may lose all or part of their investment.

Fluctuating Prices

Oil and gas prices will have a direct impact on the Company’s earnings and are subject to volatile price fluctuations. The Company’s revenues are expected to be in large part derived from the extraction and

sale of oil and natural gas. The price of oil will be affected by numerous factors beyond the Company's control, including international economic and political trends, expectations of inflation, war, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. Any substantial decline in the prices of oil or natural gas could have a material adverse effect on the Company and the level of its oil and natural gas reserves.

Prices varied considerably throughout 2009 - 2012 concurrent with shifts in the global economy and local and regional market influences. Current and past price variability and trends do not necessarily provide any indication of future trends. Any decreases in oil and natural gas prices would typically result in a reduction of the Company's net production revenue and may change the economics of producing from some wells which could result in a reduction in the volume of the Company's reserves. Any substantial declines in the prices of crude oil or natural gas could also result in delay or cancellation of existing or future drilling, development or construction programs or the curtailment of production. All of these factors could result in a material decrease in the Company's net production revenue, cash flows and profitability causing a reduction in its oil and gas acquisition and development activities. In addition, bank borrowings available to the Company will in part be determined by the Company's borrowing base. A sustained material decline in prices from historical average prices could further reduce such borrowing base, therefore reducing the bank credit available and could require that a portion of its bank debt, if any at that time, be repaid.

From time to time, the Company has and may in the future enter into agreements to receive fixed prices and/or price collars on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Company will not benefit from such agreements.

Production Growth Uncertainty

The medium-term production growth plan of the Company requires new reserves additions to replace production and increase proved reserves and resources. There are risks associated with the Company's business and operations that may result in production growth uncertainty, which include the following: (i) joint venture and operating contract expiries, including the Rubiales and Piriri contracts which will expire in June 2016; (ii) high competition for attractive reserves and resources acquisitions; (iii) limitations on oil recovery, including water production increases and environmental permitting delays relating to water disposal; and (iv) the Company's ability to solve the problems related to obtain environmental permits.

The Company expects to mitigate the risks associated with production growth through exploration and development of its existing properties, acquisitions of new properties, pursuit of enhanced oil recovery strategies, such as the STAR technology.

Exploration and Development

The exploration and development of oil and natural gas deposits involve a number of uncertainties that even thorough evaluation, experience and knowledge of the industry cannot eliminate. It is impossible to guarantee that the exploration programs on the Company's properties will generate economically recoverable reserves. The commercial viability of a new hydrocarbon pool is dependent upon a number of factors which are inherent to reserves, such as hydrocarbon composition, associated non-hydrocarbon fluids and proximity of infrastructure, as well as oil and natural gas prices which are subject to considerable volatility, regulatory issues such as price regulation, taxes, royalties, land tax, import and export of oil and natural gas, and environmental protection issues. The individual impact generated by

these factors cannot be predicted with any certainty but, once combined, may result in non-economical reserves. The Company will remain subject to normal risks inherent to the oil and natural gas industry such as unusual and unexpected geological changes in the parameters and variables of the petroleum system and operations.

Global Financial Conditions

Global financial conditions may be subject to high volatility resulting in numerous commercial and financial enterprises having either gone into bankruptcy or creditor protection or having had to be rescued by governmental authorities. In recent years, access to public financing has been negatively impacted by sub-prime mortgage defaults in the United States, the liquidity crisis affecting the asset-backed commercial paper and collateralized debt obligation markets, massive investment losses by banks with resultant recapitalization efforts and a deterioration in the global economy. More recently, the European debt crisis has affected equity investor sentiment and if it worsens could also affect worldwide credit markets which might impact the Company. Notwithstanding various actions by governments, concerns continue about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. Banks had been adversely affected by the worldwide economic crisis and had severely curtailed existing liquidity lines, increased pricing and introduced new and tighter borrowing restrictions to corporate borrowers, with extremely limited access to new facilities or for new borrowers. These factors, if they were to reoccur, could negatively impact the Company's ability to access liquidity needed for the Company's business in the longer term.

These factors may impact the Company's future ability to obtain equity, debt or bank financing on terms commercially reasonable to the Company, or at all. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses.

In addition, certain of our customers could be unable to pay us, in the event that they are unable to access the capital markets to fund their business operations.

Operating Hazards and Risks

Oil and gas drilling and producing operations at our onshore and offshore properties are subject to many risks, including the risk of fire, explosions, mechanical failure, pipe or well cement failure, well casing collapse, pressure or irregularities in formations, chemical and other spills, unauthorized access to hydrocarbons, accidental flows of oil, natural gas or well fluids, sour gas releases, contamination of oil and gas, vessel collision, structural failure, loss of buoyancy, storms or other adverse weather conditions and other occurrences. Even a combination of experience, knowledge and careful evaluation may not be able to overcome the existence of such risks. The Company's operations are also subject to the hazards and risks normally incidental to exploration, development and production of natural resources, any of which could result in work stoppages, damage to persons or property and possible environmental damage.

If any of these risks should materialize, the Company could incur legal defense costs and remedial costs and could suffer substantial losses due to injury or loss of life, human health risks, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, unplanned production outage, cleanup responsibilities, regulatory investigation and penalties, increased public interest in the Company's operational performance and suspension of operations.

In 2012, the Company acquired direct and indirect interests in the offshore drilling operations in: (i) Block Z-1, Peru; (ii) the Santos Basin, Brazil; and (iii) Guyana through its equity participation in CGX Energy. The Company's offshore drilling activities involve greater risk of mechanical problems than its onshore operations. The Company plans to continue to seek new offshore properties and drill in similar environments.

Although the Company may obtain liability insurance in an amount which is expected to be adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition. The Company believes that its coverage is aligned with customary industry practices and in amounts and at costs that the Company believes to be prudent and commercially practicable. While the Company believes these policies are customary in the industry, they do not provide complete coverage against all operating risks. In addition, the Company's insurance does not cover penalties or fines that may be assessed by a governmental authority. A loss not fully covered by insurance could have a material adverse effect on the Company's financial position, results of operations and cash flows. The insurance coverage that the Company maintains may not be sufficient to cover every claim made against the Company in the future. In addition, a major incident could impact the Company's reputation in such a way that it could have a material adverse effect on the Company's business. The Company operates and drills wells in both mature producing areas such as Colombia, Peru and Brazil and in several remote areas in multiple countries.

Security Risks

The Company's operations may be adversely affected by security incidents which are not within the control of the Company, including, among other things, kidnappings, extortion or criminal activity. In particular, the Company faces increased security risks in certain countries in which it operates, including Colombia, Papua New Guinea and Guyana. A significant security incident could result in the deferral of or termination of Company activity within the impacted areas of operations, thus adversely impacting execution of the Company's business strategy, which could adversely affect the Company's financial position, results of operations and cash flows.

Reserves Estimates

The process of estimating oil and gas reserves is complex and involves a significant number of assumptions in evaluating available geological, engineering and economic data; therefore, reserves estimates are inherently uncertain. Despite the fact that the Company has reviewed the estimates related to the potential reserves evaluation and probabilities attached thereto and it is of the opinion that the methods used to appraise its estimates are adequate, these figures remain estimates, even though they have been calculated or validated by independent appraisers. The reserves disclosed by the Company should not be interpreted as assurances of property life or of the profitability of current or future operations given that there are numerous uncertainties inherent in the estimation of economically recoverable oil and natural gas reserves.

Transportation Costs

Disruption in or increased costs of transportation services could make oil and natural gas a less competitive source of energy or could make the Company's oil and natural gas less competitive than other sources. The industry depends on rail, trucking, ocean-going vessel, pipeline facilities, and barge transportation to deliver shipments, and transportation costs are a significant component of the total cost of supplying oil and natural gas; currently, the Company transports via pipeline and trucks (to a certain

extent) its production from the Rubiales field, its primary source of revenue. Disruptions of these transportation services because of weather-related problems, strikes, lockouts, delays, mechanical problems or other events could temporarily impair the ability to supply oil and natural gas to customers and may result in lost sales. In addition, increases in transportation costs, or changes in transportation costs for oil and natural gas produced by competitors, could adversely affect profitability. To the extent such increases are sustained, the Company could experience losses and may decide to discontinue certain operations forcing the Company to incur closure and/or care and maintenance costs, as the case may be. Additionally, lack of access to transportation may hinder the expansion of production at some of the Company's properties and the Company may be required to use more expensive transportation alternatives.

Cash Flows and Additional Funding Requirements

Although the Company presently has sufficient financial resources and has been successful in the past in obtaining equity and debt financing to undertake its currently planned exploration and development programs, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. The recent global financial crisis resulted in severe economic uncertainty and illiquidity in capital markets which, if it were to reoccur, would increase the risk that additional financing will only be available on terms and conditions unacceptable to the Company or not at all.

Disruptions in Production

Other factors affecting the production and sale of oil and natural gas that could result in decreases in profitability include: (i) expiration or termination of leases, environmental permits or licences, or sales price re-determinations or suspension of deliveries; (ii) future litigation; (iii) the timing and amount of insurance recoveries; (iv) work stoppages or other labour difficulties; (v) worker vacation schedules and related maintenance activities; (vi) changes in the market and general economic conditions; and (vii) the results of negotiations with various aboriginal communities in the areas in which the Company operates. Weather conditions, equipment replacement or repair, fires, amounts of rock and other natural materials and other geological conditions can have a significant impact on operating results.

In 2012, the Company experienced delays receiving the requisite environmental permits from the Colombian government in order to re-inject water at the Rubiales field. There are thirteen environmental licenses or permits in progress for 2013, the most important of which are: (i) additional water injection license for the Rubiales field; (ii) exploration license for the CPE-6 block; and (iii) license to increase the oil production in the Copa field. The Company is working diligently to obtain all required permits and licenses and expects to receive these licenses during the first half of 2013. The Company has implemented internal protocols to ensure that its applications are completed accurately and filed in a timely manner so as to ensure any further delays.

Political Risk

The Company's projects are located in Colombia, Peru, Guatemala, Brazil, Papua New Guinea and Guyana, and consequently the Company will be subject to certain risks, including currency fluctuations and possible political or economic instability. Exploration and production activities may be affected in varying degrees by political stability and government regulations relating to the industry. Colombia was home to South America's largest and longest running insurgency, and over the past two decades has experienced significant social upheaval and criminal activity relating to drug trafficking. While the

situation has improved dramatically in recent years, there can be no guarantee that the situation will not again deteriorate. Any increase in kidnapping and/or terrorist activity in Colombia generally may disrupt supply chains and discourage qualified individuals from being involved with the Company's operations. Additionally, the perception that matters have not improved in Colombia may hinder the Company's ability to access capital in a timely or cost effective manner. Any changes in regulations or shifts in political attitudes are beyond the control of the Company and may adversely affect its business. Exploration may be affected in varying degrees by government regulations with respect to restrictions on future exploitation and production, price controls, export controls, foreign exchange controls, income taxes, expropriation of property, environmental legislation and site safety.

The Company's operations may also be adversely affected by the laws and policies of Canada affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with the Company's foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions. The Company may also be hindered or prevented from enforcing its rights with respect to governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, the Company's exploration, development and production activities in the foreign jurisdictions in which it operates could be substantially affected by factors beyond the Company's control, any of which could have a material adverse effect on the Company.

Labour Disruptions

In July, September and October 2011, the Company experienced labour unrest, including work stoppages at our Rubiales and Quifa fields, which resulted in some damage to property and a 24-hour production stoppage in July and a 48-hour stoppage in September. The July and September work stoppages were related to the demands of certain contract workers for better working conditions, higher salaries and more investment in the surrounding communities.

In October 2011, a group of unknown individuals entered the Rubiales and Quifa fields for the purpose of causing a labour disruption. These individuals were not the Company's employees or the employees of the Company's contractors. The Colombian authorities sent additional police and soldiers to the Company's fields to guarantee the protection of our assets, personnel and continuity of production. In 2011, these work stoppages resulted in an aggregate loss of net production of approximately 491,933 bbl. The agreements reached with these contract workers resulted in an increase in operating costs that is currently not material to the Company. However, future agreements could result in an increase to our labour costs.

Other companies operating oil and gas fields in Colombia have also experienced labour unrest. This type of labour disruption is sometimes experienced by companies operating in the resource industry. The Company cannot provide assurances that this type of labour disruption will not be experienced in the future.

Environmental Factors

All phases of the Company's operations are subject to environmental regulation in the countries in which it operates.

Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. In addition, certain types of operations require the submission and approval of environmental

impact assessments. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The exploration, development and production activities of the Company will require certain permits and licenses from various governmental authorities and such operations are and will be governed by laws and regulations governing exploration, development and production, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety and other matters. Companies engaged in exploration activities generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all licenses and permits which the Company may require to carry out exploration and development of its projects will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project that the Company may undertake.

Health Hazards and Personal Safety Incidents

The employee and contractor personnel involved in exploration and production activities and operations of the Company, including but not limited to, well drilling are subject to many inherent health and safety risks and hazards, which could result in occupational illness or health issues, personal injury, and loss of life, facility quarantine and/or facility and personnel evacuation. In particular, employees and contractors working in well drilling operations are subject to the possibility of loss of containment. This could lead to exposure to the release of high pressure materials as well as collateral shrapnel from piping or vessels which could result in personal injury and loss of life.

Title Matters

The acquisition of title to oil and natural gas properties in the jurisdictions in which the Company operates is a detailed and time-consuming process. The Company's properties may be subject to unforeseen title claims. While the Company will diligently investigate title to all property and will follow usual industry practice in obtaining satisfactory title opinions and, to the best of the Company's knowledge, title to all of the Company's properties is in good standing, this should not be construed as a guarantee of title. Title to the properties may be affected by undisclosed and undetected defects.

Dividends

Any payments of dividends on the Common Shares will be dependent upon the financial requirements of the Company to finance future growth, the financial condition of the Company and other factors which the Company's Board of Directors may consider appropriate in the circumstance. While the Board of Directors intends to continue paying a quarterly cash dividend in the amount of U.S.\$0.11 per common share, the continued payment of any dividends is strictly dependent on the financial position of the Company and, as such, is not guaranteed. For further details see the heading entitled "Dividends".

The provisions of the various trust indentures and credit arrangements to which the Company is a party restrict the Company's ability to declare and pay dividends to the Company's shareholders under certain circumstances and, if such restrictions apply, they may, in turn, have an impact on the Company's ability to declare and pay dividends. In the opinion of the Company's management, such provisions do not currently restrict or alter the Company's ability to declare or pay dividends.

Dependence on Management

The Chief Executive Officer, President, Co-Chairmen and senior officers of the Company are critical to its success. In the event of the departure of the Chief Executive Officer or a senior officer, the Company

believes that it will be successful in attracting and retaining qualified successors but there can be no assurance of such success. If the Company is not successful in attracting and retaining qualified personnel, the efficiency of its operations could be affected, which could have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

The Company strongly depends on the business and technical expertise of its management team and there is little possibility that this dependence will decrease in the near term.

Ability to Attract and Retain Qualified Personnel

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

Changes in Legislation

The oil and natural gas industry in the jurisdictions in which the Company operates is subject to extensive controls and regulations imposed by various levels of government. All current legislation is a matter of public record and the Company will be unable to predict what additional legislation or amendments may be enacted. Amendments to current laws, regulations and permits governing operations and activities of oil and natural gas companies, including environmental laws and regulations which are evolving in the jurisdictions in which the Company operates, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenditures and costs, affect the Company's ability to expand or transfer existing operations or require the Company to abandon or delay the development of new oil and natural gas properties.

Legislative changes may have an adverse impact on the Company's operations and performance, including any changes to tax legislation. Tax legislation in many jurisdictions undergo continuous review, and changes to tax legislation, such as the Colombian tax reform effective in 2013, may potentially have an adverse impact on the Company's operations.

Corruption

The Company's operations are governed by the laws of many jurisdictions, which generally prohibit bribery and other forms of corruption. The Company has policies in place to prevent any form of corruption or bribery, which includes requiring that all employees participate in ethics awareness training, enforcement of policies against giving or accepting money or gifts in certain circumstances and an annual certification from each employee confirming that each employee has not violated any applicable anti-corruption or bribery legislation. Despite the training and policies, it is possible that the Company, or some of its subsidiaries, employees or contractors, could be charged with bribery or corruption as a result of the unauthorized actions of its employees or contractors. If the Company is found guilty of such a violation, which could include a failure to take effective steps to prevent or address corruption by its employees or contractors, the Company could be subject to onerous penalties and reputational damage. A mere investigation itself could lead to significant corporate disruption, high legal costs and forced settlements (such as the imposition of an internal monitor). In addition, bribery allegations or bribery or corruption convictions could impair the Company's ability to work with governments or non-governmental organizations. Such convictions or allegations could result in the formal exclusion of the

Company from a country or area, national or international lawsuits, government sanctions or fines, project suspension or delays, reduced market capitalization and increased investor concern.

Litigation

From time to time, the Company may be the subject of litigation arising out of the Company's operations. Specific disclosure of current legal proceedings, and the risks associated with current proceedings and litigation generally, is disclosed under the heading entitled "Legal Proceedings".

Repatriation of Earnings

A significant portion of the Company's revenue generating operations are located in Colombia. Currently there are no restrictions on the repatriation from Colombia of earnings to foreign entities. However, there can be no assurance that restrictions on repatriation of earnings from Colombia will not be imposed in the future.

Enforcement of Civil Liabilities

Substantially all of the assets of the Company are located outside of Canada and certain of the directors and officers of the Company are resident outside of Canada. As a result, it may be difficult or impossible to enforce judgments granted by a court in Canada against the assets of the Company or the directors and officers of the Company residing outside of Canada.

Competition

The oil and natural gas industry is competitive in all its phases. The Company will compete with many companies and individuals that have substantially greater financial and technical resources than the Company in the search for, and the acquisition of, properties as well as for the recruitment and retention of qualified employees. The Company's ability to increase its interests in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select, acquire and develop suitable properties or prospects.

RESERVES DATA AND OTHER INFORMATION

The Company's reserves were evaluated by Petrotech, RPS and NSAI, each an independent petroleum engineering consulting firm, effective December 31, 2012, in accordance with NI 51-101. Petrotech, RPS and NSAI are each independent qualified reserves evaluators appointed pursuant to NI 51-101.

2012 Reserves Reports

RPS prepared the following reserves reports: (i) the report dated February 18, 2013, effective December 31, 2012, entitled "Reserves Certification Report for the Rubiales field, Colombia"; and (ii) the report dated February 18, 2013, effective December 31, 2012, entitled "Reserves Certification Report for the Quifa Field, South West Region, Colombia".

Petrotech prepared the report dated February, 28, 2013, effective December 31, 2012, entitled "Evaluation of the Proved & Probable Reserves of Pacific Rubiales Energy Corp. in 16 Blocks in Colombia and 1 Block Offshore, Peru for Year-Ending 2012".

NSAI prepared the report dated March, 2013, effective December 31, 2012, entitled “Estimates of proved and probable reserves and future revenue, as of December 31, 2012, to the Pacific Stratus Energy S.A. (Pacific) interest in certain oil properties located in Albacora and Corvina Fields, offshore Peru”.

Concurrently with the filing of this Annual Information Form, the Company has also filed the following in connection with the reserves reports noted above: (i) the *Statement of Reserves Data and Other Oil and Gas Information* on Form 51-101F1; (ii) the *Report on Reserves Data by Independent Qualified Reserves Evaluator* on Form 51-101F2, one by each of Petrotech, RPS and NSAI; (iii) the *Report of Management and Directors on Oil and Gas Disclosure* on Form 51-101F3, and (iv) the *Notice of Filing* on Form 51-101F4, which have been filed on SEDAR at www.sedar.com and are incorporated by reference into this Annual Information Form.

DIVIDENDS

The Board of Directors has not adopted a formal dividend policy. The Board of Directors reviews the financial performance of the Company on a quarterly basis and makes a determination of the appropriate level of dividends to be declared in the following quarter.

In 2012, the Company paid a quarterly dividend in cash in the amount of U.S.\$0.11 per Common Share. In the aggregate, approximately U.S.\$129.7 million was paid to holders of the Common Shares in 2012. To date, approximately U.S.\$256.7 million has been paid to shareholders of the Company in dividends.

Pacific Rubiales confirms that all dividends paid to shareholders in 2012 are “eligible dividends” pursuant to the provisions of the *Income Tax Act* (Canada). Furthermore, it is expected that all dividends paid in 2013 and subsequent years will be eligible dividends for such purposes.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of the Company consists of an unlimited number of Common Shares without par value and an unlimited number of preferred shares (“**Preferred Shares**”) without par value. As of the date hereof, there are 322,362,645 Common Shares issued and outstanding as fully paid and non-assessable.

As of the date hereof, no Preferred Shares of the Company are outstanding or have been issued.

Common Shares

Subject to the rights of the holders of Preferred Shares, the holders of Common Shares are entitled to dividends if, as and when declared by the Board of Directors, to one vote per Common Share at meetings of the Shareholders and upon liquidation, dissolution or winding-up, to share equally in such assets of the Company as are distributable to the holders of Common Shares.

Preferred Shares

The Preferred Shares may be issued in one or more series and, with respect to the payment of dividends and the distribution of assets in the event that the Company is liquidated, dissolved or wound-up, rank prior to the Common Shares. The Board of Directors have the authority to issue Preferred Shares in series and determine the price, number, designation, rights, privileges, restrictions and conditions, including dividend rights, redemption rights, conversion rights and voting rights, of each series without any further vote or action by Shareholders. The holders of Preferred Shares do not have pre-emptive

rights to subscribe for any issue of securities of the Company. At this time, the Company has no plans to issue any Preferred Shares.

Debentures

On August 28, 2008 the Company closed an offering of \$220 million principal amount of Debentures at a price of \$1,000 per Debenture, due August 29, 2013. A syndicate of underwriters also exercised an over-allotment option to purchase an additional \$20 million principal amount of debentures at the same offering price. Each Debenture is convertible into Common Shares at the option of the holder at any time prior to the close of business on August 29, 2013 at a conversion price of \$13 per Common Share, being a conversion rate of 76.9231 Common Shares per \$1,000 principal amount per debenture, subject to adjustment in certain events.

On October 25, 2011, the Company provided notice to all holders of the Debentures of an incentive opportunity to voluntarily convert their Debentures at the then current conversion rate, plus an incentive amount payable in Common Shares for a temporary period commencing November 9, 2011 and expiring at 5:00 p.m. (Toronto time) on November 29, 2011.

Debenture holders who chose to convert their Debentures during the Early Conversion Period received: (i) all of the Common Shares contractually due under the current conversion rate of 77.9359 Common Shares per \$1,000 face value of Debentures; (ii) an additional number of Common Shares with value equal to \$200 per \$1,000 face value of Debentures comprised of a “make whole” payment representing the coupon to maturity and an incentive for converting early. Holders who converted their Debentures during the Early Conversion Period received accrued and unpaid interest up to and including the date that is one day prior to the conversion date payable in cash pursuant to the terms of the Debenture Indenture.

During the Early Conversion Period, \$236,223,000 or 98.9% of the Debentures were converted early, representing an issuance of 20,450,600 Common Shares, of which 2,040,352 represented the incentive Common Shares.

As of the date hereof, there are approximately \$2.7 million principal amount of Debentures outstanding.

For further details regarding the Debentures see the headings entitled “Historical Overview – Kappa Acquisition and Offering of Convertible Debentures” and “Historical Overview – Early Conversion of the Debentures”.

2009 Senior Notes

On November 10, 2009, the Company closed an offering of U.S.\$450 million principal amount of 2009 Senior Notes. The 2009 Senior Notes are due 2016 and were issued at a price of 99.09% of the principal amount, for aggregate net proceeds to the Company of approximately U.S.\$442 million, after taking into account discounts, commissions and expenses of the offering. The 2009 Senior Notes are direct, unsecured senior obligations of the Company and rank equal in right of payment with all of its existing and future senior unsecured debt. The Company will redeem a portion of the principal of the notes on each of November 10, 2014 (33.33%), November 10, 2015 (33.33%), and November 10, 2016 (33.34%). The Company may, at its option at any time, redeem the 2009 Senior Notes, in whole but not in part, at the greater of: (i) 100% of their principal amount plus accrued interest and additional amounts, if any; and (ii) the sum of the present values of the remaining scheduled payments of principal and interest and

additional amounts, if any, on the 2009 Senior Notes, discounted to the date of redemption at the applicable treasury rate plus 75 basis points.

On December 5, 2011, the Company commenced an offer to exchange its 2009 Senior Notes and a solicitation of Consents to proposed amendments to the 2009 Indenture. The purpose of the Exchange Offer was to revise the covenant package of the 2009 Senior Notes and to diversify the maturity profile of the Company's existing debt by extending the maturity of a portion of its outstanding debt from 2016, the maturity of the 2009 Senior Notes, until 2021, the maturity of the 2011 Senior Notes.

As of the Expiration Date, the Exchange Offer resulted in U.S.\$358.5 million aggregate principal amount of the 2009 Senior Notes being validly tendered and accepted for 2011 Senior Notes. This represents approximately 80% of the total outstanding 2011 Senior Notes.

Currently, there are approximately U.S. \$91.5 million aggregate principal amount of 2009 Senior Notes outstanding.

For further details regarding the 2009 Senior Notes see the headings entitled "Historical Overview – 2009 Senior Notes Exchange Offer".

2011 Senior Notes

On December 12, 2011, the Company closed an offering of U.S.\$300 million in 2011 Senior Notes. The net proceeds from the sale of the 2011 Senior Notes will be used by the Company for general corporate purposes, which may include acquisitions and investments in oil and gas sector assets and related infrastructure.

The 2011 Senior Notes are direct, unsecured, subordinated obligations and will rank *pari passu* without preference among themselves. The 2011 Senior Notes bear interest at an annual rate of 7.25% on the outstanding principal amount, payable semi-annually in arrears on June 12th and December 12th of each year, commencing on June 12, 2012. The 2011 Senior Notes will mature on December 12, 2021.

The 2011 Senior Notes have been assigned ratings of BB by Fitch Ratings and Standard & Poor's Corporation, and Ba2 by Moody's Investors Services.

The 2011 Senior Notes were placed through a syndicate of underwriters, led by Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Joint Lead Manager and Sole Bookrunner, and including J.P. Morgan Securities LLC and RBC Capital Markets, LLC, as Joint Book-running Managers, and GMP, as Co-Manager. The Notes were placed with Qualified Institutional Buyers in the United States pursuant to the registration exemptions provided by Rule 144A of the Securities Act of 1933, and on a private placement basis in certain provinces of Canada, as well as internationally as permitted by applicable securities laws in such jurisdictions.

Currently, there are approximately U.S. \$712.3 million aggregate principal amount of 2011 Senior Notes outstanding.

For further details regarding the 2011 Senior Notes see the headings entitled "Historical Overview – 2011 Senior Notes".

Shareholder Rights Plan

On March 9, 2009, the Board of Directors approved a shareholder protection rights plan agreement (the “**2009 Rights Plan**”) entered into between the Company and Equity Financial Trust Company (formerly Equity Transfer & Trust Company) (“**Equity Financial**”) as rights agent. The purpose of the 2009 Rights Plan was to encourage an offeror either to make a Permitted Bid (as defined in the 2009 Rights Plan), without approval of the Board of Directors, having terms and conditions designed to meet the objectives of the 2009 Rights Plan, or to negotiate the terms of an offer with the Board of Directors. Failure to do either creates the potential for substantial dilution of the offeror’s position. The 2009 Rights Plan was to continue in force until the annual meeting of shareholders in 2012.

On April 23, 2012, the Board approved a new shareholder protection rights plan agreement (the “**2012 Rights Plan**”) entered into between the Corporation and Equity Financial. The terms of the 2012 Rights Plan are substantially similar to the 2009 Rights Plan.

The TSX accepted notice for filing of the 2012 Rights Plan, subject to standard conditions including ratification of the 2012 Rights Plan by shareholders of the Company. The 2012 Rights Plan was subsequently confirmed by shareholders at the Company’s 2012 annual and special meeting. The 2012 Rights Plan will continue to be in force until the annual meeting of shareholders in 2015 or until otherwise terminated pursuant to the provisions of the agreement. A copy of the 2012 Rights Plan has been filed and is available on SEDAR at www.sedar.com.

MARKET FOR SECURITIES

Trading Price and Volume

Common Shares

The Common Shares are listed on the TSX under the trading symbol “PRE” and on the BVC under the Trading symbol “PREC”. The closing price of the Common Shares on the TSX on March 13, 2013 was \$24.79.

The following table sets out the high and low trading of the Common Shares for the periods indicated, as reported by the TSX.

Period (2012)	High	Low	Trading Volume
December	\$23.50	\$21.60	15,536,206
November	\$23.87	\$20.94	17,300,156
October	\$25.16	\$22.80	14,506,587
September	\$26.12	\$22.06	19,213,833
August	\$25.34	\$21.10	22,552,649
July	\$23.79	\$21.55	19,298,834
June	\$26.75	\$20.76	28,255,980
May	\$29.01	\$25.12	27,444,540
April	\$29.21	\$26.40	19,096,208
March	\$31.10	\$27.51	25,776,251
February	\$30.23	\$24.83	18,409,708
January	\$25.84	\$18.98	18,966,282

The following table sets out the high and low trading of the Common Shares for the periods indicated, as reported by the BVC, in Colombian Pesos.

Period (2012)	High	Low	Trading Volume
December	42,580	39,600	3,702,003
November	43,300	38,540	4,487,170
October	45,860	42,740	15,797,283
September	48,360	40,620	15,494,644
August	46,300	37,780	14,006,296
July	41,900	38,200	13,998,677
June	46,860	36,440	15,173,846
May	51,740	44,600	15,391,785
April	52,200	47,400	13,344,557
March	55,200	48,540	27,453,804
February	53,620	44,540	21,563,431
January	46,320	35,300	18,967,748

Debentures

The Debentures are listed on the TSX under the trading symbol “PRE.DB”, and commenced trading on August 28, 2008. The following table sets out the high and low trading of the Debentures for the periods indicated as reported by the TSX.

Period (2012)	High	Low	Trading Volume
December	\$170.00	\$170.00	3,000
November	\$175.01	\$175.01	9,000
October	\$194.00	\$194.00	12,000
September	\$203.38	\$201.00	75,000
August	\$197.56	\$195	37,000

Period (2012)	High	Low	Trading Volume
July*	N/A	N/A	N/A
June	\$201.44	\$173.00	56,000
May	\$222.03	\$210.86	67,000
April	\$235.00	\$220.00	160,000
March	\$250.00	\$230.00	325,000
February	\$234.99	\$200.72	240,000
January	\$190.00	\$190.00	4,000

* No transactions took place in July 2012.

2009 Senior Notes

The 2009 Senior Notes are listed on the Luxemburg Stock Exchange as “PacificRubEnerg 8.75% 09-16 10/11s ne” and commenced trading on November 10, 2009. The trading activity for the 2009 Senior Notes during 2012, as reported by the Luxemburg Stock Exchange, is insufficient to provide meaningful trading data for the purposes of this Annual Information Form.

Prior Sales

There are no securities in the capital of the Company that were issued but not listed on a marketplace during the most recently completed financial year of the Company, other than the following:

Date of Sale	Type of Security	Number of Securities	Exercise/Conversion Price	Expiry Date
January 18, 2012	Stock Options	5,894,000	\$22.75	January 18, 2017
March 30, 2012	Stock Options	70,500	\$29.10	March 30, 2017

DIRECTORS AND OFFICERS

Directors and Officers of the Company

As of the date hereof, the directors and executive officers of the Company (as a group) owned, or exerted direction or control over, a total of 11,938,856 Common Shares, representing 3.70% of the Company’s total issued and outstanding Common Shares on a non-fully diluted basis.

The information is given below with respect to each of the current directors and executive officers of the Company. The term of office of each director expires at the end of the May 31, 2013 annual meeting of shareholders.

The following table sets forth the name, municipality of residence of each director and executive officer of the Company, as well as such individual’s position within the Company, principal occupation within the five (5) preceding years and number of Common Shares beneficially owned by each such director or executive officer. Information as to residence, principal occupation and Common shares owned is based upon information furnished by the person concerned and is as at the date of this Annual Information Form.

Name, Municipality of Residence and Current Position with the Company	Director Since	Present Principal Occupation or Employment (including all officer position currently held with the Company), Principal Occupation or Employment for the Past Five Years or more, and Other Current Public Directorships	Common Shares Owned⁽¹⁾
erafino Iacono ⁽²⁾ Caracas, Venezuela Executive Co-Chairman, Director	January 23, 2008	Co-Chairman of the Board of the Company since January 23, 2008; Co-Chairman of the Board of Pacific Stratus from August 21, 2006 to January 23, 2008. Mr. Iacono is also a director of Gran Colombia Gold Corp. and Pacific Coal.	966,300
Miguel de la Campa ⁽²⁾⁽⁵⁾ Caracas, Venezuela Executive Co-Chairman, Director	January 23, 2008	Co-Chairman of the Board of the Company since January 23, 2008; Co-Chairman of the Board of Pacific Stratus from August 21, 2006 to January 23, 2008. President and Chief Operating Officer of Bolivar Gold Ltd., a gold producer, from February 2003 to February 2006. Mr. de la Campa is also a director of Gran Colombia Gold Corp. and Pacific Coal.	1,498,065
Ronald Pantin ⁽²⁾ Bogotá, Colombia Chief Executive Officer, Director	May 22, 2007	Chief Executive Officer of the Company since May 2007. Mr. Pantin is also a director of Pacific Coal.	1,265,250
José Francisco Arata ⁽²⁾⁽⁶⁾⁽⁷⁾ Caracas, Venezuela President, Director	January 23, 2008	President of the Company since January 23, 2008; Chief Executive Officer and director of Pacific Stratus from August 21, 2006 to January 23, 2008; and Executive Vice President, Exploration of Bolivar Gold Ltd. from July 1997 to February 2006. Mr. Arata is also a director of Pacific Coal and CGX Energy.	1,486,023
German Efromovich São Paulo, Brazil Director	June 16, 2007	Entrepreneur and director of Synergy Group of Companies, which is involved in ship and drilling rig leasing and manufacturing, oil production and aviation services. Mr. Efromovich is also a director of Avianca.	6,447,084 ⁽⁸⁾
Augusto Lopez Bogotá, Colombia Director	April 30, 2008	Mr. Lopez is an electrical engineer, a designation obtained through the Sociedad Antioqueña de Ingenieros in Colombia, and holds an Electrical Engineering Degree from Universidad Pontificia Bolivariana. Mr. Lopez is a director of Pacific Rubiales and has held the position since April 2008. Mr. Lopez has worked for over 40 years in various capacities and in various industries in South America and Europe, during 15 years as President of Bavaria, S.A., Colombia's largest beverage company. Mr. Lopez also held senior positions at Inversiones Bavaria S.A., an investment company. Mr. Lopez is the managing partner of Prospectiva Financiera, a consulting firm specializing in investment banking. Mr. Lopez is a director of Petroamerica Oil Corp., of Gran Colombia Gold Corp., and of Sportsat a firm operator of a national T.V channel and producers of contents for television. Mr. Lopez also participates on the boards of other public and private companies in South America and Europe.	38,000

Name, Municipality of Residence and Current Position with the Company	Director Since	Present Principal Occupation or Employment (including all officer position currently held with the Company), Principal Occupation or Employment for the Past Five Years or more, and Other Current Public Directorships	Common Shares Owned ⁽¹⁾
Victor Rivera ⁽⁵⁾⁽⁶⁾⁽⁷⁾⁽⁸⁾ Bogotá, Colombia Director	February 16, 2010	Mr. Rivera is a petroleum engineer with over 33 years of experience in the Colombian hydrocarbon exploration and production sector, having served as President and CEO of Hocol S.A. for a number of years as well as “High Commissioner for the Protection of Energy Infrastructure” for the Colombian government.	12,600
Miguel Rodriguez ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁸⁾⁽¹⁰⁾ Pully, Switzerland Director	April 30, 2008	Mr. Rodriguez is a business consultant. He was a Professor of Economics, Instituto de Estudios Superiores de Administración (IESA), Caracas, from 1984-2006. Dean, Faculty of Economics and Social Sciences, Universidad Santa María, from 2002-2004. Chairman Astra Fund (Davos Group) from 2005-2006, Chairman Incofin, Inc. (Davos Group) from 1997-2006, and President of MRConsultores and Incofin, Inc., 1995-2006. Mr. Rodriguez is also a director of Pacific Coal.	11,547
Neil Woodyer ⁽⁴⁾ Monte Carlo, Monaco Director	February 22, 2008	Mr. Woodyer was the founding partner of Endeavour Group in 1988. He is CEO to Endeavour Mining and is responsible for implementing the corporation's strategic growth plan and coordinating and directing the entire management and professional team. Mr. Woodyer has over thirty years of experience in the mining sector developing, implementing and financing strategic growth plans.	Nil
Hernan Martinez ⁽³⁾⁽⁶⁾⁽⁷⁾⁽⁸⁾ Barranquilla, Colombia Director	May 31, 2011	Mr. Martinez has served as the Colombian Minister of Mines and Energy from July 2006 to August 2010 and he has also served as President of International Colombia Resources Corporation, President of Atunec S.A., President and Chief Executive Officer of Exxon Mobil Colombia S.A., and Manager of Corporate Planning for Esso Colombiana S.A. Mr. Martinez is also Executive Chairman of Pacific Coal. Mr. Martinez currently sits on the board of directors of CB Gold Inc., and previously, was a director of various private and public companies, including Interconexion Electrica S.A. ESP, Transmision Electrica S.A., and Inversura S.A., ISAGEN Energia Productiva, and was Chairman of Cart Escopetorl. Mr. Martinez has also served as Council President and Representative of the President of Colombia at the National Hydrocarbons Agency. Mr. Martinez is also a director of Gran Colombia Gold Corp.	9,000
Dennis Mills ⁽³⁾⁽⁵⁾⁽⁸⁾ Toronto, Canada Director	February 13, 2012	Mr. Mills was Vice Chairman and Chief Executive Officer of MI Developments Inc. from 2004 to 2011, and a Vice-President at Magna International from 1984 to 1987. Mr. Mills served as a Member of Parliament in Canada's federal parliament from 1988 to 2004. While a Member of Parliament, Mr. Mills was Parliamentary Secretary to the Minister of Industry from 1993 to 1996, the Parliamentary Secretary to the Minister of Consumer and Corporate Affairs from 1993 to 1995 and the Chair of the Committee studying the Industry of Sport in	Nil

Name, Municipality of Residence and Current Position with the Company	Director Since	Present Principal Occupation or Employment (including all officer position currently held with the Company), Principal Occupation or Employment for the Past Five Years or more, and Other Current Public Directorships	Common Shares Owned ⁽¹⁾
Francisco Solé⁽⁴⁾ Bogotá, Colombia Director	February 13, 2012	Canada. Mr. Mills was the Senior Policy Advisor to the Cabinet Committee on Communications (1980-1984), Advisor to the Minister of Energy (1980-1981), Senior Advisor to the Minister of Multiculturalism (1980), and Senior Communications Advisor to the Prime Minister of Canada, The Right Honourable Pierre Elliott Trudeau (1980-1984). Mr. Solé has served Grupo Planeta, a Colombian publishing and media company, in various capacities since 1989, and currently he is a member of the board of directors of this group in Colombia. Mr. Solé is also on the board of directors for Mapfre Seguros Generales de Colombia, S.A., and Mapfre Colombia Vida Seguros, S.A.. He is an advisor to the General Directorate of Telemark Spain and General Director of Empresas de Inversiones Rasma, S.A.S. and Andina Media de Inversiones, S.A.S. Mr. Solé has been corporate president for the Andean area of Grupo Planeta, vice president of El Tiempo Publishing House and member of the Board of Directors for CEET TV, El Tiempo Publishing House and Canal 3 Televisión in Colombia. From 1985-1989 he was General Director and Director of Administration at the oil refining company Lubricantes del Este de España (LUDESA), in Spain. He has also been Department Head, Accountant and Section Chief in the department of cost accounting at Novartis, a chemical and pharmaceutical company.	Nil
Carlos Perez Bogotá, Colombia Chief Financial Officer	N/A	Chief Financial Officer of the Company since June 18, 2007. Vice President of Petrolago, S.A. from August 2002 to June 2007.	Nil
Peter Volk Toronto, Ontario Canada General Counsel	N/A	General Counsel of the Company since January 23, 2008 and Secretary of the Company from January 2008 to May 2012. Previously General Counsel and Secretary of Pacific Stratus from October 26, 2004 to January 23, 2008. General Counsel and Secretary of Bolivar Gold Corp., a gold producer, from July 1997 to February 2006.	32,407
Eduardo Lima Panama City, Panama Senior Vice President, Projects Development	N/A	Senior Vice President, Projects Development of the Company since January 23, 2008. Senior Vice President Business Development of the Company from June 2007 to January 2008. President of Servicom-e S.A. from October 2005 to May 2007. Technical Vice President of Vengas (Enron Venezuela) from December 2000 to June 2003.	57,402

Name, Municipality of Residence and Current Position with the Company	Director Since	Present Principal Occupation or Employment (including all officer position currently held with the Company), Principal Occupation or Employment for the Past Five Years or more, and Other Current Public Directorships	Common Shares Owned⁽¹⁾
Luis Andres Rojas Bogotá, Colombia Senior Vice President, Production	N/A	Senior Vice President, Production of the Company since January 23 2008. Chief Operating Officer of the Company from May 2007 to January 2008. Senior Consultant of Consultores Energicos Venezolanos from June 2004 to May 2007. President of PDVSA Intevep from September 2002 to January 2003.	40,250
Nelson Lee Markham, Ontario, Canada Senior Vice President, Finance	N/A	Senior Vice President, Financial since January 23, 2008. Chief Financial Officer of Medoro Resources Ltd. from October, 2006 to April, 2010.	8,657
Marino Ostos Bogotá, Colombia Senior Vice President, New Areas	N/A	Senior Vice President, New Business of the Company since January 23, 2008. Chief Operating Officer of Pacific Stratus from August 2006 to October 2007. President Colombian Operations of Pacific Stratus from May 2006 to May 2007. President and Chief Executive Officer of Pacific Stratus from October 2004 to August 2006. Principal of Estudios de Ingenieria Geologica LITOS C.A. from December 1999 to October 2004. Mr. Ostos is also a director of CGX Energy.	Nil
Jairo Lugo Bogotá, Colombia Senior Vice President, Exploration	N/A	Senior Vice President, Exploration of the Company since January 23, 2008. Executive Vice President, Exploration of Pacific Stratus from October, 2004 to January, 2008. Director of Exploration of Arauca Energy Group from April, 2003 to October, 2004. Exploration coordinator for PDVSA 2000-2002, G&G Manager for PDVSA-CVP 1998-2000, and various exploration geologist positions from 1990-1998 for PDVSA.	25,000
Daniel Loureiro Caracas, Venezuela Senior Vice President, Geosciences	N/A	Senior Vice President, Geosciences of the Company since January 23, 2008. Corporate Vice President, New Business of Pacific Stratus from September 2005 to January, 2008. New Business Manager of Estudios de Ingenieria Geologica LITOS C.A. from April, 2003 to September, 2005.	Nil
William Mauco Bogotá, Colombia Senior Vice President, Trading	N/A	Senior Vice President, Trading of the Company since March 1, 2009. An electronics engineer with thirty-three years of experience in the oil and gas industry, mainly with PDVSA in which he held several senior positions, including Strategic Planning Manager of that company's Downstream Division, Commercial Director of PDVSA and Managing Director of PDVSA's Financial Investment affiliate (SOFIP). Mr. Mauco was also President of the board of Deltaven, Vice President of Corporacion Venezolana del Petroleo, and a board member of PDVSA's joint ventures: Nynas of Sweden, Isla Refinery in Curacao and Bonaire Petroleum Corporation. He joined Enron Venezuela as Vice President of New Business Development, and Trigeant Petroleum in the USA as Marketing Director. He also worked for the International Oil Trading Company as Vice President of Business Development until he joined Pacific Rubiales.	32,571

Name, Municipality of Residence and Current Position with the Company	Director Since	Present Principal Occupation or Employment (including all officer position currently held with the Company), Principal Occupation or Employment for the Past Five Years or more, and Other Current Public Directorships	Common Shares Owned ⁽¹⁾
Luis Pacheco Bogotá, Colombia	N/A	Senior Vice President, Planning of the Company since 2008. Dr. Pacheco has over 27 years of experience in the energy industry, including 17 years in the Venezuelan oil industry. While in PDVSA, he held a number of senior positions including Managing Director of BITOR and Executive Director for Corporate Planning. He holds a Ph.D. degree in Mechanical Engineering from the Imperial College, University of London (1981). Prior to joining the company he was special advisor on strategy and energy to the Presidency of CANTV (2005-2007). For a number of years Dr. Pacheco lectured at Universidad Simon Bolivar and he is presently Visiting Lecturer at the Instituto de Estudios Superiores de Administracion (IESA) and UNIANDES.	8,000
Senior Vice President, Planning & IT			
Chris LeGallais Calgary, Alberta, Canada	N/A	Senior Vice President, Investor Relations of the Company since September 2, 2011. Vice President of Investor Relations from 2003 to August, 2011; and Manager of Exploration Business Planning and Risk/Reserve Assessment at Talisman Energy Inc. from 1998 to 2002. Manager Business Development at Pan East Petroleum Corp. from 1994 to 1997. Vice President Exploration at OGY Petroleum Limited from 1991 to 1993.	500
Senior Vice President, Investor Relations			

Notes:

- (1) Common Shares beneficially owned, or controlled or directed, directly or indirectly, or over which control or direction is exercised.
- (2) Member of the Executive Committee.
- (3) Member of the Audit Committee.
- (4) Member of the Compensation and Human Resources Committee.
- (5) Member of the Corporate Governance and Nominating Committee.
- (6) Member of the Reserves Committee.
- (7) Member of the Sustainability Committee.
- (8) Member of the NBOC.
- (9) A total of 6,447,084 Common Shares are held by PF One, a company in which German Efromovich holds a controlling interest.
- (10) Mr. Rodriguez is the lead independent director.

Corporate Cease Trade Orders

No director or executive officer of the Company, is, or within the ten years prior to the date hereof, has been a director, chief executive officer or chief financial officer of any company that was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemptions under securities legislation for a period of more than 30 consecutive days, while such director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of the company being the subject of such order, or that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer in the company being the subject of such order 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 of the subject company.

Corporate Bankruptcies

No director or executive officer, or a shareholder holding a sufficient number of securities in the capital of the Company to affect materially the control of the Company, is or within ten years prior to the date hereof, has been a director or executive officer of any company, that while that person was acting in that

capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

No director or executive officer of the Company, and no shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to 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 any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

Personal Bankruptcies

No director or executive officer of the Company, and no shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, nor any personal holding company of any such person, has, during the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or has been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his, her or its assets.

Conflicts of Interest

There are potential conflicts of interest to which the directors or officers of the Company may be subject in connection with the operations of the Company. All of the directors and officers are engaged in and will continue to be engaged in corporations or businesses which may be in competition with the business of the Company. Accordingly, situations may arise where the directors and officers will be in direct competition with the Company. Conflicts, if any, will be subject to the procedures and remedies as provided under the BCBCA.

The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. If such conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for the participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the Company making the assignment. In accordance with the laws of the Province of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Related Party Transactions

According to IFRS, parties are considered to be related if one party has the ability to “control” (financially or by share capital) the other party or have significant influence (management) on the other party in making financial, commercial and operational decisions. On May 31, 2012, the board of directors of the Company created the NBOC to review and approve related party transactions. The NBOC is comprised of the following independent directors: Miguel Rodriguez (Chair), Dennis Mills, Victor Rivera and Hernan Martinez. The NBOC is apprised of related party transactions prior to implementation, engages independent legal counsel, as needed, and meets in camera to deliberate. The NBOC also reviews the business rationale for the transaction and ensures that the transaction is in compliance with applicable securities laws and the Company’s debt covenants.

The Company’s internal audit and legal compliance departments also monitor related party transactions. The audit and legal compliance teams work together to compose a list of potential related parties. This list is cross-checked against the Company’s list of suppliers and other creditors.

The related party transactions listed below were in the normal course of operations and were measured at fair value, which are the amounts of consideration established and agreed to by the related parties and which, in the opinion of management and the NBOC, are considered similar to those negotiable with third parties.

The following sets out the details of the Company’s related party transactions as measured at the exchange amount (U.S.\$ thousands, or unless otherwise stated):

- In June 2007, the Company entered into a 5-year lease agreement with Blue Pacific for administrative office space in one of its Bogota, Colombia locations. Monthly rent expense of \$57 is payable to Blue Pacific under this agreement. Messrs. Arata, de la Campa, Iacono (directors and officers of the Company) and Mr. von Siegmund (an officer of the Company) of the Company control, or provide investment advice to the holders of, 67.2% of the shares of Blue Pacific. During 2011, the lease was amended to include additional space in Bogota for a 10-year term with a monthly rent of \$0.4 million, and assignment of the lessor to an entity controlled by Blue Pacific.
- As at December 31, 2012, the Company had trade accounts receivable of \$4.4 million (December 31, 2011 - \$2.4 million) from Proelectrica, in which the Company has a 24.9% indirect interest and which is 31.49% owned by Blue Pacific. The Company’s and Blue Pacific’s indirect interests are held through Pacific Power. Revenue from Proelectrica in the normal course of the Company’s business was \$39.3 million for the year ended December 31, 2012 (2011 - \$25.6 million).
- In October, 2012, the Company and Ecopetrol signed two build, own, manage, and transfer (“**BOMT**”) agreements with Consorcio Genser Power-Proelectrica (“**Genser-Proelectrica**”) to acquire certain power generation assets for the Rubiales field. Genser-Proelectrica is a joint venture between Proelectrica and Genser Power Inc. which is 51% owned by Pacific Power. Total commitment under the BOMT agreements is \$229.7 million over ten years. At the end of the Rubiales Association Contract in 2016, the Company’s obligations along with the power generation assets will be transferred to Ecopetrol. As of December 2012, those assets are under construction and the Company has not made any payment.

- During the year ended December 31, 2012, the Company paid \$40.7 million (2011 - \$47.1 million) to Transmeta in crude oil transportation costs. In addition, the Company has accounts receivable of \$2.4 million (2011 - \$3.2 million) from Transmeta and accounts payable of \$8.5 million (2011 - \$5.5 million) to Transmeta as at December 31, 2012. Transmeta is controlled by Mr. German Efromovich, a director of the Company.
- Loans receivable from related parties in the aggregate amount of \$179 (2011 – \$490) are due from three directors and three officers (2011 – three directors and three officers) of the Company. The loans are non-interest bearing and payable in equal monthly payments over 48-month terms. The loans were issued to these individuals in connection with costs incurred by them as a result of their relocations.
- The Company has entered into aircraft transportation agreements with PAS, a company controlled by Mr. Efromovich. During 2012, the Company paid \$14.3 million (2011 - \$9.5 million) in fees as set out under the transportation agreements. The Company’s accounts payable to PAS as at December 31, 2012 are \$2.8 million (2011 – Nil).
- During the year ended December 31, 2012, the Company paid \$125.8 million to ODL (2011 - \$80.2 million) for crude oil transport services under the pipeline take or pay agreement, and has accounts payable of \$5 million to ODL as at December 31, 2012 (2011 -\$1 million). In addition, the Company received \$0.8 million from ODL during the year ended December 31, 2012 (2011 - \$1.6 million) with respect to certain administrative services and rental equipment and machinery. The Company’s accounts receivable from ODL as at December 31, 2012 was \$0.2 million (2011 – Nil).
- The Company will make subordinated loans to OBC for up to \$237.3 million, \$140 million of which have been made as of December 31, 2012. The principal of the subordinated loan will be repaid in 10 equal semi-annual installments starting in 2025, after OBC has repaid its bank loans in full. The loans carry an annual interest rate of 7.32% with semi-annual interest payments. As at December 31, 2012 the balance of loans outstanding to the Company under the agreement is \$32 million, (December 31, 2011: \$102.3 million). The Company has received \$2.1 million as at December 31, 2012 (2011: Nil) with respect to certain administrative services and rental equipment and machinery. As at December 31, 2012 the Company has Nil as short-term advance (December 31, 2011 - \$8 million) to OBC to fund on-going work commitments. Interest income of \$5.8 million was recognized and \$5.7 million was paid on the loan during 2012 (December 31, 2011: \$0.3 and Nil).
- As at December 31, 2012, the Company has accounts payable of Nil (December 31, 2011 \$0.4 million) due to Helicol with respect to air transportation services and paid during the year \$2.5 million for this service (2011 -\$1.3 million). Helicol is controlled by Mr. Efromovich, a director of the Company.
- In October 2012 the Company entered into an agreement and consent with Pacific Coal, Blue Advanced Colloidal Fuels Corp. (“**Blue ACF**”), Alpha Ventures Finance Inc. (“**Alpha**”), and an unrelated party whereby the Company acquired from Pacific Coal a right to a 5% equity interest in Blue ACF for cash consideration of \$5 million. Blue ACF is a company engaged in developing colloidal fuels, and is currently 100% owned by Alpha which is controlled by Blue Pacific. As part of the purchase Pacific Coal has also assigned to the Company the right to acquire up to an additional 5% equity interest in Blue ACF for an additional investment of up to \$5 million. The Company currently has a 14.4% equity interest in Pacific Coal.

LEGAL PROCEEDINGS

From time to time, the Company is the subject of litigation arising out of the Company's operations. Damages claimed under such litigation may be material or may be indeterminate and the outcome of such litigation may materially impact the Company's financial condition or results of operations. While the Company assesses the merits of each lawsuit and defends itself accordingly, the Company may be required to incur significant expenses or devote significant resources to defend itself against such litigation. These claims (if any) are not currently expected to have a material impact on the Company's financial position.

For further details with respect to legal proceedings, please see the Company's audited consolidated financial statements for the years ended December 31, 2012 and 2011 dated March 13, 2013.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed herein, no director or executive officer of the Company or any shareholder controlling, directly or indirectly, more than 10% of the issued and outstanding Common Shares, or another of their respective associates or affiliates, has any material interest in any transactions or any proposed transactions which has materially affected or will materially affect the Company or any of its subsidiaries.

TRANSFER AGENT AND REGISTRAR

Equity Financial, 200 University Ave., Suite 400, Toronto, Ontario, M5H 4H1, is the transfer agent and registrar for the Common Shares and Warrants of the Company.

MATERIAL CONTRACTS

The following are the only material contracts, other than contracts entered into in the ordinary course of business not otherwise required to be disclosed, that have been entered into by the Company within the most recently completed fiscal year or before the most recently completed fiscal year but still in effect:

- (a) the Debenture Indenture dated August 7, 2008, as amended, in connection with the issuance of the Debentures (for further information see the heading entitled "Historical Overview – Kappa Acquisition and Offering of Debentures");
- (b) the 2009 Indenture dated November 10, 2009 in connection with the issuance of the 2009 Senior Notes (for further information see the heading entitled "Historical Overview – 2009 Senior Notes Financing");
- (c) the Revolving Credit Facility and the Amendment (for further information see the heading entitled "Historical Overview – Revolving Credit Facility");
- (d) the 2011 Indenture dated December 12, 2011 in connection with the issuance of the 2011 Senior Notes (for further information see the heading entitled "Historical Overview – 2011 Senior Notes Financing");
- (e) the 2012 Rights Plan dated March 9, 2012 (for further information see the heading entitled "Shareholder Rights Plan");

- (f) the U.S. Dollar Facility dated September 13, 2012 (for further information see the heading entitled “Historical Overview – Revolving Credit Facilities”); and
- (g) the Colombian Peso Facility dated September 13, 2012 (for the further information see the heading entitled “Historical Overview – Revolving Credit Facilities”).

INTERESTS OF EXPERTS

The auditors of the Company are Ernst & Young LLP, Chartered Accounts, Vancouver, British Columbia. Ernst & Young LLP are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia. Ernst & Young LLP were first appointed auditors of the Company on August 8, 2007.

As of the date hereof, none of the independent petroleum experts, Petrotech, RPS or NSAI, nor the designated professionals of each of Petrotech, RPS or NSAI, directly or indirectly owned any of the outstanding Common Shares or other securities of the Company. No director, officer or employee of Petrotech, RPS or NSAI is to be or has been elected, appointed or employed by the Company.

AUDIT COMMITTEE INFORMATION

The Audit Committee’s Charter

The full text of the Company’s Audit Committee Charter is appended hereto as Appendix “A”.

Composition of the Audit Committee and Relevant Education and Experience

The Audit Committee is comprised of three directors of the Company, Dennis Mills, Miguel Rodriguez and Hernan Martinez. All of the members of the audit committee are independent and financially literate for purposes of National Instrument 52-110 – *Audit Committees*. Each has a minimum of 30 years’ business experience and each has held or currently holds executive positions that required oversight and understanding of the accounting principles underlying the preparation of the Company’s financial statements and is aware of the controls and other procedures necessary for financial control and reporting.

Mr. Mills was Vice Chairman and Chief Executive Officer of MI Developments Inc. from 2004 to 2011, and a Vice-President at Magna International from 1984 to 1987. Mr. Mills also served as a Member of Parliament in Canada’s federal parliament from 1988 to 2004. Mr. Mills has extensive experience in reading and evaluating financial statements, and as such, is aware of the controls and other procedures necessary for financial control and reporting.

Mr. Rodriguez holds a doctorate degree in economics from Yale University, and has taught economics at various post-secondary institutions. Mr. Rodriguez has served as the President of the Central Bank of Venezuela, as Minister of Economics and Planning of Venezuela, and headed the negotiations to restructure U.S.\$20 billion of Venezuelan external debt under the Brady Plan. Internationally, he has acted as the Governor to the Interamerican Development Bank and the World Bank, and Governor to the International Monetary Fund.

Mr. Martinez has served as the Colombian Minister of Mines and Energy from July 2006 to August 2010 and he has also served as President of International Colombia Resources Corporation, President of Atunec S.A., President and Chief Executive Officer of Exxon Mobil Colombia S.A., and Manager of Corporate Planning for Esso Colombiana S.A. Mr. Martinez also has extensive experience with public company

boards as he is also a director of CB Gold Inc. and Gran Colombia Gold Corp. as well as Executive Chairman of Pacific Coal.

Audit Committee Oversight

The Audit Committee is mandated to monitor audit functions, the preparation of financial statements, review press releases on financial results, review other regulatory documents as required, and meet with outside auditors independently of management.

Pre-Approval Policies and Procedures

Pacific Rubiales has adopted policies and procedures with respect to the pre-approval of audit and permitted non-audit services by Ernst & Young LLP. The Audit Committee has established a budget for the provision of a specified list of audit and permitted non-audit services that the Audit Committee believes to be typical, recurring or otherwise likely to be provided by Ernst & Young LLP. The budget generally covers the period between the adoption of the budget and the next meeting of the Audit Committee, but at the option of the Audit Committee it may cover a longer or shorter period. The list of services is sufficiently detailed as to the particular services to be provided to ensure that: (i) the Audit Committee knows precisely what services it is being asked to pre-approve; and (ii) it is not necessary for any member of management to make a judgment as to whether a proposed service fits within the pre-approved services.

Subject to the next paragraph, the Audit Committee has delegated authority to the Chair of the Audit Committee (or if the Chair is unavailable, any other member of the Audit Committee) to pre-approve the provision of permitted services by Ernst & Young LLP which have not otherwise been pre-approved by the Audit Committee, including the fees and terms of the proposed services (“**Delegated Authority**”). All pre-approvals granted pursuant to Delegated Authority must be presented by the member(s) who granted the pre-approvals to the full Audit Committee at its next meeting.

All proposed services, or the fees payable in connection with such services, that have not already been pre-approved must be pre-approved by either the Audit Committee or pursuant to Delegated Authority. Prohibited services may not be pre-approved by the Audit Committee or pursuant to Delegated Authority.

External Auditor Service Fees (By Category)

The following are the aggregate fees incurred by the Company for services provided by its external auditors during fiscal 2010 to 2012 (in U.S.\$):

	2010	2011	2012
1. Audit Fees	\$1,963,000	\$2,907,000	\$2,133,000
2. Audit Related Fees ⁽¹⁾	\$348,000	\$325,000	\$256,000
3. Tax Fees ⁽²⁾	\$333,000	\$513,200	\$2,456,000
4. All Other Fees	-	-	-
Total	\$2,644,000	\$3,745,200	\$4,845,000

Notes:

⁽¹⁾ Includes fees related to the fiscal year audit and interim reviews, notwithstanding when the fees were billed or when the services were rendered.

⁽²⁾ Includes fees for services rendered from January through December of the fiscal year, notwithstanding when the fees were billed. Canadian fees for 2010 to 2012 have been converted to U.S.\$ using a December 31, 2011 spot exchange rate. Colombian fees are typically agreed to in U.S.\$ and are billed in Colombian Pesos using the current exchange rate.

ADDITIONAL INFORMATION

Additional information about the Company, including, but not limited to, directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under the Company's stock option plan is contained in the management information circular of the Company dated April 25, 2012. Additional financial information is provided in the audited annual financial statements and management's discussion and analysis for the year ended December 31, 2012 and the unaudited interim financial statements. This information and other pertinent information regarding the Company can be found on SEDAR at www.sedar.com.

APPENDIX “A”

AUDIT COMMITTEE CHARTER

(Initially adopted by the Board of Directors on November 16, 2007)

PACIFIC RUBIALES ENERGY CORP.

(the “Corporation”)

A. PURPOSE

The overall purpose of the Audit Committee (the “**Committee**”) is to ensure that the Corporation’s management has designed and implemented an effective system of internal financial controls, to review and report on the integrity of the consolidated financial statements of the Corporation and related financial information, and to review the Corporation’s compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of financial information. In performing its duties, the committee will maintain effective working relationships with the Board of Directors (the “**Board**”), management, and the external auditors and monitor the independence of those auditors. To perform his or her role effectively, each Committee member will obtain an understanding of the responsibilities of committee membership as well as the Corporation’s business, operations and risks.

B. COMPOSITION, PROCEDURES AND ORGANIZATION

1. The Committee shall consist of at least three members of the Board, each of which shall be an independent director¹.
2. All of the members of the Committee shall be “financially literate”².
3. At least one member of the Committee shall have accounting or related financial management experience.
4. The Board, at its organizational meeting held in conjunction with each annual general meeting of the shareholders, shall appoint the members of the Committee for the ensuing year. Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee on ceasing to be a director. The Board may fill vacancies on the Committee by election from among its number. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its powers so long as a quorum remains in office. Subject to the above, each member of the Committee shall hold office as such until the next annual general meeting of the shareholders after his/her election.

1. “Independent” member of an audit committee means a member who has no direct or indirect material relationship with the Corporation. A “material relationship” means a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a member’s independent judgement.

2. “Financially literate” individual is an individual who has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.

5. Unless the Board shall have appointed a chair of the Committee, the members of the Committee shall elect a chair and a secretary from among their number.
6. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to and to hear each other. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present.
7. The Committee shall have full and unrestricted access to such officers, employees and personnel of the Corporation and to the Corporation's external and internal auditors, and to such information, books, records and facilities of the Corporation, as it considers to be necessary or advisable in order to perform its duties and responsibilities.
8. The Committee shall have the authority to:
 - a) engage independent counsel and other advisors as it determines necessary to carry out its duties and to request any officer or employee of the Corporation or the Corporation's external counsel or auditors to attend a meeting of the Committee;
 - b) set and pay the compensation for any advisors employed by the Committee; and
 - c) designate members of the Committee the authority to grant appropriate pre-approvals required in respect of non-audit services performed by the auditors and the decisions of any member to whom authority is delegated to pre-approve an activity shall be presented to the Committee at its first scheduled meeting following such pre-approval.
9. Meetings of the Committee shall be conducted as follows:
 - a) the Committee shall meet at least four times annually at such times and at such locations as may be requested by the chair of the Committee. The external auditors or any member of the Committee may request a meeting of the Committee;
 - b) the external auditors shall receive notice of and have the right to attend all meetings of the Committee;
 - c) the Committee has the right to determine who shall and shall not be present at any time during a meeting. Management representatives may be invited to attend meetings, provided that the Committee shall hold separate, regularly scheduled meetings at which members of management are not present; and
 - d) the proceedings of all meetings shall be minuted.
10. Each member of the Committee shall be entitled, to the fullest extent permitted by law, to rely on the integrity of those persons and organizations within and outside the Corporation from whom he or she receives information, and the accuracy of the information provided to the Corporation by such other persons or organizations.
11. The internal auditors and the external auditors shall have a direct line of communication to the Committee through its chair and may bypass management if deemed necessary. The Committee, through its chair, may contact directly any employee in the Corporation as it deems necessary,

and any employee may bring before the Committee any matter involving questionable, illegal or improper financial practices or transactions.

12. The members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the Board may from time to time determine.

C. ROLES AND RESPONSIBILITIES

1. The overall duties and responsibilities of the Committee shall be as follows:
 - a) assist the Board in discharging its responsibilities relating to the Corporation's accounting principles, reporting practices and internal controls and its approval of the Corporation's annual and quarterly consolidated financial statements and related financial disclosure;
 - b) establish and maintain a direct line of communication with the Corporation's internal and external auditors and assess their performance;
 - c) ensure that the management of the Corporation has designed, implemented and is maintaining an effective system of internal financial controls; and
 - d) report its deliberations and discussions regularly to the Board, including reporting on the fulfillment of its duties and responsibilities.
2. The duties and responsibilities of the Committee as they relate to the external auditors shall be as follows:
 - a) review the independence and performance of the external auditors and annually recommend to the Board a firm of external auditors to be nominated for the purpose of preparing or issuing an auditors' report or performing other audit, review or attest services for the Corporation;
 - b) review and approve the fee, scope and timing of the audit and other related services rendered by the external auditors;
 - c) review the audit plan of the external auditors prior to the commencement of the audit;
 - d) approve in advance provision by the external auditors of services other than auditing to the Corporation or any of its subsidiaries;
 - e) annually review and discuss all significant relationships the external auditors have with the Corporation that could impair the external auditors' independence;
 - f) review with the external auditors, upon completion of their audit:
 - i. contents of their report;
 - ii. scope and quality of the audit work performed;
 - iii. adequacy of the Corporation's financial and auditing personnel;
 - iv. co-operation received from the Corporation's personnel during the audit;

- v. internal resources used;
 - vi. significant transactions outside of the normal business of the Corporation;
 - vii. significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems; and
 - viii. the non-audit services provided by the external auditors;
- g) discuss with the external auditors the quality and the acceptability of the Corporation's accounting principles;
 - h) implement structures and procedures to ensure that the Committee meets the external auditors on a regular basis in the absence of management; and
 - i) oversee the work of the external auditors, including the resolution of disagreements between management and the external auditor regarding financial reporting.
3. The duties and responsibilities of the Committee as they relate to the Corporation's internal auditors are to:
- a) periodically review the internal audit function with respect to the organization, staffing and effectiveness of the internal audit department;
 - b) review and discuss with the Chief Corporate Auditor (the "CCA") the CCA's annual risk assessment of the adequacy and effectiveness of the Corporation's internal control process, the CCA's report to the Committee on the results of the annual audit plan and the status of the audit issues, and the CCA's recommendations regarding improvements to the Corporation's controls and processes;
 - c) review and approve the internal audit plan;
 - d) review significant internal audit findings and recommendations, and management's response thereto; and
 - e) annually review with the Corporation's legal counsel any legal matters that could have a significant impact on the Corporation's financial statements, the Corporation's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies.
4. The duties and responsibilities of the Committee as they relate to the internal control procedures of the Corporation are to:
- a) review the appropriateness and effectiveness of the Corporation's policies and business practices which impact on the financial integrity of the Corporation, including those relating to internal auditing, insurance, accounting, information services and systems and financial controls, management reporting and risk management;
 - b) review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Corporation; and

- c) periodically review the Corporation's financial and auditing procedures and the extent to which recommendations made by the internal audit staff or by the external auditors have been implemented.
5. The Committee is also charged with the responsibility to:
- a) review the Corporation's quarterly financial statements and related financial information, including the impact of unusual items and changes in accounting principles and estimates and report to the Board with respect thereto before such information is publicly disclosed;
 - b) review and approve the financial sections of:
 - i. the annual report to shareholders;
 - ii. the annual information form, if required;
 - iii. annual and interim management's discussion and analysis;
 - iv. prospectuses;
 - v. news releases discussing financial results of the Corporation; and
 - vi. other public reports of a financial nature requiring approval by the Board,
 - vii. and report to the Board with respect thereto before such information is publicly disclosed;
 - c) ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in item 5(b) above, and periodically assess the adequacy of such procedures;
 - d) review regulatory filings and decisions as they relate to the Corporation's consolidated financial statements;
 - e) review the appropriateness of the policies and procedures used in the preparation of the Corporation's consolidated financial statements and other required disclosure documents, and consider recommendations for any material change to such policies;
 - f) review and report on the integrity of the Corporation's consolidated financial statements;
 - g) establish procedures for:
 - i. the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
 - ii. the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;
 - h) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation;

- i) review with management, the external auditors and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Corporation and the manner in which such matters have been disclosed in the consolidated financial statements;
 - j) review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, tax matters and disclosure of financial information;
 - k) review annually and recommend updates to this Charter of the Committee and receive approval of changes from the Board;
 - l) review the minutes of any audit committee of subsidiary companies of the Corporation; and
 - m) perform other functions consistent with this Charter, the Corporation's articles and governing law, as the Committee or the Board deems necessary or appropriate.
6. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and in accordance with generally accepted accounting principles and applicable rules and regulations, each of which is the responsibility of management and the Corporation's external auditors.

D. CURRENCY OF CHARTER

This charter was last revised and approved by the Board on April 23, 2012.